

Company Number: 04791822

Kellands Agricultural Limited

Report and Financial Statements For the period ended

31 December 2017



Kellands Agricultural Limited

Registered No: 04791822

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Kellands Agricultural Limited

Registered No: 04791822

Directors

G Davies

E T Madden

Secretary

E T Madden

Auditor

KPMG LLP

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

Registered office

Station Road

Salford Priors

Evesham

Worcestershire

WR11 8SW

Kellands Agricultural Limited

Strategic Report

The directors present their report and financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year after taxation, amounted to £88,000 (2016: Loss of £73,000). The directors do not recommend the payment of any dividends (2016: £nil).

Principal activities and review of the business

The principal activity of the company during the year was the manufacture and sale of agricultural spraying machinery.

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

	2017 £000	2016 £000	Change %
Turnover	4,481	4,522	-1%
Gross profit	753	698	8%
Profit / (Loss) before tax	93	(65)	-243%
Shareholders' funds	1,311	1,223	7%
Average number of employees	20	23	-13%

Turnover decreased by 1%, due to continued difficulties within the agricultural self-propelled machinery market.

Gross profit and operating profit have increased due to management introducing a successful cost reduction program.

Shareholders' funds increased reflecting the impact of the profit after tax for the year.

At 31 May 2014, the trade and assets of Multidrive Tractors Limited were transferred to Kellands Agricultural Limited and at this point, Multidrive Tractors Limited became dormant.

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union (E.U.), commonly referred to as "Brexit". As a result of the referendum, the British government are currently renegotiating the terms of the U.K.'s future relationship with the E.U.

As a result of the referendum sterling has weakened against the euro and USD. As the company's exports exceed its imports this is having a positive effect on the current financial results.

Management will continue to monitor the situation and are working towards exploiting any opportunities that may arise.

Strategic Report (continued)

Foreign currency risk

The business buys goods and services denominated in currencies other than sterling. As a result, the value of the business' non-sterling denominated financial assets and liabilities and cash flows can be affected significantly by movements in exchange rates in general and in Euro and US dollar rates in particular.

The business' transactional currency exposure arises from sales and purchases in currencies other than sterling, principally Euros and US dollars. It is the UK group's policy, of which the company is a member, to enter into forward contracts to buy and sell Euro and US dollars against a portion of the future net excess of current Euro and US dollar book debts over Euro and US dollar book creditors.

The company does not hold any foreign exchange contracts.

Credit risk

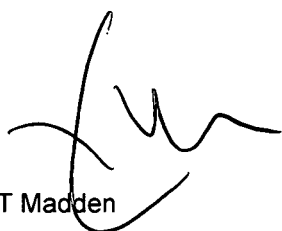
In the normal course of business, the business sells items on deferred terms to other parties. Any risk associated with these third parties failing to honour their obligations arising from these transactions is minimised through credit insurance and rigorous credit control procedures with deferred terms only being granted to customers who demonstrate an appropriate payment history and satisfy other financial requirements. Individual exposures are continuously monitored on a customer by customer basis to ensure that exposure to bad debt is minimised. As a result of this, goods may sometimes only be supplied on a cash-with-order basis or supply declined entirely.

Competitive trade risk

The company manages competitive trading risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.



E T Madden
Secretary

25th September 2018

Directors' report

Directors

The directors at 31 December 2017 and those who served during the year were as follows:

G Davies
E T Madden

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed and consulting with them in matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through informal meetings with the Company's management team, and with employees on individual matters.

Donations

No political or charitable donations were made during the year (2016: £Nil).

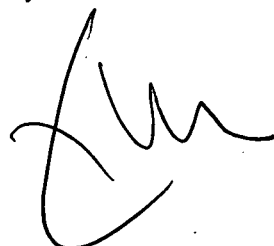
Disclosure of information to the auditors

So far as each person who is a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



E T Madden
Secretary

25th September 2018

Statement of directors' responsibilities in respect of the Strategic Report, Directors' report and the financial statements.

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Kellands Agricultural Limited

We have audited the financial statements of Kellands Agricultural Limited ("the company") for the year ended 31st December 2017 which comprise the Profit and loss account and other comprehensive income, Balance sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent auditor's report (continued)

to the members of Kellands Agricultural Limited

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our work and to whom we owe our responsibilities

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.



Stuart Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

26th September 2018

Kellands Agricultural Limited

Profit and loss account and other comprehensive income

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Turnover	2	4,481	4,522
Cost of sales		(3,728)	(3,824)
Gross profit		<u>753</u>	<u>698</u>
Distribution costs		(250)	(288)
Administrative expenses		(413)	(475)
Operating profit / (loss)	3	<u>90</u>	<u>(65)</u>
Interest receivable	6	3	1
Interest payable	7	-	(1)
Profit / (Loss) on ordinary activities before taxation		<u>93</u>	<u>(65)</u>
Tax on profit on ordinary activities	8	(5)	(8)
Profit / (Loss) on ordinary activities for the financial year		<u><u>88</u></u>	<u><u>(73)</u></u>

All operations are continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

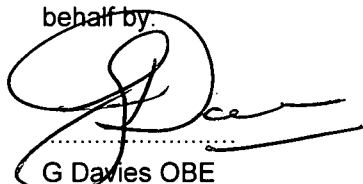
Kellands Agricultural Limited

Balance sheet

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	9	48	120
Investments	10	-	-
		<u>48</u>	<u>120</u>
Current assets			
Stocks	11	1,866	1,880
Debtors	12	780	548
Cash at bank		1,738	563
		<u>4,384</u>	<u>2,991</u>
Creditors: amounts falling due within one year	13	(3,121)	(1,888)
Net current assets		<u>1,263</u>	<u>1,103</u>
Total assets less current liabilities		1,311	1,223
Net assets		<u>1,311</u>	<u>1,223</u>
Capital and reserves			
Called up share capital	16	50	50
Profit and loss account		1,261	1,173
Shareholders' funds		<u>1,311</u>	<u>1,223</u>

These financial statements were approved by the board of directors on 25th September 2018 and were signed on its behalf by:



G Davies OBE

Managing Director

25th September 2018

Company Number: 04791822

The notes on pages 12 to 26 form part of these financial statements.

Kellands Agricultural Limited

Statement of Changes in Equity

	<i>Called up Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
Balance at 1st January 2016	50	1,246	1,296
Total comprehensive income for the year			
Loss for the year	-	(73)	(73)
Total comprehensive income for the year	-	(73)	(73)
Balance at 31st December 2016	50	1,173	1,223

	<i>Called up Share Capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
Balance at 1 January 2017	50	1,173	1,223
Total comprehensive income for the year			
Income for the year	-	88	88
Total comprehensive income for the year	-	88	88
Balance at 31 December 2017	50	1,261	1,311

The notes on pages 12 to 26 form part of these financial statements.

Notes to the financial statements

at 31 December 2017

1 Accounting policies

Kellands Agricultural Limited is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 4791822 and the registered address is Station Road, Salford Priors, Worcestershire WR11 8SW.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Alamo Group Inc, includes the Company in its consolidated financial statements. The consolidated financial statements of Alamo Group Inc are prepared in accordance with accounting principles generally accepted in the United States of America and are available to the public and may be obtained from Alamo Group Inc, P O Drawer 549, 1502 East Walnut, Seguin, TX, 78156-0549. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Alamo Group Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosure:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

Notes to the financial statements

at 31 December 2017

1 Accounting policies *(continued)*

Accounting estimates and judgements

The principal accounting estimates, assumptions and judgements employed in the preparation of these financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet dates are as follows:

Judgements

- Revenue recognition on new revenue streams
- Carrying value and useful economic life of tangible assets

Current asset provisions

Estimates are made by management to establish the net realisable value of various elements of working capital, principally inventory and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and applied to inventory and aged receivables.

In estimating the net realisable value of inventory, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

In estimating the collectability of trade receivables, judgement is required in assessing their likely realisation, including the current creditworthiness of each customer and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition.

Product warranties

Provision is made for the estimated liability on all products still under warranty, including claims already received and is included in "provisions for liabilities and charges". The estimation is based on a percentage of whole good sales which is calculated by taking warranty costs over the last six years as a percentage of whole good sales over the last six years, and any specific known matters.

Kellands Agricultural Limited

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments

1.2 Going concern

The directors have prepared these accounts under the going concern concept as the directors have prepared an annual budget for the company and group for the period to December 2018 and a high level forecast for the year ending 31 December 2019 which both indicate that the company and group have sufficient committed working capital facilities to continue to trade.

The directors have also prepared sensitivity analysis which indicates that the company's committed facilities remain adequate.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Gains or losses on translation are included in the profit and loss account.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.4 Basic financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

1.5 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.5 Other financial instruments - continued

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Long leasehold property – 3-10 years
- plant and machinery – 3-10 years
- motor vehicles – 3-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.7 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.8 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (continued)

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.13 Turnover

Turnover represents sales of goods and services as part of the Company's ordinary activities after deducting value added tax.

Turnover is recognised when the risks and rewards of ownership have passed, which usually is on delivery of goods to the customer.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements

at 31 December 2017

1 Accounting policies (*continued*)

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2. Turnover

An analysis of turnover through sale of goods by geographical market is given below:

	2017 £000	2016 £000
United Kingdom	3,639	3,875
Overseas	842	647
	<u>4,481</u>	<u>4,522</u>

Kellands Agricultural Limited

Notes to the financial statements

at 31 December 2017

3. Operating profit

This is stated after charging/(crediting):	2017	2016
	£000	£000
Auditor's remuneration		
- amounts receivable by the auditor and their associates in respect of: Audit of financial statements pursuant to legislation.	23	12
- tax compliance services	9	9
	<u>32</u>	<u>21</u>
Depreciation		
- of owned fixed assets	62	86
	<u>62</u>	<u>86</u>
Profit on disposal of fixed assets	<u>(10)</u>	<u>(7)</u>

4. Staff costs

	2017	2016
	£000	£000
Wages and salaries	758	807
Social security costs	81	87
Other pension costs (note 14)	10	6
	<u>849</u>	<u>900</u>

The monthly average number of employees during the year was as follows:

	2017	2016
Production	9	10
Administration	11	13
	<u>20</u>	<u>23</u>

Notes to the financial statements

at 31 December 2017

5. Directors' remuneration

The directors of the company are also directors of the parent and fellow subsidiary undertakings. Two directors were remunerated by Alamo Group Europe Limited, the parent company (2016: two). The directors do not believe that it is practical to apportion this amount between their services as directors of the company and their services as directors of the parent and fellow subsidiary undertakings. The aggregate amount paid by Alamo Group Europe Limited in respect of directors' remuneration for the year ending 31 December 2017 was £777,000 (2016: £593,000). Emoluments, excluding pension contributions and employers NIC, in respect of the highest paid director were £570,000 (2016: £397,000).

6. Interest receivable

	2017 £000	2016 £000
Bank interest receivable	3	1
	<u>3</u>	<u>1</u>

7. Interest payable

	2017 £000	2016 £000
Finance charges payable under finance leases	-	1
	<u>-</u>	<u>1</u>

8. Tax

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	2016 £000	2017 £000	2016 £000
<i>Current tax:</i>				
UK corporation tax	27	1		
Adjustments in respect of previous periods	(15)	18		
Total current tax		<u>12</u>		<u>19</u>
<i>Deferred tax:</i>				
Origination and reversal of timing differences	(7)	(11)		
Total deferred tax		<u>(7)</u>		<u>(11)</u>
Total Tax		<u>5</u>		<u>8</u>

Kellands Agricultural Limited

Notes to the financial statements

at 31 December 2017

8. Taxation (continued)

Analysis of current tax recognised in profit and loss

	2017	2016
	£000	£000
UK Corporation tax	12	19
<i>Total current tax recognised in profit and loss</i>	<u>12</u>	<u>19</u>

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit / (Loss) for the year	88	(73)
Total tax expense	5	8
	<u>93</u>	<u>(65)</u>
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	18	(13)
Depreciation in excess of capital allowances / (Capital allowances in excess of depreciation)	6	10
Other timing differences	(5)	(10)
Adjustments in respect of previous periods	(15)	18
Non-deductible expenses	1	3
Total tax expense included in profit and loss	<u>5</u>	<u>8</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

Notes to the financial statements

at 31 December 2017

9. Tangible fixed assets

	<i>Long leasehold property £000</i>	<i>Plant & Machinery £000</i>	<i>Motor Vehicles £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2017	44	275	234	553
Additions	-	3	-	3
Disposals	-	-	(44)	(44)
Transfers from other group companies	-	-	25	25
Transfers to other group companies	(8)	-	(25)	(33)
At 31 December 2017	<u>36</u>	<u>278</u>	<u>190</u>	<u>504</u>
At 1 January 2017	37	221	175	433
Provided during the year	1	27	34	62
Disposals	-	-	(43)	(43)
Transfers from other group companies	-	-	23	23
Transfers to other group companies	(2)	-	(17)	(19)
At 31 December 2017	<u>36</u>	<u>248</u>	<u>172</u>	<u>456</u>
Net book value:				
At 31 December 2017	<u>-</u>	<u>30</u>	<u>18</u>	<u>48</u>
At 31 December 2016	<u>7</u>	<u>54</u>	<u>59</u>	<u>120</u>

Notes to the financial statements

at 31 December 2017

10. Investments

	Interests in subsidiary companies £000
Cost:	
At 1 January 2017 & 31 December 2017	10
Amounts provided:	
At 1 January 2017 & 31 December 2017	10
Net book value:	
At 1 January 2017 & 31 December 2017	-

Name of company	Activity	Registered Office	Country of incorporation	Holding	Proportion of issued equity capital held
Multidrive Tractors Limited	Design and marketing of agricultural machinery	Station Rd, Salford Priors, Worcestershire WR11 8SW	England	Ordinary Shares	100%

11. Stocks

	2017 £000	2016 £000
Finished goods	634	793
Work in progress	1,232	1,087
	<u>1,866</u>	<u>1,880</u>

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

Notes to the financial statements

at 31 December 2017

12. Debtors

	2017 £000	2016 £000
Trade debtors	546	445
Amounts owed from fellow subsidiaries	115	30
Corporation tax	-	29
Other taxation and social security	64	-
Prepayments and accrued income	42	38
Deferred Taxation	13	6
	<u>780</u>	<u>548</u>

Amounts owed from other group undertakings carry no interest and are payable on demand.

13. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	315	190
Amounts owed to parent undertakings	993	329
Amounts owed to fellow subsidiaries	1,676	1,197
Corporation tax	8	-
Other taxation and social security	13	46
Accruals and deferred income	116	126
	<u>3,121</u>	<u>1,888</u>

Amounts owed to other group undertakings carry no interest and are payable on demand.

14. Pensions

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

Included within accruals is £1,000 (2016: £1,000) relating to outstanding contributions payable to this pension scheme.

Notes to the financial statements

at 31 December 2017

15. Contingent liability

The company has entered into an omnibus letter of set-off with the bank, Lloyds Bank Plc between Alamo Group Europe Limited, McConnel Limited, Alamo Manufacturing Services (UK) Limited, Bomford Turner Limited, Twose of Tiverton Limited, Spearhead Machinery Limited, Multidrive Tractors Limited and Kellands Agricultural Limited. The set-off balance of the companies at the balance sheet date was net £729,000 (2016: (£481,000)).

16. Share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50	50
	<hr/>	<hr/>

17. Ultimate parent company

In the opinion of the directors, the ultimate parent undertaking of the smallest and largest group of which the company is a member is Alamo Group Inc, Seguin, Texas, USA. Copies of that company's accounts may be obtained from Alamo Group Inc, P O Drawer 549, 1502 East Walnut, Seguin, TX, 78156-0549, USA.