

RANSOMES JACOBSEN LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31ST DECEMBER 2016**

ENGLISH COMPANY REGISTRATION NO. 01070731

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RANSOMES JACOBSEN LIMITED
English Company Registration No. 01070731

COMPANY INFORMATION

DIRECTORS

A M Prickett

SECRETARY

Eversecretary Limited
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

AUDITOR

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

BANKERS

Bank of America N.A.
2 King Edward Street
London
EC1A 1HQ

SOLICITORS

Eversheds LLP
Kett House
1 Station Road
Cambridge
CB1 2JY

REGISTERED OFFICE

West Road
Ransomes Europark
Ipswich
Suffolk
IP3 9TT

STRATEGIC REPORT

The directors present their strategic report for the year ended 31st December 2016.

PRINCIPAL ACTIVITY, REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The principal activity of the company is the manufacture and sale of commercial grass care machinery.

The company's key financial and other performance indicators during the year were as follows:

	2016	2015
	£'000	£'000
Turnover	70,430	77,026
Operating profit	397	3,302
(Loss)/profit for the financial year	(1,046)	2,994
Total equity	47,049	55,554
Current assets as % of current liabilities ("quick ratio")	247%	267%
Average number of employees	327	337
Research and development expenditure	1,154	1,132

Turnover decreased by 8.6% to £70.4 million, mainly due to a weaker United Kingdom market. Gross profit decreased by £3.0 million mainly due to unfavourable exchange rates and lower volumes.

The company's 'quick ratio' worsened mainly due to proportionally higher creditor levels. Employment levels were decreased in line with volume levels. Research and development expenditure continued at high levels as the company remains committed to developing and introducing high quality turf equipment and vehicles, delivering superior performance for our customers.

Future strategy remains to build our brands, introduce new products and to continue to win market share in order to become the premier supplier of high quality turf maintenance equipment.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are competitive, foreign exchange exposures and economic conditions in major markets. The commercial turf equipment business operates in a mature market with well-established global competitors. Forward foreign currency contracts are used to reduce exposures to foreign exchange rates. Credit risks are managed within frequently reviewed limits and annual agreements. All funding is provided from a group cash pool system, which is unconditionally guaranteed by the ultimate parent company, Textron Incorporated.

On behalf of the Board



A M Prickett
Director

Date **26 SEPTEMBER 2017**

DIRECTORS' REPORT

The directors present their annual report and the financial statements of the company for the year ended 31st December 2016.

RESULTS AND DIVIDENDS

The company made a loss after taxation in the year of £1,046,000 (2015 profit: £2,994,000). No dividends were paid in respect of the current year (2015: £3,500,000).

DIRECTORS

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

Mr D P Withers (resigned 31st December 2016)

Mr A M Prickett

Mrs A C Lee (appointed 3rd June 2016; resigned 30th June 2017)

No director has a service contract with the company.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

CLOSE COMPANY STATUS

The company is not a close company as defined in the Income and Corporation Taxes Act 1988.

EMPLOYMENT POLICIES

It is the policy of the company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of the company and of Textron, the ultimate parent undertaking, as a whole. Regular briefings and other communications occur throughout the year at company, division and corporation level.

RESEARCH AND DEVELOPMENT

The company is committed to developing and introducing quality new products that meet customer needs. For the year ended 31st December 2016 the company spent £1,154,000 (2015: £1,132,000) on research and development.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations for the year ended 31st December 2016 were £3,995 (2015: £2,150). No political contributions were made (2015: £Nil).

SUPPLIER PAYMENT POLICY

The company's policy is to pay in accordance with the agreed supplier terms, provided that the relevant invoice is presented in a timely fashion and is complete. Trade creditor days for the year ended 31st December 2016 were 58 days (2015: 51 days), based on the ratio of trade creditors to the amounts invoiced during the year by trade creditors.

DIRECTORS' REPORT Continued

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were members of the board at the time of approving this report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditor is unaware; and
- he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

GOING CONCERN

The company has considerable financial resources together with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

AUDITOR

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be proposed at the Annual General Meeting.

On behalf of the Board



A M Prickett
Director

Date 26 SEPTEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANSOMES JACOBSEN LIMITED

We have audited the financial statements of Ransomes Jacobsen Limited for the year ended 31st December 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, 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 members those matters we are required to state to them 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we became aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANSOMES JACOBSEN LIMITED
Continued

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or 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.

ERNST & YOUNG LLP

Chris Nobbs (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor, Luton

Date 28 SEPTEMBER 2017

RANSOMES JACOBSEN LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
Turnover	2	70,430	77,026
Cost of sales		(55,461)	(59,042)
		<hr/>	<hr/>
Gross profit		14,969	17,984
Distribution costs		(2,040)	(2,182)
Operating expenses		(12,532)	(12,500)
		<hr/>	<hr/>
Operating profit	3	397	3,302
Interest payable	4	(710)	(816)
Interest receivable	4	748	508
		<hr/>	<hr/>
Profit on ordinary activities before taxation		435	2,994
Taxation on profit on ordinary activities	5	(1,481)	-
		<hr/>	<hr/>
(Loss)/profit for the financial year		(1,046)	2,994
		<hr/>	<hr/>
Other comprehensive income:			
Actuarial (loss)/gain on defined benefit pension scheme	17	(8,928)	6,320
Gain/(loss) on financial instruments		486	(843)
Movement on deferred tax relating to pension	5	385	-
Movement on deferred tax relating to hedging	5	174	-
		<hr/>	<hr/>
Total other comprehensive income		(7,883)	5,477
		<hr/>	<hr/>
Total comprehensive income for the year		(8,929)	8,471
		<hr/>	<hr/>

All of the above results derive from continuing operations.

Total comprehensive income for the year is all attributable to the owners of the parent company.

RANSOMES JACOBSEN LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016**

	Share capital	Share premium	Cash flow hedge reserve	Profit and loss account	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1st January 2015	21,500	160	1,387	27,536	50,583
Profit for the financial year	-	-	-	2,994	2,994
Other comprehensive income:					
Loss on financial instruments	-	-	(843)	-	(843)
Actuarial gain on pension scheme	-	-	-	6,320	6,320
Total comprehensive income for the year	-	-	(843)	9,314	8,471
Dividends payable on equity shares	-	-	-	(3,500)	(3,500)
At 31st December 2015	21,500	160	544	33,350	55,554
Loss for the financial year	-	-	-	(1,046)	(1,046)
Other comprehensive income:					
Gain on financial instruments	-	-	486	-	486
Actuarial loss on pension scheme	-	-	-	(8,928)	(8,928)
Deferred tax movement on pension scheme	-	-	-	385	385
Deferred tax movement on hedging	-	-	174	-	174
Total comprehensive income for the year	-	-	660	(9,589)	(8,929)
Share-based payment transactions	-	-	-	424	424
At 31st December 2016	21,500	160	1,204	24,185	47,049

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible fixed assets	6	196	290
Tangible fixed assets	7	6,522	6,605
		<hr/>	<hr/>
		6,718	6,895
		<hr/>	<hr/>
Current assets			
Stocks	8	18,053	16,048
Debtors	9	35,823	32,583
Cash at bank and in hand		443	448
		<hr/>	<hr/>
		54,319	49,079
		<hr/>	<hr/>
Creditors: amounts falling due within one year	10	(21,986)	(18,382)
		<hr/>	<hr/>
Net current assets		32,333	30,697
		<hr/>	<hr/>
Total assets less current liabilities		39,051	37,592
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	11	(65)	(71)
		<hr/>	<hr/>
Provisions for liabilities	12	(2,305)	(1,491)
		<hr/>	<hr/>
Net assets excluding pension asset		36,681	36,030
		<hr/>	<hr/>
Pension asset	17	10,368	19,524
		<hr/>	<hr/>
Net assets including pension asset		47,049	55,554
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	14	21,500	21,500
Share premium account	19	160	160
Cash flow hedge reserve	19	1,204	544
Profit and loss account	19	24,185	33,350
		<hr/>	<hr/>
Total equity		47,049	55,554
		<hr/>	<hr/>

Approved by the directors and signed on their behalf by



A M Prickett
Director

Date 26 SEPTEMBER 2017

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER 2016

1 ACCOUNTING POLICIES

Basis of accounting

The 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 and rounded to the nearest £'000. The financial statements have been prepared on the historical cost convention.

The company's accounting reference date is 31st December and in practice the annual financial statements are drawn up for a 52 or 53 week period, ending on the Saturday closest to 31st December. These financial statements are drawn up for a 52 week period to 31st December 2016.

The company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a) (iv).
- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- The requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A.
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.
- The requirements of Section 12 Other Financial Instruments Issues paragraphs 12.26 to 12.29A.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes differ from those estimates.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are set out below:

- **Stocks:** Management makes estimates of net realisable values, after considering current market conditions and product availability.
- **Impairment of debtors:** Estimations of the recoverability of all debtors are considered by management on a periodic basis based on industry experience and the credit rating of debtors.
- **Warranties:** Management makes estimates of expected warranty claims for products sold based on historic data and current trends.
- **Deferred tax:** The company establishes provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.
- **Short-term debtors and creditors:** Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued **AT 31ST DECEMBER 2016**

1 ACCOUNTING POLICIES Continued

Judgements and key sources of estimation uncertainty Continued

- Pension and other post-employment benefits: The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 17.

Turnover

Turnover is the sum of the invoices rendered to third parties for goods sold during the year, excluding value added tax.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

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.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Research and development

The costs in connection with the design and development of new products are written off in the year in which they are incurred.

Foreign exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the Statement of financial position. All differences are taken to the income statement.

Fixed assets and depreciation

Freehold land and capital work in progress are not depreciated. Other fixed assets are depreciated by equal annual instalments over their estimated useful lives. The annual rates of depreciation used vary according to the type of asset and are as follows:

Freehold buildings 2%-10%, Plant and machinery 10%-33.3%.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

Rental charges are taken to the income statement on a straight-line basis over the life of the lease.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued **AT 31ST DECEMBER 2016**

1 ACCOUNTING POLICIES Continued

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition as follows:

- Raw materials, consumables, work in progress and goods for resale – purchase cost on a first-in, first-out basis.
- Finished goods – cost of direct materials and labour plus attributable overheads based on a normal level of activity.
- Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

Pensions

The company's employees are members of the Ransomes Pension Scheme. The defined benefit section of the scheme is financed through separately administered funds. The Scheme was closed to new entrants with effect from 31st January 2011. From 1st February 2011, employees have joined a defined contribution scheme under Textron Limited, a fellow subsidiary undertaking. The company introduced auto-enrolment arrangements with effect from 1st November 2013.

The company is required to make contributions to separately administered funds which are held in trust. Regular valuations are prepared by an independent professionally qualified actuary. These determine the level of contributions required to fund the benefits set out in the rules of the plan. The current service cost of providing retirement benefits to employees during the year is charged to operating profit in the year. The past service costs are recognised in the income statement on a straight line basis over the period in which the benefit vests.

As required by FRS 102, calculations are carried out using the Projected Unit Credit method. The interest cost and the expected return on assets are shown as a net amount of 'other finance costs'. Actuarial gains and losses are recognised immediately in other comprehensive income, along with the difference between the interest income on the plan assets and the actual return on the plan assets.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax. If the net defined benefit position is a deficit, the corresponding deferred tax asset is recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Information with respect to the Ransomes Pension Scheme is included in note 17.

Cash settled share based payment transactions

The cost of cash settled transactions with employees is measured by reference to the fair value at the grant date, and initially as a liability. Until the liability is settled, the company measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Derivative instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The company considers its derivative instruments qualify for hedge accounting when certain criteria are met.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

1 ACCOUNTING POLICIES Continued

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the company's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are recognised as other comprehensive income until the transaction occurs.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Intangible fixed assets

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable assets. It has been capitalised and is being written off in equal annual instalments over its estimated economic life.

Licences

Licences relating to various trademarks are capitalised at cost and are written off over the directors' estimate of economic life.

2 ANALYSIS OF TURNOVER BY GEOGRAPHICAL DESTINATION:

	2016 £'000	2015 £'000
United Kingdom	28,378	34,102
Continental Europe	28,934	31,865
North America	6,458	4,458
Australasia	348	419
Asia	2,694	2,549
Africa	998	650
South and Central America	54	119
Middle East	2,566	2,864
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	70,430	77,026
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Turnover is attributable to one continuing activity, the manufacture and sale of commercial grass care machinery.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

3 OPERATING PROFIT IS STATED AFTER CHARGING/(CREDITING):

	2016 £'000	2015 £'000
Wages and salaries	9,765	9,938
Social security costs	816	803
Other pension costs	1,380	1,396
Expense of cash settled share-based payments (note 18)	231	(14)
Depreciation of fixed assets	706	666
Impairment of fixed assets	-	24
Operating lease charges - land and buildings	84	12
Operating lease charges - plant and machinery	359	366
Auditor's remuneration - audit of the financial statements	73	78
Research and development expenditure	1,154	1,132
Goodwill amortisation (note 6)	75	75
Licence fee amortisation (note 6)	19	23
Warranty costs (note 12)	912	1,036
	<hr/>	<hr/>

The average number of employees during the year was 327 (2015: 337), which consisted of 52 Admin, 208 Manufacturing, 67 Sales (2015: 53 Admin, 206 Manufacturing, 78 Sales).

4 INTEREST

	2016 £'000	2015 £'000
Payable		
Interest payable to group undertakings	79	32
Interest payable on dealer financing schemes and bills	631	784
	<hr/>	<hr/>
	710	816
	<hr/>	<hr/>
Receivable		
Interest receivable from group undertakings	19	26
Net interest on pension asset (note 17)	729	482
	<hr/>	<hr/>
	748	508
	<hr/>	<hr/>

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued FOR THE YEAR ENDED 31ST DECEMBER 2016

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
(a) Tax on profit on ordinary activities		
The tax charge/(credit) is made up as follows:		
Current Tax:		
UK Corporation tax at 20% (2015: 20.25%)	-	-
Adjustment in respect of prior years	-	-
Current tax expense	-	-
Deferred Tax:		
Origination and reversal of timing differences	(131)	-
Effects of changes in tax rates	(95)	-
Adjustment in respect of prior periods	117	-
Prior year deferred tax balances now recognised	1,590	-
Deferred tax expense (note 5(c))	1,481	-
Deferred tax relating to other comprehensive income - pension	(385)	-
Deferred tax relating to other comprehensive income - hedging	(174)	-
Tax expense included in total comprehensive income	922	-

There is no current year charge for UK corporation tax as taxable profits arising will be covered by the use of losses surrendered by fellow group companies for £Nil consideration (2015: There is no current year charge for UK corporation tax as taxable profits arising will be covered by the use of losses brought forward or surrendered by fellow group companies for £Nil consideration).

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are reconciled below:

Profit on ordinary activities before taxation	435	2,994
Profit on ordinary activities multiplied by the standard rate of corporation tax of 20% (2015: 20.25%)	87	606
Permanent differences	122	72
Group relief from other Textron companies	(362)	(714)
Effect of change in tax rate	(73)	-
Previously unrecognised deferred tax	1,707	-
Movement in unrecognised deferred tax	-	36
Total current tax (note 5(a))	1,481	-

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued FOR THE YEAR ENDED 31ST DECEMBER 2016

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2016 £'000	2015 £'000
(c) Deferred tax		
<u>Provided</u>		
Accelerated capital allowances	(259)	-
Other timing differences	(407)	-
Pension asset (note 17)	1,763	-
Hedging	(175)	-
Deferred tax liability	922	-
	2016 £'000	2015 £'000
<u>Not Provided</u>		
Accelerated capital allowances	-	(285)
Other timing differences	-	(440)
Pension asset (note 17)	-	3,514
Hedging	-	(89)
Deferred tax liability	-	2,700

There is no expiry date associated with the unclaimed capital allowances or other timing differences.

Analysis of movement in deferred tax:	£'000
At 1st January 2016	-
Prior year deferred tax balances now recognised	2,700
Effect of change in tax rate	(95)
Charged to income statement	(131)
Charged to other comprehensive income	(1,669)
Adjustment in respect of prior periods	117
At 31st December 2016	922

In the past, the group had an ability to generate excess losses and reduce group profits to £Nil. The ability to generate the losses and consequently reduce the current tax for the group to £Nil was expected to continue indefinitely leading to a decision not to recognise deferred tax within the UK group. From 2017, due to changes in legislation there will no longer be excess losses available within the group to offset all the UK group profits, therefore the company will become taxable. This has led to a decision by the company to recognise the deferred balances in the current year.

(c) Factors affecting future tax charges

The Finance (No.2) Act 2015 enacted on 18th November 2015 reduces the main rate of corporation tax to 19% from 1st April 2017 and to 18% from 1st April 2020. The Finance Act 2016 enacted on 15th September 2016 further reduces the main rate of corporation tax to 17% from 1st April 2020.

Deferred tax assets and liabilities at 31st December 2016 have been calculated at 17%.

The rate changes and the capital allowance changes will impact any future cash tax payment to be made by the company.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

6 INTANGIBLE FIXED ASSETS

	GOODWILL		
	Cost £'000	Amortisation £'000	Net Book Value £'000
Balance at 1st January 2016	1,500	(1,350)	150
Provided during the year	-	(75)	(75)
At 31st December 2016	<u>1,500</u>	<u>(1,425)</u>	<u>75</u>

Goodwill is being amortised as follows:

Goodwill of £1,500,000 arising on the acquisition of the Jacobsen Division of Textron on the 1st August 1998 is being amortised over the directors' estimate of economic life of 20 years.

	LICENCE		
	Cost £'000	Amortisation £'000	Net Book Value £'000
Balance at 1st January 2016	527	(387)	140
Provided during the year	-	(19)	(19)
At 31st December 2016	<u>527</u>	<u>(406)</u>	<u>121</u>

The licence relates to the use of various Cushman trademarks purchased on the 22nd May 2008 for £527,000 and is being amortised over the directors' estimate of economic life of 20 years.

Total Net Book Value 31st December 2016	<u>196</u>
Total Net Book Value 31st December 2015	<u>290</u>

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued
AT 31ST DECEMBER 2016

7 TANGIBLE FIXED ASSETS

	Freehold land & buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1st January 2016	9,191	15,899	25,090
Additions	100	523	623
Disposals	(874)	(865)	(1,739)
	<hr/>	<hr/>	<hr/>
At 31st December 2016	8,417	15,557	23,974
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1st January 2016	(4,421)	(14,064)	(18,485)
Charge for the year	(280)	(426)	(706)
Disposals	874	865	1,739
	<hr/>	<hr/>	<hr/>
At 31st December 2016	(3,827)	(13,625)	(17,452)
	<hr/>	<hr/>	<hr/>
Net book value 31st December 2016	4,590	1,932	6,522
	<hr/>	<hr/>	<hr/>
Net book value 31st December 2015	4,770	1,835	6,605
	<hr/>	<hr/>	<hr/>

Included in the net book value of freehold land and buildings was £3,323,000 (2015: £3,323,000) attributable to freehold land.

Orders placed at 31st December 2016 for future capital expenditure amounted to £165,000 (2015: £87,000).

	2016 £'000	2015 £'000
8 STOCKS		
Raw materials and other bought goods	29	19
Work in progress	3,340	3,896
Finished products and spare parts	14,684	12,133
	<hr/>	<hr/>
	18,053	16,048
	<hr/>	<hr/>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £54,568,000 (2015: £58,006,000).

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

	2016 £'000	2015 £'000
9 DEBTORS		
Trade debtors	11,944	14,532
Amounts owed by fellow subsidiary undertakings	22,523	17,237
Prepayments and accrued income	321	282
Financial assets (note 20)	994	532
Other debtors	41	-
	<hr/>	<hr/>
	35,823	32,583

Amounts owed by other group companies are unsecured and repayable on demand.

	2016 £'000	2015 £'000
10 CREDITORS: amounts falling due within one year		
Trade creditors	7,710	7,542
Amounts owed to immediate parent undertaking	-	4
Amounts owed to ultimate parent undertaking	230	741
Amounts owed to fellow subsidiary undertakings	13,156	8,545
Social security and other taxes	56	262
Accruals, other creditors and deferred income	834	1,288
	<hr/>	<hr/>
	21,986	18,382

Amounts owed to other group companies are unsecured and repayable on demand.

	2016 £'000	2015 £'000
11 CREDITORS: amounts falling due after more than one year		
Deferred income	65	71

Deferred income relates to the sale of various Cushman trademarks to Textron Innovations Inc.

12 PROVISIONS FOR LIABILITIES

	Deferred tax £'000	Provision for warranties £'000	Total £'000
At 1st January 2016	-	1,491	1,491
Accrued in year	922	912	1,834
Amounts utilised	-	(1,020)	(1,020)
	<hr/>	<hr/>	<hr/>
At 31st December 2016	922	1,383	2,305

Warranties

A provision is recognised for expected warranty claims on products sold mainly during the last two years. Limited extensions are given for up to five years. It is expected that most of these costs will be incurred within two years of the balance sheet date.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued **AT 31ST DECEMBER 2016**

13 DIRECTORS' EMOLUMENTS AND INTERESTS

Included in the amounts shown in note 3 on page 13 are the following emoluments paid by the company to the directors:

	2016 £'000	2015 £'000
Emoluments	227	212
The above includes pension contributions to defined benefit pension scheme of £57,000 (2015: £55,000).		
Number of directors who received shares for qualifying services	1	1
Number of directors who exercised share options over shares in the ultimate parent undertaking	1	1
Members of the defined benefit scheme receiving contributions	2	2

All directors of the company are also directors of other group undertakings. The directors received total remuneration for the year of £227,000 (2015: £212,000). The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the other group undertakings.

	2016 £'000	2015 £'000
The amounts in respect of the highest paid director are as follows:		
Emoluments	178	164
The above includes pension contributions to defined benefit pension scheme of £8,000 (2015: £7,000).		
Accrued pension at year end under defined benefit scheme	22	18
Accrued lump sum at year end under defined benefit scheme	145	122

The highest paid director exercised no share options during the year and also received no shares under the group's long term incentive scheme (2015: The highest paid director exercised no share options during the year and also received no shares under the group's long term incentive scheme).

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

14 CALLED UP SHARE CAPITAL

	2016 £	2015 £
Authorised, issued and fully paid:		
21,500,100 Ordinary shares of £1 each	21,500,100	21,500,100

15 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Ransomes Limited, which is a wholly owned subsidiary undertaking of Textron Acquisition Limited. The company's ultimate parent undertaking and controlling party is Textron Inc., which is incorporated in the United States of America. Copies of its group financial statements are available from Textron Inc., 40 Westminster Street, Providence, Rhode Island, 02903 USA.

In accordance with Section 33 of FRS 102 related party disclosures with other wholly owned Textron Inc. group companies are not required as the company is a 100% owned subsidiary undertaking.

16 OPERATING LEASE COMMITMENTS

Lessee

At 31st December the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & buildings 2016 £'000	Land & buildings 2015 £'000	Vehicles & plant 2016 £'000	Vehicles & plant 2015 £'000
Within one year	84	58	250	337
Between two to five years	64	107	347	388
	148	165	597	725

At 31st December 2016 the company has provided a guarantee to JP Morgan Chase Bank, N.A. for £150,000 (2015: £150,000) in respect of a Customs and Excise deferment guarantee provided for the company.

17 PENSIONS

The company's employees are members of the Ransomes Pension Scheme, which is a defined benefit scheme with assets held in separate trustee administered funds. Contributions to these funds are based upon the advice of a professionally qualified actuary following the most recent valuation of these funds. The current group employees of the Scheme are now employed by Ransomes Jacobsen Limited. Information with respect to the Ransomes Schemes is included within these financial statements. The Scheme was closed to new entrants with effect from 31st January 2011. From 1st February 2011, employees have joined a defined contribution scheme under Textron Limited, a fellow subsidiary undertaking. The company introduced auto-enrolment arrangements with effect from 1st November 2013.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

17 PENSIONS Continued

General description of the Scheme

The Company operates a defined benefit pension scheme in the UK which is a final salary scheme and provides benefits linked to salary at the earlier of retirement or date of leaving service. The Scheme closed to new entrants on 31st January 2011.

The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and Scheme assets are held in trusts which are governed by UK regulation. Responsibility for governance of the Scheme, including setting contribution rates, lies with the Trustee subject to agreement with the Company as required by the Scheme's Trust Deed and Rules and overriding legislation. At the last triennial funding valuation, the Company agreed to pay regular contributions into the Scheme based on a percentage of active employees' salaries, plus additional contributions to attempt to eliminate the funding deficit revealed at that valuation. From 1st January 2014 the Company's contribution rate in respect of future benefit accrual was 7.4% of pensionable salaries.

The funding position on a technical provisions basis was assessed at 31st December 2015, and the Scheme was found to be in surplus at this point. Therefore, no deficit reduction contributions were required by the Company and contributions from the Company in respect of future benefit accrual ceased from 1st January 2017.

Approach to determine defined benefit obligation for the Scheme

The valuation used has been based on the most recent formal actuarial valuation at 31st December 2015 and was updated by Conduent HR Services to take account of the requirements of FRS 102 and the assumptions set out below in order to assess the liabilities of the Scheme at 31st December 2016 and 31st December 2015. Scheme assets are stated at their fair values at the respective balance sheet dates.

Description of any Scheme amendments, curtailments or settlements

There have been no Scheme amendments, curtailments or settlements over the year.

FRS 102 results at 31st December 2016

Reconciliation of balance sheet	2016 £'000	2015 £'000
Fair value of Scheme assets at end of year	106,909	93,022
Present value of defined benefit obligations at end of year	(96,541)	(73,498)
Funded status at end of year	10,368	19,524
Amount not recognised as asset due to limit in FRS 102 paragraph 28.22	-	-
Asset recognised in balance sheet at end of year	10,368	19,524
Deferred tax	(1,763)	-
Asset after tax	8,605	19,524

From 2017 the group is expected to become profitable and so the company will have the ability, to begin to use its deferred tax assets. For this reason, the decision has been made to recognise deferred tax in the accounts.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2016

17 PENSIONS (continued)

Expense recognised in Profit and Loss	2016 £'000	2015 £'000
Current employer service cost	872	1,004
Administration expenses	356	267
Net interest on the net defined benefit liability/(asset)	(729)	(482)
Total expense/(income) recognised in profit and loss	499	789

Actual return on scheme assets	2016 £'000	2015 £'000
Actual return on scheme assets	17,275	4,854

Reconciliation of value of defined benefit obligations over the year	2016 £'000	2015 £'000
Present value of obligations at start of year	73,498	78,237
Current employer service cost	872	1,004
Interest cost	2,678	2,671
Contributions by scheme participants	117	127
Actuarial (gains) and losses	22,796	(4,619)
Benefits paid	(3,420)	(3,922)
Present value of obligations at end of year	96,541	73,498

Reconciliation of fair value of assets	2016 £'000	2015 £'000
Fair value of scheme assets at start of year	93,022	91,938
Interest income on scheme assets	3,407	3,153
Return on scheme assets in excess of interest income	13,868	1,701
Contributions by the employer	271	292
Contributions by scheme participants	117	127
Benefits paid	(3,420)	(3,922)
Administration expenses	(356)	(267)
Fair value of scheme assets at end of year	106,909	93,022

Movement in net defined benefit asset/(obligation) over the year	2016 £'000	2015 £'000
Net defined benefit asset/(obligation) at beginning of year	19,524	13,701
Contributions by the employer	271	292
Income/(expense) recognised in Profit and Loss	(499)	(789)
Remeasurement gain/(loss) recognised in OCI	(8,928)	6,320
Net defined benefit asset/(obligation) at end of year	10,368	19,524

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2016

17 PENSIONS (continued)

Remeasurement effects recognised in other comprehensive income (OCI)	2016 £'000	2015 £'000
Return on scheme assets excluding interest income	13,868	1,701
Experience gains and (losses) on defined benefit obligations	739	1,344
Actuarial gains and (losses) arising from change in assumptions	(23,535)	3,275
Total gains/(losses) recognised in OCI	(8,928)	6,320

Analysis of fair value of assets at end of year

The Scheme does not invest in the company's own financial instruments, including property or other assets owned by the company

Actuarial assumptions at end of year	2016	2015
Discount rate (p.a.)	2.54%	3.73%
Salary increases (p.a.)	3.34%	2.92%
RPI inflation (p.a.)	3.34%	2.92%
CPI inflation (p.a.)	2.34%	1.92%
Pension increases (RPI min 0%, max 5%)	3.19%	2.87%
Pension increases (RPI min 0%, max 4.5%)	3.09%	2.87%
Life expectancy at 65 for male aged 65	22.6	22.2
Life expectancy at 65 for female aged 65	25.5	24.6
Life expectancy at 65 for male aged 45	24.8	23.6
Life expectancy at 65 for female aged 45	27.8	26.2

Breakdown of value of assets at end of year	2016 £'000	2015 £'000
Equities	45,428	37,654
Property	12,915	12,612
Index Linked Gilts	23,220	20,229
Corporate Bonds	23,964	21,859
Cash and net current assets	1,382	668
Total value of assets at end of year	106,909	93,022

The company's estimate of contributions to be paid over in the following year is £Nil.

Scheme members may pay Additional Voluntary Contributions (AVCs). These operate on a defined contribution basis. The figures above exclude any assets and liabilities arising from members' individual Additional Voluntary Contribution accounts.

Ransomes Pension Scheme (Defined Contribution Section)

The Ransomes pension scheme also has a Defined Contribution Section in respect of contracted out benefits. This section of the Scheme was closed to future contributions during 2003.

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2016

18 CASH SETTLED SHARE-BASED PAYMENTS

Eligible employees of the company receive awards under the Restricted Stock and Share Appreciation Right sections of the Textron Inc. 1999 and 2007 Long-Term Incentive Plan ('the Plan'). The Plan is operated by the company's ultimate parent company, Textron Inc. An award of Restricted Stock Units vests one-third in each of the third, fourth and fifth years following the date of grant (1999 Plan) and one-fifth in each of years one to five following the date of grant (2007 Plan). An award of Share Appreciation Rights vests one-third in each of years one to three following the date of grant (2007 Plan). An employee must still be employed by the company at the date of vest for the shares to become vested. There are no performance conditions attached to the award.

As at 31st December 2016, only share appreciation rights and other cash settled options remain outstanding under these Plans.

Share-based payment charge

The total charge for the year relating to employee share-based payment is as follows:

	2016 £'000	2015 £'000
1999 and 2007 Long-Term Incentive Plans for Textron Employees	231	(14)

Restricted Stock Units

The following table illustrates the number of, and movements in, restricted stock during the year:

	No.
Outstanding at 1st January 2015	3,898
Granted	1,685
Vested	(1,040)
Forfeited	(152)
Outstanding at 31st December 2015	4,391
Granted	1,425
Vested	(442)
Forfeited	(568)
Outstanding at 31st December 2016	4,806

As at 31st December 2016 the weighted average remaining time to vest is 1.98 years (2015: 2.27 years). The weighted average share price of shares granted during the year was \$34.50 (2015: \$44.31). The weighted average share price during the year at the date of vest was \$34.50 (2015: \$44.31).

RANSOMES JACOBSEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued AT 31ST DECEMBER 2016

18 CASH SETTLED SHARE-BASED PAYMENTS Continued

Share Appreciation Rights

The following table illustrates the number of, and movements in, share appreciation rights during the year:

	Weighted price \$	No.
Outstanding at 1st January 2015	31.72	15,200
Granted	44.31	4,906
Vested	(46.47)	(2,250)
Outstanding at 31st December 2015	35.87	17,856
Granted	38.89	8,384
Forfeited	(41.90)	(1,776)
Outstanding at 31st December 2016	36.47	24,464

19 RESERVES

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Cash flow hedge reserve

This reserve records the cumulative gain or loss for qualifying cash flow hedges.

Profit and loss account

This reserve is fully distributable.

20 FINANCIAL INSTRUMENTS

Fair value of financial assets

Derivative assets designated and effective as cash flow hedging instruments;

- Currency derivatives	2016 £'000	2015 £'000
	994	532

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates as a proportion of its sales and purchases are transacted in foreign currencies including Euros, US Dollars and Japanese Yen.

The company considers its derivative instruments qualify for hedge accounting and as such fair value movements are recognised as other comprehensive income until the hedged transaction occurs.

Fair values are typically determined either by reference to third-party valuations (usually from a bank), or by reference to readily observable market prices.

The company holds derivative instruments to hedge the value of 18 months of forecast sales and purchases at any given time. Information derived from an active market is almost always available to assist with the valuation of derivatives.

The total value of forward foreign currency contracts at 31st December 2016 amounted to £35,420,000 (2015: £34,642,000).