

Company Registration No. 01055939 (England and Wales)

**SHELBOURNE REYNOLDS ENGINEERING
LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2019**



SHELBOURNE REYNOLDS ENGINEERING LIMITED

COMPANY INFORMATION

Directors	Stanton Holding Limited A Kuznetsov N Gorbunov N Smith A Budakov C Bloomfield S Fairburn L Obratsova
Secretary	C Bloomfield
Company number	01055939
Registered office	Shepherds Grove Industrial Estate Stanton Bury St Edmunds Suffolk IP31 2AR
Auditor	RSM UK Audit LLP Chartered Accountants Abbotsgate House Hollow Road Bury St Edmunds Suffolk IP32 7FA

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present the strategic report for the year ended 30 September 2019.

Fair review of the business and future outlook

Shelbourne Reynolds principal activity is the development and production of agricultural machinery. Its aim is to deliver the best for its customers, employees, community and shareholders. To achieve this, we will continue to follow our strategic plan to offer high quality products and service through our proven business model which is:

- To build an attractive and strong brand through growth and acquisition.
- Offer industry leading products with quality and value.
- To work with the best people.
- Invest in our assets to better protect our long-term cash generation
- Maintain a strong balance sheet

The continued weakness in the pound increased our income from export sales whilst at the same time making *competitive imported products more expensive*. The adverse effect was increased costs of raw material and imported components.

Principal risks and uncertainties

The business is subject to a number of uncertainties including the factors that affect farmers' confidence and financial condition. These factors include demand for agricultural products, world grain stocks, weather conditions, soil conditions, harvest yields, prices for commodities and crop and livestock production expenses, the growth and sustainability of non-food uses for some crops (including ethanol and biodiesel production), land values leading to concerns over land available for farming.

The UK's exit from the European Union may adversely affect business activity and economic conditions. Examples of such impact which remain unclear are the change in Agricultural Subsidies and new or modified trading arrangements such as trade tariffs between the United Kingdom and other countries.

The COVID-19 Pandemic led to the decision to temporarily shut down the factory before Easter 2020 for the welfare and wellbeing of our employees and the wider community. This shutdown period gave us an opportunity to risk assess our premises, working arrangements, welfare facilities and each job role. We first turned our attention to providing parts support only for existing customers and then after implementing these new welfare measures, including temporarily splitting our workforce into shifts, meant our staff could continue to work safely to continue to supply new farm machinery. Over the coming months, we will be working very closely with our employees, customers and supply chain to ensure we can overcome any issues that may arise.

The above risks and uncertainties are largely outside of our direct control but the directors routinely monitor these issues to enable the business to react rapidly to change in the best interests of ourselves, our employees and our customers and have taken actions to protect the business during this uncertain time.

Recruitment and retention

We concentrate on retaining the best people across all roles and disciplines. The manufacturing sector in the UK has been depressed for many years and had started to see small signs of recovery but with lack of support from the government there is still a long way to go to fill the future shortage in skilled labour. Since incorporation the group has regularly taken on apprentices to ensure it has a skilled workforce for the future. We have further strengthened our skills portfolio through recruitment and will ensure that we continue to pay a competitive salary by benchmarking ourselves against the relevant skills in our industry as well as within our local surroundings.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Financial Risk management and objectives and policies

The group uses various financial instruments; these include bank balances and contract finance lease arrangements as well as various items such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments are;

Liquidity risk

The group seeks to manage its financial risk by ensuring it maintains enough liquidity available to meet future needs and short-term flexibility.

Interest rate risk

The group finances its operations through a mixture of bank balances.

Credit risk

The group's principal financial assets are cash and trade debtors. Risks associated with cash are limited as the banks have high credit ratings assigned by international credit rating agencies.

The principal risk lies with trade debtors. This credit risk is managed by setting customer limits based on a combination of payment history and third-party references. These limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The company also uses a leading credit insurance policy to insure against potential payment default.

Foreign Currency risk

The company is exposed to foreign exchange risk. The transactional currency exposure arises from sales and purchases in currencies other than sterling. This currency risk is managed by forecasting cash flow and entering into forward exchange contracts to mitigate the risk of currency fluctuations.

Competitive trade risk

The business mitigates competitive risk by continually developing its products, service response and market prices. Our reputation for manufacturing quality products is a key factor in maintaining and gaining market share. We do this by continually working with our customers to ensure that we meet their needs and expectations.

Key performance indicators

	2019	2018
Turnover	£25,776,324	£20,993,049
Operating profit	£7,667,929	£4,688,405
Net assets	£19,154,711	£15,805,970

These KPI's are used by the group to monitor and drive the business forward.

Turnover rose in the year from £21.0m to £25.8m. Overhead and cost controls were consistent and steady but the increased export sales combined with the weaker pound saw operating profit increase from £4.7m to £7.7m.

As a large local employer, we are committed to playing a responsible role in our local community and take our responsibilities seriously to make and keep a good working environment for our team. We also accept that it is our duty to minimise the impact our business has on the wider environment. Measures taken daily is to reduce the use of paper, plastics and waste. Where this is not possible we recycle all wastepaper, cardboard, plastics and scrap metal. We continue to invest money in energy efficient lighting and equipment and encourage our staff to suggest eco-friendly ideas. Our aim is to try to totally eliminate waste going to landfill and will continue to ensure investment is made in order to achieve this goal.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

On behalf of the board



C Bloomfield

Director

Date: 20 July 2020

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their annual report and financial statements for the year ended 30 September 2019.

Principal activities

The company's principal activity during the year continued to be the manufacture and sale of agricultural machinery and parts. The company operates from premises in Stanton, Suffolk and has a trading subsidiary, Shelbourne Reynolds, Inc. which operates from premises in Colby, Kansas.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Stanton Holding Limited
A Kuznetsov
N Gorbunov
N Smith
A Budakov
C Bloomfield
S Fairburn
L Obratsova

Results and dividends

The results for the year are set out on page 9. Ordinary dividends were paid amounting to £3,000,000. The directors do not recommend payment of a further dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Research and development

The company has a policy of continued development of its current products and also for the design and development of new products. These costs are charged to the profit and loss account and are disclosed in note 6.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Information in the Strategic Report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

On behalf of the board



C Bloomfield
Director

Date: 20 July 2020

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHELBOURNE REYNOLDS ENGINEERING LIMITED

Opinion

We have audited the financial statements of Shelbourne Reynolds Engineering Limited (the 'company') for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHELBOURNE REYNOLDS ENGINEERING LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.



Claire Sutherland (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk, IP32 7FA

25 August 2020

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	25,776,324	20,993,049
Cost of sales		(15,369,774)	(13,269,192)
Gross profit		10,406,550	7,723,857
Administrative expenses		(2,738,621)	(3,049,707)
Other operating income		-	14,255
Operating profit	6	7,667,929	4,688,405
Income from shares in group undertakings	7	-	593,855
Other interest receivable and similar income	7	42,979	23,174
Interest payable and similar expenses	8	-	(884)
Profit before taxation		7,710,908	5,304,550
Tax on profit	9	(1,362,167)	(876,178)
Profit for the financial year		6,348,741	4,428,372

SHELBOURNE REYNOLDS ENGINEERING LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	11	2,848,524		3,108,344	
Investments	12	16,258		16,258	
		<u>2,864,782</u>		<u>3,124,602</u>	
Current assets					
Stocks	14	5,439,273		4,804,889	
Debtors	15	4,381,302		3,170,418	
Cash at bank and in hand		9,305,531		6,898,112	
		<u>19,126,106</u>		<u>14,873,419</u>	
Creditors: amounts falling due within one year	16	(2,620,408)		(1,962,438)	
Net current assets		<u>16,505,698</u>		<u>12,910,981</u>	
Total assets less current liabilities		<u>19,370,480</u>		<u>16,035,583</u>	
Provisions for liabilities	17	(215,769)		(229,613)	
Net assets		<u>19,154,711</u>		<u>15,805,970</u>	
Capital and reserves					
Called up share capital	20	298,278		298,278	
Share premium account	21	470,235		470,235	
Profit and loss reserves	21	18,386,198		15,037,457	
Total equity		<u>19,154,711</u>		<u>15,805,970</u>	

The financial statements were approved by the board of directors and authorised for issue on 20 July 2020 and are signed on its behalf by:



C Bloomfield
Director

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 October 2017		298,278	470,235	12,909,085	13,677,598
Year ended 30 September 2018:					
Profit and total comprehensive income for the year		-	-	4,428,372	4,428,372
Dividends	10	-	-	(2,300,000)	(2,300,000)
Balance at 30 September 2018		298,278	470,235	15,037,457	15,805,970
Year ended 30 September 2019:					
Profit and total comprehensive income for the year		-	-	6,348,741	6,348,741
Dividends	10	-	-	(3,000,000)	(3,000,000)
Balance at 30 September 2019		298,278	470,235	18,386,198	19,154,711

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies

Company information

Shelbourne Reynolds Engineering Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Shepherds Grove Industrial Estate, Stanton, Bury St Edmunds, Suffolk, IP31 2AR.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements have been prepared with early application of the FRS 102 Triennial Review 2017 amendments in full.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Interest income/expense and net gains/losses for financial instruments not measured at fair value, amount of any impairment loss, risks arising from financial instruments, and transferred financial assets not derecognised, loan defaults or breaches, and descriptions of hedging relationships.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Shelbourne Reynolds Engineering Limited is a wholly owned subsidiary of Stanton Holding Limited and the results of Shelbourne Reynolds Engineering Limited are included in the consolidated financial statements of Stanton Holding Limited which are available from 80 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1QB.

The consolidated financial statements of Stanton Holding Limited are the largest and smallest group for which consolidated financial statements are prepared which include Shelbourne Reynolds Engineering Limited.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Going concern

At 30th September 2019 the going concern basis of accounting was appropriate as no material uncertainties existed. Since early 2020, the outbreak of COVID-19 has caused severe disruption to the global economy and looks very likely that it will continue to do so. The Company has performed financial modelling to consider likely impacts of the COVID-19 outbreak on its forecast position and financial resilience. There are no issues identified that would give rise to a going concern risk. Whilst recognising the challenges COVID-19 presents, the Company has substantial cash reserves and unencumbered assets and therefore still considers that there should be no doubt on its ability to continue as a going concern.

Turnover

Turnover represents amounts received or receivable during the year for goods and services provided in the ordinary nature of the business, exclusive of value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Land and buildings freehold	over 40 years
Plant and machinery	over 3 to 8 years
Office equipment	over 3 to 5 years
Motor vehicles	over 3 to 5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets include trade and other debtors and cash and bank balances.

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, include trade and other creditors, amounts due to group undertakings and accruals.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxation profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provision is made for liabilities in respect of specific warranty claims.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Retirement benefits

The company makes contributions into individual personal pension schemes of certain employees and directors. The contributions to the schemes are charged to profit or loss in the period in which they become payable.

Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Warranty provisions

Provisions for warranty claims are calculated on an individual product line basis and recognised when the company becomes aware of a potential defect. The calculation requires judgements to be made, including a forecast of the number of products that are affected, the likelihood of claims being made and the costs associated with rectifying the defect.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Labour rates

Work in progress is sensitive to changes in the estimated general labour rate of the workforce. This labour rate is amended to reflect the effects of variations in the workforce, working hours, production costs and budgeted hours.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Turnover from principal activity	25,776,324	20,993,049
	<u> </u>	<u> </u>
	2019 £	2018 £
Other revenue		
Interest income	42,979	23,174
Dividends received	-	593,855
	<u> </u>	<u> </u>

A geographical analysis of turnover has not been disclosed as, in the opinion of the directors, it would be seriously prejudicial to the company's interests.

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Office and management	49	44
Manufacturing	97	88
	<u> </u>	<u> </u>
	146	132
	<u> </u>	<u> </u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

4 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,700,013	4,522,178
Social security costs	471,547	466,176
Pension costs	74,950	42,936
	<u>5,246,510</u>	<u>5,031,290</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	676,653	822,130
Company pension contributions to defined contribution schemes	2,122	1,198
	<u>668,199</u>	<u>823,328</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	<u>198,770</u>	<u>285,414</u>

6 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(1,223,170)	(881,376)
Research and development costs	96,126	46,480
Fees payable to the company's auditor for the audit of the company's financial statements	23,500	23,500
Depreciation of owned tangible fixed assets	425,345	422,567
Profit on disposal of tangible fixed assets	(3,487)	(14,799)
Operating lease charges	<u>82,448</u>	<u>79,508</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

7 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	42,979	23,058
Other interest income	-	116
Total interest revenue	42,979	23,174
Income from fixed asset investments		
Income from shares in group undertakings	-	593,855
Total income	42,979	617,029
Disclosed on the income statement as follows:		
Income from shares in group undertakings	-	593,855
Other interest receivable and similar income	42,979	23,174

8 Interest payable and similar expenses

	2019 £	2018 £
Other interest	-	884

9 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	1,465,955	910,240
Adjustments in respect of prior periods	(89,856)	(41,294)
Group tax relief	6,323	-
Total current tax	1,382,422	868,946
Deferred tax		
Origination and reversal of timing differences	(20,297)	7,232
Adjustment in respect of prior periods	42	-
Total deferred tax	(20,255)	7,232
Total tax charge	1,362,167	876,178

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

9 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	7,710,908	5,304,550
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,465,073	1,007,865
Tax effect of expenses that are not deductible in determining taxable profit	28,247	17,988
Tax effect of income not taxable in determining taxable profit	(51)	(2,708)
Adjustments in respect of prior years	(89,856)	(41,294)
Depreciation on assets not qualifying for tax allowances	8,159	8,013
Research and development tax credit	(52,062)	-
Deferred tax adjustments in respect of prior years	42	-
Adjust deferred tax to average rate	2,387	(854)
Adjustments to brought forward values	228	(112,832)
Taxation charge for the year	1,362,167	876,178

10 Dividends

	2019 £	2018 £
Final paid	3,000,000	2,300,000

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

11 Tangible fixed assets

	Land and buildings freehold	Plant and machinery	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2018	2,189,143	3,828,647	403,002	109,748	6,530,540
Additions	50,658	82,884	25,828	6,155	165,525
Disposals	-	(2,200)	-	(2,350)	(4,550)
At 30 September 2019	2,239,801	3,909,331	428,830	113,553	6,691,515
Depreciation and impairment					
At 1 October 2018	591,259	2,453,945	331,594	45,398	3,422,196
Depreciation charged in the year	47,389	325,613	29,848	22,495	425,345
Eliminated in respect of disposals	-	(2,200)	-	(2,350)	(4,550)
At 30 September 2019	638,648	2,777,358	361,442	65,543	3,842,991
Carrying amount					
At 30 September 2019	1,601,153	1,131,973	67,388	48,010	2,848,524
At 30 September 2018	1,597,884	1,374,702	71,408	64,350	3,108,344

Freehold land and buildings includes £343,320 (2018: £303,320) of land which is not depreciated by the company.

12 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	13	16,258	16,258

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 October 2018 & 30 September 2019	16,258
Carrying amount	
At 30 September 2019	16,258
At 30 September 2018	16,258

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

13 Subsidiaries

These financial statements are separate company financial statements for Shelbourne Reynolds Engineering Limited.

Shelbourne Reynolds Engineering Limited owns 100% of the 25,000 common \$1 stock of Shelbourne Reynolds, Inc., a company registered in the United States of America, in the state of Kansas. Its principal activity during the year was the distribution, sale and servicing of Shelbourne Reynolds Engineering Limited products in the USA, and the company's registered office is 1250 South Country, Club Drive, Colby, Kansas, 67701, USA.

The aggregate amount of capital and reserves of Shelbourne Reynolds Inc. as at 30 September 2019 was \$1,754,850 (2018: \$1,293,530). The profit for the year was \$467,024 (2018: \$183,044).

14 Stocks

	2019 £	2018 £
Raw materials and consumables	383,982	345,673
Work in progress	4,146,360	3,731,189
Finished goods and goods for resale	908,931	728,027
	<u>5,439,273</u>	<u>4,804,889</u>

15 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	4,147,931	2,087,523
Amounts owed by group undertakings	-	893,669
Other debtors	47,572	14,255
Prepayments and accrued income	185,799	174,971
	<u>4,381,302</u>	<u>3,170,418</u>

16 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,192,825	1,110,210
Amounts owed to group undertakings	470,611	-
Corporation tax	691,178	468,945
Other taxation and social security	145,374	266,862
Other creditors	59,914	62,886
Accruals and deferred income	60,506	53,535
	<u>2,620,408</u>	<u>1,962,438</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

17 Provisions for liabilities

	Notes	2019 £	2018 £
Warranty claims		105,351	98,940
Deferred tax liabilities	18	110,418	130,673
		<u>215,769</u>	<u>229,613</u>

Movements on provisions apart from deferred tax liabilities:

	Warranty claims £
At 1 October 2018	98,940
Additional provisions in the year	105,351
Utilisation of provision	(98,940)
At 30 September 2019	<u>105,351</u>

A provision of £105,351 (2018: £98,940) has been recognised for expected warranty claims on goods sold during the last 2 years. It is expected that most of this expenditure will be incurred in the next financial year.

The warranty provision represents the company's liability in respect of warranties granted on products. The amount provided represents management's best estimate of the future cash outflows in respect of those products still within the warranty period at the year end. It is based on past experience and costs incurred which are monitored on a regular basis.

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	111,046	131,078
Other timing differences	(628)	(405)
	<u>110,418</u>	<u>130,673</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

18 Deferred taxation (Continued)

	2019 £
Movements in the year:	
Liability at 1 October 2018	130,673
Credit to profit or loss	(20,255)
	<u>110,418</u>
Liability at 30 September 2019	<u>110,418</u>

19 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	74,950	42,936
	<u>74,950</u>	<u>42,936</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions totalling £8,629 (2018: £5,239) were payable to the fund at the year end and are included in creditors.

20 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
298,278 Ordinary shares of £1 each	298,278	298,278
	<u>298,278</u>	<u>298,278</u>

21 Reserves

Share premium

Consideration received for shares issued above their normal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2019

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	55,226	48,819
Between one and five years	95,079	32,455
	<u>150,305</u>	<u>81,274</u>

23 Events after the reporting date

The COVID-19 Pandemic led to the decision to temporarily shut down the factory before Easter 2020 for the welfare and wellbeing of our employees and the wider community. This shutdown period gave us an opportunity to risk assess our premises, working arrangements, welfare facilities and each job role. We first turned our attention to providing parts support only for existing customers and then after implementing these new welfare measures, including temporarily splitting our workforce into shifts, meant our staff could continue to work safely to continue to supply new farm machinery. Over the coming months, we will be working very closely with our employees, customers and supply chain to ensure we can overcome any issues that may arise.

Since early 2020, the outbreak of COVID-19 has caused severe disruption to the global economy and looks very likely that it will continue to do so. The Company has performed financial modelling to consider likely impacts of the COVID-19 outbreak on its forecast position and financial resilience. There are no issues identified that would give rise to a going concern risk. Whilst recognising the challenges COVID-19 presents, the Company has substantial cash reserves and unencumbered assets and therefore still considers that there should be no doubt on its ability to continue as a going concern.

24 Ultimate controlling party

Stanton Holding Limited is the immediate parent, and is the smallest and largest company for which consolidated accounts including Shelbourne Reynolds Limited are prepared. The consolidated accounts of Stanton Holding Limited are available from its registered office, 80 Guildhall Street, Bury St. Edmunds, Suffolk, IP33 1QB.

The ultimate controlling party is Daniel Greenburg, by virtue of being the ultimate beneficial owner of Apogee Asset Management Limited which is the sole trustee of the discretionary trust which holds the shares in the ultimate parent company, PRP Limited, a company incorporated in the Marshall Islands.