

Company Registration No. 01055939 (England and Wales)

**SHELBOURNE REYNOLDS ENGINEERING
LIMITED**

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 2017**

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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 2017

The directors present the strategic report for the year ended 30 September 2017.

Fair review of the business and future outlook

Shelbourne Reynolds' vision is to be the best in the eyes of our customer which means offering them industry-leading value, service and quality products. With the challenge of imported competition it means we have to exceed our customers' expectations. In order to do this we have to invest more on improving the service and quality of our products in line with our aim to become the best agricultural machinery manufacturers in the UK.

This means building a business which is best for our customers, our employees, our community and our shareholders. We will achieve this aim principally through the continued delivery of our strategic priorities which will ensure we offer high quality products and service, through our proven business model where we aim to continue delivering long-term growth and returns to our shareholders.

Our business model is:

- To build an attractive and strong brand through growth and acquisition.
- Industry leading products offering technological advancement, quality and value.
- Work with the best people.
- Invest in our assets to better protect our long-term cash generation.
- Maintain a strong balance sheet.

Dairy farmers producing milk had faced a challenging year in 2016 but by the end of 2016 and into 2017 the milk commodity price steadily increased to a profitable level of 28 pence per litre although unfortunately it didn't extend much beyond this level. The result on sales was an improvement on 2016 and also up on forecast which was in line with the low commodity price at the end of the previous year.

The continuing fall in grain commodity price has resulted in decreasing acreage in key markets and larger than normal dealer inventory of combine harvesters and headers. As grain prices have fallen so have combine sales and long term trends indicate weaker sales again in 2018. We had forecast sales in 2017 to fall against the previous year and our expectations were proven when budget was met. We expect 2018 to be down again whilst the dealer inventory is cleared down. Grain stocks are predicted to diminish due to farmers switching from grain to other cash crops. This leads us to believe that we will see a return to sales growth in our current markets in 2019. We aim to achieve further growth in the next couple of years but this will very much depend on how successful we are in new and developing markets and the political situation around some of those markets.

Groundcare Equipment is driven by farm and local government incomes as well as environmental regulatory policy. Shelbourne Reynolds market share is still relatively small compared to the competition but our strategy to deliver a quality product with the right level of support has so far seen us achieve consistent sales growth year on year. In 2017 we achieved higher growth than forecast and as our brand and reputation becomes well recognised in this sector then we believe we can successfully build on that.

Brexit in the short term has helped the profitability of the business due to a weaker pound. This has also meant more difficult trading conditions for imported competitive products. We counter some of this positivity with the fact that we are expecting future export opportunities to become more difficult as they could be governed by political decisions and negotiations.

The world's population is growing at just over 1% each year. Global prosperity also rises each year which has led to a more expensive meat and dairy based diet. Industry experts predict global food prices will hold up and start to grow again as the grain commodity prices rise.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

As a result of the above factors, turnover for the year fell from £21.7m to £18.6m. With lower margins due to competitive pricing and relatively stable overheads, operating profit reduced from £6.4m to £4.5m. Following another year of profitable trading, the company's financial position remains solid, with net assets of £13.7m at the year end, and with strong trading cashflows during the year.

As a large local employer we are committed to playing a responsible role in our local community and regularly contribute to local community projects. We take our responsibilities seriously for making and keeping a good working environment for our team. We also accept our duty to minimise the impact the business has on the wider environment. Recent projects have included introducing a Heat Management System, installing LED lights throughout the whole premises, replacing part of the roof which has an improved level of insulation. Day to day we recycle all waste paper, cardboard, plastics and scrap metal. Our aim is to decrease the amount going to landfill year on year until there is zero waste.

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) and land values leading to concerns over land available for farming.

The withdrawal of the United Kingdom from the European Union and the perceptions as to the impact of the withdrawal may adversely affect business activity, economic conditions in the United Kingdom, the European Union and elsewhere. The economic conditions and outlook could be further adversely affected by the uncertainty concerning the terms of the exit, including new or modified trading arrangements such as trade tariffs between the United Kingdom and other countries.

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 and our customers.

The business environment we operate in is competitive. This results in pressure on price, margins, and the risk that our customer's expectations will not be met. In order to mitigate this risk we continually monitor market prices on an on-going basis. We regularly discuss with and analyse our customer's expectations and requirements to ensure their needs are being met.

Recruitment and retention

We currently employ 146 people across the group and as they are our biggest asset we concentrate on retaining the best people across all roles and disciplines. The manufacturing sector in the UK has been depressed for many years in terms of development and because of this we developed our own strategy to replenish our own skilled labour. For the past 40 years we have regularly taken on apprentices. This has been a successful strategy to ensure we will have a skilled workforce for the future and are extremely proud of our staff retention track record. Those apprentices from the past, present and future have and will play a vital part in our skilled workforce and management team. We will also look to strengthen our skills portfolio through recruitment. We ensure that we are paying a competitive salary by benchmarking ourselves against skills in our industry but also our local surroundings.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Financial risk management and objectives and policies

The company uses various financial instruments; these include bank balances, other loans, finance lease arrangements and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk.

Liquidity risk

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

Interest rate risk

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

Credit risk

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

The principle 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.

Currency risk

The company is exposed to transaction foreign exchange risk. The currency risk is managed by forecasting cash flow for the currencies of US Dollar and Euro. Forward foreign exchange contracts are used to mitigate the impact of currency fluctuations.

Key performance indicators

	2017	2016
	£	£
Turnover	18,557,926	21,694,429
Operating profit	4,528,325	6,397,825
Net assets	13,677,598	15,467,421

These KPI's are used by the company to monitor and drive the business forward. The background to changes in our KPI's are explained in the review of the business.

On behalf of the board



C Bloomfield

Director

Date: 30 May 2018

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their annual report and financial statements for the year ended 30 September 2017.

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 and an overseas branch in Moscow, Russia. The Russian branch was closed in the year.

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

(Appointed 26 October 2016)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £5,400,000. The directors do not recommend payment of a further dividend.

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

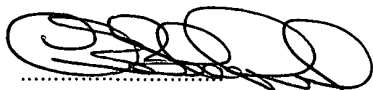
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves 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 2017

On behalf of the board



C Bloomfield
Director

Date: 30 MAY 2018

SHELBOURNE REYNOLDS ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2017

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;
- 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 MEMBER 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 2017 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 MEMBER 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.

RSM UK Audit LLP

Peter Howard (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
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SHELBOURNE REYNOLDS ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	18,557,926	21,694,429
Cost of sales		(11,495,963)	(12,819,421)
Gross profit		7,061,963	8,875,008
Administrative expenses		(2,533,638)	(2,477,183)
Operating profit	6	4,528,325	6,397,825
Income from shares in group undertakings	7	-	768,856
Other interest receivable and similar income	7	8,089	10,874
Interest payable and similar expenses	8	(13,391)	(127,616)
Other gains and losses	9	-	98,299
Profit before taxation		4,523,023	7,148,238
Tax on profit	10	(912,846)	(1,264,441)
Profit for the financial year		3,610,177	5,883,797

SHELBOURNE REYNOLDS ENGINEERING LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 SEPTEMBER 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	12	2,574,588		2,473,668	
Investments	13	16,258		16,258	
		<u>2,590,846</u>		<u>2,489,926</u>	
Current assets					
Stocks	15	3,760,385		3,168,317	
Debtors	16	3,381,409		2,858,053	
Cash at bank and in hand		6,253,997		8,571,135	
		<u>13,395,791</u>		<u>14,597,505</u>	
Creditors: amounts falling due within one year	17	<u>(2,160,598)</u>		<u>(1,433,339)</u>	
Net current assets		<u>11,235,193</u>		<u>13,164,166</u>	
Total assets less current liabilities		<u>13,826,039</u>		<u>15,654,092</u>	
Provisions for liabilities	18	<u>(148,441)</u>		<u>(186,671)</u>	
Net assets		<u>13,677,598</u>		<u>15,467,421</u>	
Capital and reserves					
Called up share capital	21	298,278		298,278	
Share premium account	22	470,235		470,235	
Profit and loss reserves	22	12,909,085		14,698,908	
Total equity		<u>13,677,598</u>		<u>15,467,421</u>	

The financial statements were approved by the board of directors and authorised for issue on 24 MAY 2018 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 2017

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 October 2015		298,278	470,235	11,815,111	12,583,624
Year ended 30 September 2016:					
Profit and total comprehensive income for the year		-	-	5,883,797	5,883,797
Dividends	11	-	-	(3,000,000)	(3,000,000)
Balance at 30 September 2016		298,278	470,235	14,698,908	15,467,421
Year ended 30 September 2017:					
Profit and total comprehensive income for the year		-	-	3,610,177	3,610,177
Dividends	11	-	-	(5,400,000)	(5,400,000)
Balance at 30 September 2017		298,278	470,235	12,909,085	13,677,598

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 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 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- 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' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values;
- 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.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

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.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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.

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.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

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.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

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

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 period.

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.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1 Accounting policies (Continued)

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.

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 group 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 2017

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:

	2017 £	2016 £
Turnover analysed by class of business		
Turnover from principal activity	18,557,926	21,694,429
	<u> </u>	<u> </u>
	2017 £	2016 £
Other revenue		
Interest income	8,089	10,874
Dividends received	-	768,856
	<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:

	2017 Number	2016 Number
Office and management	45	43
Manufacturing	82	92
	<u>127</u>	<u>135</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

4 Employees (Continued)

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	3,955,636	4,829,063
Social security costs	400,422	657,680
Pension costs	25,420	26,321
	<u>4,381,478</u>	<u>5,513,064</u>

5 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	588,411	1,738,981
Company pension contributions to defined contribution schemes	763	737
	<u>589,174</u>	<u>1,739,718</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

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

	2017 £	2016 £
Remuneration for qualifying services	171,599	859,254
Company pension contributions to defined contribution schemes	381	-
	<u>171,980</u>	<u>859,254</u>

6 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(1,227,178)	(1,902,063)
Research and development costs	52,632	36,208
Fees payable to the company's auditor for the audit of the company's financial statements	23,500	23,645
Depreciation of owned tangible fixed assets	388,972	358,303
Loss/(profit) on disposal of tangible fixed assets	18,102	(7,000)
Cost of stocks recognised as an expense	6,153,208	6,710,240
Operating lease charges	84,189	89,330
	<u>6,600,423</u>	<u>6,502,463</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

7 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	6,546	10,874
Other interest income	1,543	-
Total interest revenue	8,089	10,874
Income from fixed asset investments		
Income from shares in group undertakings	-	768,856
Total income	8,089	779,730
Disclosed on the income statement as follows:		
Income from shares in group undertakings	-	768,856
Other interest receivable and similar income	8,089	10,874

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and loans	13,187	118,346
Interest on finance leases and hire purchase contracts	-	5,776
Other interest	204	3,494
	13,391	127,616

9 Other gains and losses

	2017 £	2016 £
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	-	98,299

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	920,242	1,247,138
Adjustments in respect of prior periods	(10,526)	356
Group tax relief	7,340	4,279
Total current tax	917,056	1,251,773

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

10 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	(4,212)	29,916
Changes in tax rates	-	(17,248)
Adjustment in respect of prior periods	2	-
Total deferred tax	<u>(4,210)</u>	<u>12,668</u>
Total tax charge	<u>912,846</u>	<u>1,264,441</u>

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:

	2017 £	2016 £
Profit before taxation	<u>4,523,023</u>	<u>7,148,238</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.50% (2016: 20.00%)	881,989	1,429,648
Tax effect of expenses that are not deductible in determining taxable profit	33,233	3,822
Tax effect of income not taxable in determining taxable profit	-	(153,771)
Adjustments in respect of prior years	(10,526)	356
Depreciation on assets not qualifying for tax allowances	7,530	6,785
Adjust deferred tax to average rate	620	(22,528)
Adjustments to brought forward values	-	129
Taxation charge for the year	<u>912,846</u>	<u>1,264,441</u>

11 Dividends

	2017 £	2016 £
Final paid	<u>5,400,000</u>	<u>3,000,000</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

12 Tangible fixed assets

	Land and buildings freehold	Plant and machinery	Office equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2016	1,781,199	3,078,666	433,809	97,363	5,391,037
Additions	-	456,692	27,784	30,180	514,656
Disposals	-	(112,415)	(84,076)	(24,295)	(220,786)
At 30 September 2017	1,781,199	3,422,943	377,517	103,248	5,684,907
Depreciation and impairment					
At 1 October 2016	509,317	2,008,514	358,617	40,921	2,917,369
Depreciation charged in the year	36,948	293,886	41,596	16,542	388,972
Eliminated in respect of disposals	-	(101,157)	(70,570)	(24,295)	(196,022)
At 30 September 2017	546,265	2,201,243	329,643	33,168	3,110,319
Carrying amount					
At 30 September 2017	1,234,934	1,221,700	47,874	70,080	2,574,588
At 30 September 2016	1,271,882	1,070,152	75,192	56,442	2,473,668

Freehold land and buildings includes £303,320 (2016: £303,320) of land which is not depreciated by the company.

13 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	14	16,258	16,258

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

14 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.

In addition, Shelbourne Reynolds Engineering Limited owns 100% of the 25,000 €1 stock of Shelbourne Europe GmbH, a company registered in Germany. The company is dormant and its registered office is Rathausmarkt 5, 20095 Hamburg, Germany.

The aggregate amount of capital and reserves of Shelbourne Reynolds Inc. as at 30 September 2017 was \$1,910,486 (2016: \$2,306,932). The profit for the year was \$245,738 (2016: \$1,075,899). The aggregate amount of capital and reserves of Shelbourne Europe GmbH was €nil, with no profit or loss for both 2017 and 2016.

15 Stocks

	2017 £	2016 £
Raw materials and consumables	211,353	193,560
Work in progress	2,811,941	2,139,083
Finished goods and goods for resale	737,091	835,674
	<u>3,760,385</u>	<u>3,168,317</u>

16 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	3,124,388	2,715,538
Amounts owed by group undertakings	36,839	7,088
Other debtors	54,250	160
Prepayments and accrued income	165,932	135,267
	<u>3,381,409</u>	<u>2,858,053</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

17 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	1,318,474	676,010
Amounts due to group undertakings	13,562	26,197
Corporation tax	604,630	496,457
Other taxation and social security	104,252	135,350
Other creditors	34,057	2,386
Accruals and deferred income	85,623	96,939
	<u>2,160,598</u>	<u>1,433,339</u>

18 Provisions for liabilities

	Notes	2017 £	2016 £
Warranty claims		25,000	59,020
Deferred tax liabilities	19	123,441	127,651
		<u>148,441</u>	<u>186,671</u>

Movements on provisions apart from deferred tax liabilities:

	Warranty claims £
At 1 October 2016	59,020
Utilisation of provision	(34,020)
At 30 September 2017	<u>25,000</u>

A provision of £25,000 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.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

19 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 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	123,537	127,878
Other timing differences	(96)	(227)
	<u>123,441</u>	<u>127,651</u>
Movements in the year:		2017 £
Liability at 1 October 2016		127,651
Credit to profit or loss		(4,210)
Liability at 30 September 2017		<u>123,441</u>

20 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>25,420</u>	<u>26,321</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.

21 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
298,278 Ordinary shares of £1 each	<u>298,278</u>	<u>298,278</u>
	<u>298,278</u>	<u>298,278</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2017

22 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.

23 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:

	2017	2016
	£	£
Within one year	40,212	47,950
Between one and five years	25,628	44,473
	<u>65,840</u>	<u>92,423</u>

24 Controlling party

The immediate parent company is Stanton Holding Limited, a company incorporated in England and Wales.

The ultimate controlling party is Daniel Greenburg, by virtue of being the sole trustee of the discretionary trust which holds the shares in the ultimate parent company, Inter Agro Tech Limited, a company incorporated in the British Virgin Islands.