

  
**Shelbourne Reynolds Engineering Limited**

*Report and Financial Statements*

For the year ended October 31, 1989



**Ernst & Young**

## Directors' Report

The directors submit their report and financial statements for the year ended October 31, 1989.

### Results and dividends

The trading loss for the period, after taxation, amounted to £369,098 before taking credit for an extraordinary gain of £228,578 resulting from the sale of certain rights. This leaves a loss of £140,520 to set against reserves.

The directors do not recommend the payment of an ordinary dividend or a final dividend on the "A" ordinary shares.

### Review of the business and future developments

The company's principle activity remains the manufacture of agricultural machinery.

The company continues to benefit from its strong position in the market for rape harvesting equipment. The directors are also encouraged by the market response to its grain stripping head.

### Fixed assets

Movements in fixed assets are detailed in note 9 to the accounts.

### Directors and their interests

The directors during the year were as follows:

K.H. Shelbourne	(Chairman)
R. Shelbourne	
B.A. Cutts	(Australian)
B.J. Whittaker	(Resigned July 16, 1990)
T.R.W. Woollard	(Resigned December 11, 1989)
G.V. Smith	(Resigned April 30, 1989)
J.P. Wallace-King	(Resigned July 16, 1990)

Directors' interests in the share capital of the company at the period end were as follows:

	£1 'A' Ordinary shares		£1 Ordinary shares	
	October 31, 1989	October 31, 1988	October 31, 1989	October 31, 1988
K.H. Shelbourne	-	-	114,000	114,000
R. Shelbourne	-	-	91,714	6,000
B. A. Cutts	-	20,572	37,715	-

### Auditors

Arthur Young merged their practice with Ernst & Whinney on September 1, 1989 and now practise in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

BY ORDER OF THE BOARD

R. Shelbourne  
Company Secretary

August 10, 1990

*R. Shelbourne*

**Report of the Auditors to the members of  
Shelbourne Reynolds Engineering Limited**

We have audited the financial statements on pages 3 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at October 31, 1989 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst Young*

**ERNST & YOUNG**  
Chartered Accountants

**CAMBRIDGE**

August 10, 1990

**Profit and loss account  
for the year to October 31, 1989**

	<i>Notes</i>	<i>Year to October 31, 1989 £</i>	<i>Nine months to October 31, 1988 £</i>
Turnover	2	2,479,506	1,890,288
Cost of sales		1,720,000	1,602,430
Gross profit		759,506	287,858
Administrative and other operating expenses		908,090	600,931
Other operating income		(28,190)	(2,039)
Operating (loss)	3	(120,394)	(311,034)
Interest payable	5	(248,704)	(163,111)
(Loss) on ordinary activities before taxation		(369,098)	(474,145)
Tax on (loss) on ordinary activities	6	-	1,689
(Loss) on ordinary activities after taxation		(369,098)	(475,834)
Extraordinary items after taxation	7	228,578	275,088
Dividends	8	(140,520)	(200,746)
(Loss) for the financial year		(140,520)	(205,813)
Retained profit brought forward		(103,847)	101,966
Retained (loss) carried forward		<u>£ (244,367)</u>	<u>£ (103,847)</u>

The notes on pages 6 to 14 form part of these accounts.

## Balance sheet as at October 31, 1989

	Notes	£	1989 £	1988 £
<b>Fixed assets</b>				
Tangible assets	9		1,193,258	1,278,412
<b>Current assets</b>				
Stocks	10	943,193		872,007
Debtors	11	332,279		408,826
Bank and cash		781		650
		<u>1,276,253</u>		<u>1,281,483</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>1,133,635</u>		<u>1,427,472</u>
<b>Net current assets/liabilities</b>			<u>142,618</u>	<u>(145,989)</u>
<b>Total assets less current liabilities</b>			<u>1,335,876</u>	<u>1,132,423</u>
<b>Creditors: amounts falling due after more than one year</b>				
Loans	13	710,526		600,500
Obligations under finance leases	14	35,842		19,312
		<u>746,368</u>		<u>619,812</u>
			<u>£ 589,508</u>	<u>£ 512,611</u>
<b>Capital and reserves</b>				
Called up share capital	16		274,286	171,429
Share premium account	17		395,714	198,571
Revaluation reserve	17		163,875	246,458
Profit and loss account			(244,367)	(103,847)
<b>K.H. SHELBOURNE</b>				
<b>R. SHELBOURNE</b>				
August 10, 1990			<u>£ 589,508</u>	<u>£ 512,611</u>

*K.H. Shelbourne*  
*R. Shelbourne*  
 Directors

The notes on pages 6 to 14 form part of these accounts.

# Statement of source and application of funds for the year to October 31, 1989

	Year to October 31, 1989	Nine months to October 31, 1988
	£	£
<b>Source of funds:</b>		
Loss on ordinary activities before taxation	(369,098)	(474,145)
Adjustment for items not involving the movement of funds:		
Depreciation	120,269	95,634
Profit on disposal of tangible fixed assets	(6,150)	(4,773)
Extraordinary item (before taxation)	228,578	275,088
<b>Total absorbed by operations</b>	<b>(26,401)</b>	<b>(108,196)</b>
<b>Funds from other sources:</b>		
Proceeds of disposal of tangible fixed assets	14,712	35,053
Taxation repaid	-	-
Receipt of loans	895,000	250,000
Proceeds of share issue	250,000	250,000
Additions to obligations under hire purchase and finance leases	38,179	22,100
	<u>1,197,891</u>	<u>307,153</u>
	<u>1,171,490</u>	<u>198,957</u>
<b>Application of funds:</b>		
Purchase of tangible fixed assets	77,580	27,680
Leased assets capitalised	48,676	-
Tax paid	-	1,689
Repayment of current instalments due on hire purchase and lease commitments	19,271	15,236
Repayment of loans	636,250	1,500
Dividend paid	-	5,067
	<u>781,777</u>	<u>(51,172)</u>
<b>Working capital - increase</b>	<b><u>£ 389,713</u></b>	<b><u>£ 147,785</u></b>
<b>Components of increase in working capital:</b>		
Stocks	71,186	(191,198)
Debtors	(76,547)	(4,452)
Creditors	29,721	188,146
Current obligations on leases	(2,378)	15,011
Current obligation on loans	(147,974)	200,000
	<u>(125,992)</u>	<u>207,507</u>
<b>Movement in net liquid funds:</b>		
Bank and cash	515,705	(59,722)
	<u>£ 389,713</u>	<u>£ 147,785</u>

The notes on pages 6 to 14 form part of these accounts.

## Notes to the financial statements for the year ended October 31, 1989

### 1. Accounting policies

#### *Accounting convention*

The accounts are prepared under the historical cost convention, as modified to include the revaluation of freehold land and buildings.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 40 years
Plant and machinery	-	over 8 years
Motor vehicles and office equipment	-	over 5 years

#### *Government grants*

Grants of a revenue nature are credited to income in the period to which they relate.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

Raw materials and goods for resale	-	purchase cost on a first-in, first-out basis
Work-in-progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

#### *Deferred tax*

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

#### *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the date of the transaction.

All differences are taken to the profit and loss account.

#### *Leasing and hire purchase commitments*

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

**Notes to the financial statements  
for the year ended to October 31, 1989**  
(continued)

**2. Turnover**

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax. The analysis of turnover by geographical area is as follows:

	<i>Year to October 31, 1989</i>	<i>Nine months to October 31, 1988</i>
	£	£
United Kingdom	2,245,433	1,688,540
France	49,601	-
Denmark	54,338	4,209
Hungary	-	85,000
Soviet Union	-	32,000
United States	11,886	71,146
Other	118,248	9,393
	<u>£2,479,506</u>	<u>£1,890,288</u>

**3. Operating profit**

(a) This is stated after charging or crediting:

	<i>Year to October 31, 1989</i>	<i>Nine months to October 31, 1988</i>
	£	£
Directors' remuneration (see below)	165,193	82,428
Auditors remuneration	12,000	12,000
Depreciation of owned fixed assets	89,342	72,296
Depreciation of assets held under finance leases and hire purchase contracts	30,927	23,338
Foreign exchange (loss)/gain	(542)	2,039
Profit on disposals and fixed assets	<u>6,150</u>	<u>4,773</u>

(b) Directors' remuneration:

	<i>1989</i>	<i>1988</i>
	£	£
Emoluments (including pension contributions)	<u>£165,193</u>	<u>£ 82,428</u>



**Notes to the financial statements  
for the year ended to October 31, 1989**  
(continued)

**3. Operating profit**  
(continued)

The emoluments of the chairman, who was also the highest paid director, excluding pension contributions, were £45,329 (nine months ended October 31, 1988 - £31,180). The other directors' emoluments, excluding pension contributions, fell within the following range:

	Year to October 31, 1989	Nine months to October 31, 1988
	£	£
£Nil - £ 5,000	1	3
£ 5,001 - £10,000	1	-
£15,001 - £20,000	1	3
£20,001 - £25,000	1	-
£35,001 - £40,000	2	-

**4. Staff costs**

	Year to October 31, 1989	Nine months to October 31, 1988
	£	£
Wages and salaries	909,168	580,626
Social security costs	87,057	57,804
	<u>£996,225</u>	<u>£638,430</u>

The average weekly number of employees during the year was made up as follows:

	Year to October 31, 1989	Nine months to October 31, 1988
	£	£
Office management	24	26
Manufacturing	55	49
	<u>79</u>	<u>75</u>

**Notes to the financial statements  
for the year ended to October 31, 1989**  
(continued)

**5. Interest payable**

	<i>Year to October 31, 1989</i>	<i>Nine months to October 31, 1988</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts	185,122	151,472
Other loans not wholly repayable within five years	58,717	1,752
Finance charges payable under finance leases and hire purchase contracts	4,865	9,887
	<u>£248,704</u>	<u>£163,111</u>

**6. Tax on (loss)/profit on ordinary activities**

	<i>Year to October 31, 1989</i>	<i>Nine months to October 31, 1988</i>
	<i>£</i>	<i>£</i>
Irrecoverable ACT	<u>£ -</u>	<u>£ 1,689</u>

**7. Extraordinary items**

	<i>Year to October 31, 1989</i>	<i>Nine months to October 31, 1988</i>
	<i>£</i>	<i>£</i>
Sale of rights (see below)	228,578	200,000
Profit on sale of land	-	75,088
	<u>£228,578</u>	<u>£275,088</u>

Rights to future income were sold to a third party in consideration of which bills of exchange were received and discounted.

**8. Contingent liability**

Prior to the conversion of 'A ordinary' shares to ordinary shares on September 21, 1989, entitlement to fixed interest preference dividends had accumulated. The potential liability falling to be paid when the company has funds available for the purpose is £17,039. These dividend payments have not been provided for in the accounts.

# Notes to the financial statements for the year ended to October 31, 1989

(continued)

## 9. Tangible fixed assets

	<i>Freehold land and buildings</i> £	<i>Office equipment</i> £	<i>Motor vehicles</i> £	<i>Plant and machinery</i> £	<i>Total</i> £
<b>Cost or valuation:</b>					
At October 31, 1988	1,000,000	91,163	133,674	571,522	1,796,359
Additions	-	16,924	42,734	66,598	126,256
Disposals	-	(15,474)	(31,779)	(12,773)	(60,026)
Deficit on revaluation	(100,000)	-	-	-	(100,000)
At October 31, 1989	900,000	92,613	144,629	625,347	1,762,589
<b>Depreciation:</b>					
At October 31, 1988	-	62,269	85,024	370,654	517,947
Provided during the year	17,417	16,235	23,727	62,890	120,269
Disposals	-	(15,360)	(25,242)	(10,866)	(51,468)
Eliminated on revaluation	(17,417)	-	-	-	(17,417)
At October 31, 1989	-	63,144	83,509	422,678	569,331
<b>Net book value:</b>					
At October 31, 1989	<u>£ 900,000</u>	<u>£ 29,469</u>	<u>£ 61,120</u>	<u>£ 202,669</u>	<u>£1,193,258</u>
At October 31, 1988	<u>£1,000,000</u>	<u>£ 28,894</u>	<u>£ 48,650</u>	<u>£ 200,868</u>	<u>£1,278,412</u>

The net book value of office equipment, motor vehicles and plant and machinery above of £293,256 includes an amount of £109,748 in respect of assets held under finance leases.

For the freehold land and buildings included at valuation:

<b>Historical cost:</b>	£
At October 31, 1989	<u>£784,022</u>
<b>Depreciation based on cost:</b>	
At October 31, 1988	30,480
Charge for the year	17,417
At October 31, 1989	<u>£ 47,897</u>

The freehold properties were valued at their current open market value based on existing use on July 19, 1990 by William H Brown, Commercial, Residential and Agricultural Surveyors.

Notes to the financial statements  
for the year ended to October 31, 1989  
(continued)

## 10. Stocks

	1989 £	1988 £
Raw materials and consumables	145,512	162,222
Work-in-progress	347,820	289,177
Finished goods and goods for resale	449,861	420,608
	<u>£943,193</u>	<u>£872,007</u>

The replacement cost of stocks is not considered to be significantly different from that shown above.

## 11. Debtors

	1989 £	1988 £
Trade debtors	275,709	320,301
Other debtors	26,830	42,796
Prepayments and accrued income	29,740	45,729
	<u>£ 332,279</u>	<u>£ 408,826</u>

## 12. Creditors: amounts falling due within one year

	Notes	1989 £	1988 £
Bank overdraft		252,184	767,758
Other loans	13	184,474	36,500
Obligations under finance leases and hire purchase contracts	14	21,649	19,271
Trade creditors		439,334	371,057
Other taxes and social security costs		99,614	19,213
Other creditors		21,359	16,156
Accruals		115,021	197,517
		<u>£1,133,635</u>	<u>£1,427,472</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

**Notes to the financial statements  
for the year ended to October 31, 1989**  
(continued)

**13. Loans**

COSIRA loan repayable by two bi-annual instalments of £750 bearing interest at 13 1/2% per annum and secured by a first charge over freehold land and buildings.

1989  
£

1988  
£

12,000

Mortgage repayable in nineteen equal annual instalments to commence on October 31, 1990 and secured by a legal mortgage over the freehold property bearing interest at 1 3/4% above the current bank rate.

750,000

Bank loan repayable in bi-annual instalments equivalent to the amounts received under a royalty agreement entered into by the company and bearing interest at 2 1/2% above the LIBOR, being secured by a fixed and floating charge over the company's assets.

625,000

Unsecured loan from the company pension scheme repayable within one year.

145,000

£895,000

£637,000

The above amounts are repayable as follows:

After five years  
Between two and five years

552,630

157,896

4,500

596,000

710,526

184,474

600,500

36,500

Within one year (see note 12)

£895,000

£637,000

# Notes to the financial statements for the year ended to October 31, 1989

(continued)

**14. Obligations under finance leases**

The maturity of these amounts is as follows:

	1989 £	1988 £
Amounts payable:		
Within one year	3,728	24,209
In the second to fifth years inclusive	70,808	24,260
	<u>74,536</u>	<u>48,469</u>
Less: Finance charges allocated to future periods	17,045	9,886
	<u>£57,491</u>	<u>£38,583</u>

Finance leases are analysed as follows:

Current obligations	21,649	19,271
Non-current obligations	35,842	19,312
	<u>£57,491</u>	<u>£38,583</u>

**15. Deferred taxation**

Deferred taxation not provided in the accounts is as follows:

	1989 £	1988 £
Capital allowances in advance of depreciation @ 35%	200,510	236,092
Less: Tax losses available to offset against future profits @ 35%	(339,025)	(288,451)
	<u>£(138,515)</u>	<u>£(52,359)</u>

**16. Share capital**

	Authorised		Allotted, called up and fully paid	
	1989 No.	1988 No.	1989 £	1988 £
Ordinary shares of £1 each	<u>600,000</u>	<u>£548,571</u>	<u>£274,286</u>	<u>£120,000</u>
"A" Ordinary shares of £1 each	<u>Nil</u>	<u>£ 51,429</u>	<u>£ Nil</u>	<u>£ 51,429</u>

On September 2, 1989 51,429 worth of 'A' Ordinary shares were converted to ordinary shares, thereafter ranking pari passu in all respects with the existing ordinary shares.

**Notes to the financial statements**  
**for the year ended to October 31, 1989**  
*(continued)*

**17. Reserves**

	<i>Share Premium Account</i>	<i>Revaluation Reserve</i>
	£	£
At November 1, 1988	198,571	246,458
On issue of shares during the year	197,143	-
Eliminated on revaluation during the year	-	(82,583)
At October 31, 1989	<u>£395,714</u>	<u>£163,875</u>

**18. Capital commitments**

	<i>1989</i>	<i>1988</i>
	£	£
Contracted	<u>£ Nil</u>	<u>£ Nil</u>
Authorised by the directors but not contracted	<u>£ Nil</u>	<u>£ Nil</u>