

Shelbourne Reynolds Engineering Limited**Report and Financial Statements****Year Ended****31 October 1998**

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Annual report and financial statements for the year ended 31 October 1998

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Directors

KH Shelbourne
R Shelbourne
BA Cutts
E Taylor
CJ Bloomfield

Secretary and registered office

R Shelbourne, Shepherds Grove, Stanton, Bury St Edmunds, Suffolk, IP31 2AR

Company number

1055939

Auditors

BDO Stoy Hayward, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Report of the directors for the year ended 31 October 1998

The directors present their report together with the audited financial statements for the year ended 31 October 1998.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

During the year an ordinary dividend amounting to £160,000 was paid. The directors do not recommend the payment of a final dividend.

Principal activity, trading review and future developments

The principal activity of the company in the year was the manufacture of agricultural machinery.

The directors consider the results for the year to be satisfactory and expect the company to remain profitable for the coming year.

There have been no events since the balance sheet date which materially affect the position of the company.

Charitable and political contributions

During the year the company made charitable contributions of £749.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	£1 ordinary shares fully paid	
	1998	1997
KH Shelbourne	114,000	114,000
R Shelbourne	91,714	91,714
BA Cutts	-	-
E Taylor	3,047	3,047
CJ Bloomfield	-	-

Year 2000

The company is currently assessing the impact of the Year 2000 issue on its business and operations. The costs of addressing these issues have not yet been quantified, but they are not anticipated to be significant.

European monetary union

The advent of European monetary union and the potential impact upon the company of the single currency, the Euro, continues to be reviewed and monitored.

Research and development

The company has the policy of continued development of its products and design and development of new products. The costs of this are charged to the profit and loss account and are included at note 5.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Report of the directors for the year ended 31 October 1998 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

BDO Stoy Hayward were appointed as auditors of the company on 31 July 1998. They have expressed their willingness to continue in office and resolutions to confirm their original appointment and to re-appoint them will be proposed at the annual general meeting.

By order of the Board



R Shelbourne
Secretary

14 May 1999

SHELBOURNE REYNOLDS ENGINEERING LIMITED**Report of the auditors**

To the shareholders of Shelbourne Reynolds Engineering Limited

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
Bury St Edmunds

14 May 1999

SHELBOURNE REYNOLDS ENGINEERING LIMITED**Profit and loss account for the year ended 31 October 1998**

	Note	1998 £	1997 £
Turnover	2	7,818,363	8,590,426
Cost of sales		(5,484,510)	(5,948,545)
Gross profit		2,333,853	2,641,881
Administrative expenses		(1,706,857)	(1,718,485)
Operating profit	5	626,996	923,396
Interest receivable		25,718	23,141
Interest payable and similar charges	6	(47,943)	(33,682)
Profit on ordinary activities before taxation		604,771	912,855
Taxation on profit on ordinary activities	7	(236,633)	(286,109)
Profit on ordinary activities after taxation		368,138	626,746
Dividends	8	(160,000)	(225,000)
Retained profit for the year	17	208,138	401,746

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Note of historical cost profit and losses for the year ended 31 October 1998

	1998 £	1997 £
Reported profit on ordinary activities before taxation	604,771	912,855
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	1,972	1,972
Historical cost profit on ordinary activities before taxation	<u>606,743</u>	<u>914,827</u>
Historical cost profit for the year retained after taxation and dividends	<u>210,110</u>	<u>403,718</u>

The notes on pages 8 to 16 form part of these financial statements.

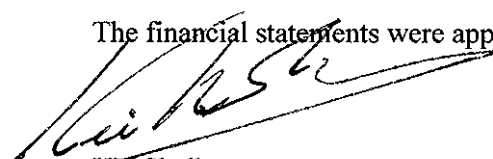
SHELBOURNE REYNOLDS ENGINEERING LIMITED


Balance sheet at 31 October 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	9	2,054,318	1,832,493
Investments	10	16,258	16,258
		<u>2,070,576</u>	<u>1,848,751</u>
Current assets			
Stocks	11	1,454,539	1,204,064
Debtors	12	826,799	936,335
Cash at bank and in hand		258,263	630,452
		<u>2,539,601</u>	<u>2,770,851</u>
Creditors: amounts falling due within one year	13	<u>(1,357,989)</u>	<u>(1,839,984)</u>
Net current assets		<u>1,181,612</u>	<u>930,867</u>
Total assets less current liabilities		<u>3,252,188</u>	<u>2,779,618</u>
Creditors: amounts falling due after more than one year	14	(333,958)	(155,176)
Provision for liabilities and charges			
Deferred taxation	15	(85,650)	-
Net assets		<u>2,832,580</u>	<u>2,624,442</u>
Capital and reserves			
Called up share capital	16	280,380	280,380
Share premium account		407,414	407,414
Revaluation reserve	17	97,480	133,361
Profit and loss account	17	2,047,306	1,803,287
Shareholders' funds	18	<u>2,832,580</u>	<u>2,624,442</u>

All shareholders' funds relate to equity interests.

The financial statements were approved by the Board on 14 May 1999


KH Shelbourne
Director


R Shelbourne
Director

The notes on pages 8 to 16 form part of these financial statements.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Cash flow statement for the year ended 31 October 1998

	Note	1998 £	1997 £
Net cash inflow from operating activities	21	450,936	853,838
Returns on investments and servicing of finance			
Interest received		24,397	23,141
Interest paid		(41,429)	(33,682)
		(17,032)	(10,541)
Taxation			
Corporation tax paid		(335,558)	(134,439)
Capital expenditure			
Payments to acquire tangible fixed assets		(144,425)	(64,021)
Receipts from sales of tangible fixed assets		4,800	60,845
		(139,625)	(3,176)
		(41,279)	705,682
Equity dividends paid		(385,000)	-
Cash (outflow)/inflow before use of liquid resources and financing		(426,279)	705,682
Financing			
Issue of share capital		-	3,047
Share premium on shares issued		-	5,850
Loans received	23	269,352	-
Loans repaid	23	(27,878)	(200,000)
Capital element of hire purchase contracts and finance lease rentals	23	(187,384)	(273,441)
		54,090	(464,544)
(Decrease)/increase in cash	23	(372,189)	241,138

The notes on pages 8 to 16 form part of these financial statements.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group accounts

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985 as the group it heads qualifies as a medium sized group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents sales to customers at invoiced amounts less value added tax.

Depreciation

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

Freehold buildings	-	over 40 years
Plant and machinery	-	over 5 to 8 years
Computers and tooling	-	over 3 years
Motor vehicles and office equipment	-	over 3 to 5 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of production related fixed and variable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (*Continued*)

1 Accounting policies (*Continued*)

Leasing and hire purchase agreements

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases or hire purchase contracts), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum payments payable during the term. The corresponding commitments are shown as amounts payable. Depreciation on the relevant assets is charged to the profit and loss account.

Payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the agreement and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Research and development

Expenditure on research and development is written off in the year in which it is incurred. Government grants of a revenue nature are credited to income in the period to which they relate.

2 Turnover

Turnover is wholly attributable to the principal activity of the company.

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.

3 Employees

Staff costs (including directors) consist of:

	1998 £	1997 £
Wages and salaries	1,750,386	1,765,467
Social security costs	174,087	178,213
	<u>1,924,473</u>	<u>1,943,680</u>

The average monthly number of employees of the company during the year, including directors, were as follows:

	1998 Number	1997 Number
Office and management	30	29
Manufacturing	85	85
	<u>115</u>	<u>114</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (Continued)

4 Directors

	1998 £	1997 £
Directors' emoluments consist of:		
Emoluments	<u>152,878</u>	<u>152,146</u>

5 Operating profit

	1998 £	1997 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	252,238	259,698
Foreign exchange gain	(42,344)	(88,874)
Auditors' remuneration	9,000	9,000
Loss/(profit) on sale of fixed assets	813	(39,123)
Rental income – machinery	(27,053)	-
Research and development expenses	<u>69,415</u>	<u>72,736</u>

6 Interest payable and similar charges

	1998 £	1997 £
Bank loans and overdraft	4,129	3,317
Other interest	1,549	1,069
Finance leases and hire purchase contracts	<u>42,265</u>	<u>29,296</u>
	<u>47,943</u>	<u>33,682</u>

7 Taxation

	1998 £	1997 £
UK corporation tax	157,845	286,170
Transfer to deferred taxation	85,650	-
Overprovision of UK corporation tax in prior year	<u>(6,862)</u>	<u>(61)</u>
	<u>236,633</u>	<u>286,109</u>

8 Dividends paid

	1998 £	1997 £
Ordinary – paid at 57.1p (1997 – proposed at 80.2p) per share	<u>160,000</u>	<u>225,000</u>

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (*Continued*)

9 Tangible assets

	Motor vehicles £	Freehold land and buildings £	Plant and machinery £	Office equipment £	Total £
<i>Cost or valuation</i>					
At 1 November 1997	207,747	978,438	1,636,352	289,859	3,112,396
Additions	41,550	134,752	278,517	24,857	479,676
Disposals	(28,083)	-	(17,864)	(1,686)	(47,633)
At 31 October 1998	221,214	1,113,190	1,897,005	313,030	3,544,439
<i>Depreciation</i>					
At 1 November 1997	80,485	128,242	834,131	237,045	1,279,903
Provided for the year	42,458	17,435	161,090	31,255	252,238
Disposals	(22,470)	-	(17,864)	(1,686)	(42,020)
At 31 October 1998	100,473	145,677	977,357	266,614	1,490,121
<i>Net book value</i>					
At 31 October 1998	120,741	967,513	919,648	46,416	2,054,318
At 31 October 1997	127,262	850,196	802,221	52,814	1,832,493

Freehold land and buildings are stated at:

	1998 £	1997 £
Cost	213,190	78,438
Open market value – 1990	900,000	900,000
	1,113,190	978,438

The historical cost net book value of land and buildings is:

Cost	997,212	862,460
Accumulated depreciation based on historical cost	127,179	111,716
Historical cost net book value	870,033	750,744

Freehold land and buildings includes land at a valuation of £303,320 (1997 - £303,320) which is not depreciated by the company.

The net book value of tangible fixed assets includes an amount of £561,445 (1997 - £530,747) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge for the period was £70,333 (1997 - £87,966).

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (Continued)

10 Investments

<i>Cost</i>	Subsidiary undertaking £
At 1 November 1997 and 31 October 1998	<u>16,258</u>

Shelbourne Reynolds Engineering Limited owns 100% of the 25,000 Common \$1 shares 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 and servicing of Shelbourne Reynolds Engineering Limited products in the USA.

The following figures have been extracted from the principal unaudited statements of Shelbourne Reynolds, Inc for the year ended 31 October 1998:

	1998 £	1997 £
Aggregate capital and reserves	<u>66,150</u>	<u>64,072</u>
Retained profit for the year	<u>10,470</u>	<u>38,835</u>

11 Stocks

	1998 £	1997 £
Raw materials and consumables	93,468	276,935
Work in progress	720,212	722,438
Goods held for resale	640,859	204,691
	<u>1,454,539</u>	<u>1,204,064</u>

There was no material difference between the replacement cost of stocks and the amounts stated above.

12 Debtors

	1998 £	1997 £
Trade debtors	657,265	735,634
Amounts due from subsidiary undertaking	7,204	16,396
Other debtors	82,446	88,989
Prepayments and accrued income	79,884	39,066
Advance corporation tax	-	56,250
	<u>826,799</u>	<u>936,335</u>

The advance corporation tax balance above was due in more than one year.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (Continued)

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Loan (note 14)	66,667	-
Obligations under finance leases and hire purchase contracts (note 14)	235,396	124,387
Trade creditors	614,398	770,714
Corporation tax	101,595	286,170
Other taxes and social security costs	37,197	46,958
Other creditors	4,656	98,808
Accruals	298,080	231,697
Advance corporation tax	-	56,250
Proposed dividend	-	225,000
	<u>1,357,989</u>	<u>1,839,984</u>

14 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Loan	105,455	-
Obligations under finance leases and hire purchase contracts	159,151	155,176
Other creditors	69,352	-
	<u>333,958</u>	<u>155,176</u>
The loan included above is due as follows:		
1 - 2 years	66,667	-
2 - 5 years	38,788	-
	<u>105,455</u>	<u>-</u>
The obligations under finance leases and hire purchase contracts included above are due as follows		
1 - 2 years	120,939	116,387
2 - 5 years	38,212	38,789
	<u>159,151</u>	<u>155,176</u>

The obligations under finance leases and hire purchase contracts are secured on the underlying assets.

The loan is secured on specific assets of the company.

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (Continued)

15 Provisions for liabilities and charges

<i>Deferred taxation</i>	1998		1997	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Accelerated capital allowances	-	91,549	59,753	-
Sundry timing differences	-	(5,899)	-	-
	-	85,650	59,753	-

16 Called up share capital

	Authorised		Allotted, called up and fully paid	
	1998 £	1997 £	1998 £	1997 £
Ordinary shares of £1 each	600,000	600,000	280,380	280,380

17 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 November 1997	133,361	1,803,287
Adjustment to revaluation reserve	(33,909)	33,909
Retained profit for the year	-	208,138
Depreciation transfer	(1,972)	1,972
At 31 October 1998	97,480	2,047,306

18 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the year	368,138	626,746
Dividends	(160,000)	(225,000)
	208,138	401,746
Share capital issued	-	8,897
Net addition to shareholders' funds	208,138	410,643
Opening shareholders' funds	2,624,442	2,213,799
Closing shareholders' funds	2,832,580	2,624,442

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 (*Continued*)

19 Capital commitments

At 31 October 1998 the company had capital commitments as follows:

	1998 £	1997 £
Contracted but not provided for	-	26,417

20 Related party transactions

<i>Balances</i>	1998 £	1997 £
Debtor balances:		
KH Shelbourne	-	54,413
Shelbourne Reynolds, Inc	7,204	16,396

The balance with KH Shelbourne was unsecured, interest free and was repaid in November 1997.

The balance with Shelbourne Reynolds, Inc is interest free and repayable on demand.

Transactions

Sales charges made by Shelbourne Reynolds, Inc of £261,573 (1997 - £201,131).

Recharge of expenditure to Shelbourne Reynolds, Inc of £222,044 (1997 - £289,535).

Relationships

Shelbourne Reynolds, Inc is a 100% subsidiary of Shelbourne Reynolds Engineering Limited.

Controlling party

The company is under the control of KH Shelbourne and R Shelbourne.

21 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	626,996	923,396
Depreciation of tangible fixed assets	252,238	259,698
Loss/(profit) on sale of tangible fixed assets	813	(39,123)
Increase in stocks	(250,475)	(76,679)
Decrease/(increase) in debtors	54,607	(206,808)
Decrease in creditors	(233,243)	(6,646)
Net cash inflow from operating activities	450,936	853,838

SHELBOURNE REYNOLDS ENGINEERING LIMITED

Notes forming part of the financial statements for the year ended 31 October 1998 *(Continued)*

22 Reconciliation of net cashflow to movement in net debt

	1998 £	1997 £
(Decrease)/increase in cash in the year	(372,189)	241,138
Cashflow from change in debt	(241,474)	200,000
Cashflow outflow from finance leases and hire purchase contracts	187,384	273,441
New finance leases and hire purchase contracts	(302,368)	(347,952)
Change in net debt	(728,647)	366,627
Net debt at 31 October 1997	350,889	(15,738)
Net debt at 31 October 1998	(377,758)	350,889

23 Analysis of changes in cash and net debt

	At 31 October 1997 £	Cash flows £	Other changes £	At 31 October 1998 £
Cash at bank and in hand	630,452	(372,189)	-	258,263
Debt due within one year	-	(66,667)	-	(66,667)
Debt due after one year	-	(174,807)	-	(174,807)
Finance leases and hire purchase contracts	(279,563)	187,384	(302,368)	(394,547)
Total	350,889	(426,279)	(302,368)	(377,758)