

Shepherd Group

SHEPHERD BUILDING GROUP LIMITED

REPORT & ACCOUNTS Year ended 31 December 2019

Company registration number 653663

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Shepherd Group

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Shepherd Group Strategic Report

Principal Activities

The Company is a holding company whose primary trading subsidiary is engaged in the development and manufacture of modular portable buildings, which are offered for hire and sale across the UK and Europe.

Strategy

The Group's objectives are underpinned by three clear aspirations. These are to improve its quality of earnings, focus on talent management and continuing sound governance. Progress towards these objectives continues to be achieved through growth in its Portakabin business and ongoing efforts to minimise or eliminate exposures on the discontinued and non-core activities.

Business Review

The results for the year ended 31 December 2019 show an operating profit from continuing operations of £64.0 million (2018: £56.3 million) and an operating loss from discontinued operations of £18.6 million (2018: £16.5 million).

The Group shows an overall profit after taxation of £34.7 million in the year ended 31 December 2019 (2018: £31.4 million).

Continuing Operations

Portakabin

Portakabin's principal activities are the development and manufacture of modular and portable buildings, which are offered for hire and sale across the UK and Europe.

During the year Portakabin continued to grow, with a growth in operating profit of 10%, which has come primarily from the Hire businesses throughout the UK and Europe.

Portakabin closed the year with net cash carried forward of (£4.9m) after continued significant investment in the hire fleet and dividends totalling £45m.

This strong financial platform will continue to enable future growth plans and further hire fleet investment.

Property Portfolio

The Group has continued to focus on its investment property portfolio and has made further progress in the development and sale of these properties including the disposal in the year of a property in Rushden for £6.2m.

Discontinued Operations

Shepherd Construction

Shepherd Construction Limited sold most of its trade and assets to Wates Construction Limited in September 2015 but retained responsibility for obligations on previously completed projects and for the completion of a retail and residential complex.

The company remains fully committed to completing the ongoing construction contract and in accordance with FRS102 has accounted for it as a loss making long term contract. Additional provisions have been made in 2019 and are in respect of the remaining costs to complete the project.

Erebus 2 (formerly Portastor)

During 2019, after much consideration and appropriate consultation, it was decided to close the Portastor business. Provisions have been made in 2019 in respect of all appropriate severance costs as the business winds down its activities fully during 2020.



Shepherd Group

Strategic Report continued

Principal Risks and Uncertainties

Covid 19

The recent outbreak of the COVID-19 virus has made it difficult to assess the impact on the business, as the situation is evolving quickly and on a daily basis. All of our geographies are impacted but we are very proud of our employees and of the business in our overall response.

The Group has undertaken a co-ordinated response to the situation revolving around 3 core principles: Employees, Commercial and Financial.

Employees

The safety of our employees is paramount and we have put measures in place to ensure they remain safe including where possible enabling employees to work remotely. Where employees need to continue to attend work we have ensured that they are able to do so safely and operate within the appropriate guidelines for each jurisdiction.

Commercial

Whilst the Group is alert to the inherent risks to its ongoing commercial activity, the Portakabin business is well placed to support the public and private sectors during this crisis and meet their needs for additional temporary accommodation. To that end, we are proud to report that we are working extremely hard to meet that demand in all countries in support of their health services and other essential businesses during this time.

Financial

The key financial risks to the business are around cash collection and conservation during the crisis. The Group operates conservatively, is cash generative and has a £100m revolving credit facility in place. In addition to this, all non-essential revenue and capital projects have been deferred and costs are being appropriately controlled and managed.

The Group has undertaken a going concern review and the potential impacts of Covid 19 have been taken into account within the related modelling.

The models have been stress tested for various scenarios particularly around income collection given the uncertainty around how long the current situation will continue and particularly the impact on the private sector. More detailed disclosure on the going concern review is included under the Basis of Preparation disclosure within note 1 to these accounts. The above review indicates that we have sufficient headroom within our committed borrowing facilities, which run until March 2022, and the accounts have therefore been prepared on a going concern basis.

Legacy

In terms of our legacy operations such as Shepherd Construction, work on the ongoing live contract and other remedial works have been placed on hold during the peak of this crisis. All sites have been made safe and secure and where appropriate security and site inspections remain in place to ensure health and safety matters are not compromised

Other risks and uncertainties

The other primary risks and uncertainties facing the principal businesses within the Group, in addition to any risks and uncertainties caused by the prevailing economic conditions, are shown below together with mitigating action taken by management.

Portakabin

Outside of the economic consequences surrounding the current Covid 19 pandemic, the business has been generally aligned with economic growth across our territories and during 2019 maintained a strong focus on implementing the strategy for organic growth and further increasing its diversity in terms of products, operations, markets and customers, additionally strengthening the group as a whole.

The business has an internal working party that continually evaluates the possible consequences to the business of "Brexit" and has put in place mitigating actions in respect of downside risk.

Erebus 2 (formerly Portastor)

The business is now in the process of undertaking an orderly closure and is completing its remaining contracts and ongoing responsibility for remaining warranty periods.



Shepherd Group

Strategic Report continued

Shepherd Construction

There remain risks associated with the completion and complexity of a retail and residential project.

The ongoing responsibility for warranty periods on the outstanding project portfolio following disposal of the trade and assets of the business potentially exposes the Group to unknown future obligations to remedy defects. The business has robust processes and governance to minimise risks.

Key Performance Indicators (KPIs)

The business monitors itself against a number of performance indicators as follows:

	<i>Adjusted to Excl Discontinued Operations unless otherwise stated</i>		
	2019	2018	
Operating Profit	£64.0m	£56.3m	Profit before Interest from continuing operations
Profit before Tax	£63.3m	£55.2m	Profit before Tax from continuing operations
Return on Capital	28.8%	28.7%	Annualised Profit before Interest from continuing operations as % of Average Shareholders' Funds plus Net Borrowings
Dividend per Share	400p	1,281p	Total Proposed Dividend per Share for the Year
Dividend Cover	14.5	4.1	Profit after Tax from continuing operations / Total dividend in respect of the year
Capital Gearing	9.3%	Nil	Net Borrowings as % of Shareholders' Funds

Future Developments

The Group's priorities are to continue to develop its Continuing Operations which is underpinned by Portakabin and to maintain control and rigour around the completion of its obligations in relation to its Discontinued Operations.

Portakabin will continue its pan-European growth with further investment in fleet and infrastructure, with controlled growth expected in both Hire and Sales and in improving the overall European footprint.

S172 Statement

The Board consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s.172 (a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019.

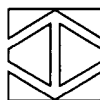
Material decisions taken in the year include approval of the strategy for the period 2021 to 2025, the decision to close the Erebus 2 (formerly Portastor) business, the agreement of a deficit funding plan for the Group's defined benefit pension scheme (for the years 2020 to 2028), the agreement to (and undertaking of) a share buyback exercise and the declaration and payment of dividends.

In making these material decisions, the Board took conscious steps to identify and take account of the potential impact (both positively and negatively) on key stakeholder groups (such as shareholders, employees, suppliers, customers and society as a whole) and concluded that the decisions taken and the anticipated outcomes were aligned with promoting the success of the company for the benefit of its members. In particular the budget and strategy are designed to increase shareholder value whilst also delivering increased positive social benefit through continuing to provide employment as well as contributing to the economy through the hire and sale of Portakabin buildings.

In making the decision to close the Erebus 2 (formerly Portastor) business the Board recognised the potential impact of this decision on the business, employees, customers and supply chain and took steps to mitigate the impact of the business closure on those stakeholders.

On Behalf of the Board

Martin Goforth
Secretary



Shepherd Group

Report of the Directors

The directors submit herewith their report and the consolidated accounts for Shepherd Building Group Limited and its subsidiaries (company number: 653663) ("Shepherd Group") for the year ended 31 December 2019 together with the balance sheet of the Company as at that date.

In accordance with section 414C(11) of the Companies Act 2006, information required in the Directors' Report has been set out in the company's Strategic Report in respect of the company's principal activities, business review and results, key performance indicators, principal risks and uncertainties and future developments.

Results and Dividend

The results for the year are given in the profit and loss account on page 9. The net profit after taxation amounted to £34.7 million (year ended 31 December 2018 £31.4 million). No final dividend is proposed (2018 900p per share). Dividends paid in the year total £11.2 million (2018 £10.7 million).

Directors

The directors of the company who served during the year or were on the Board at the date of signing these accounts were as follows:

Mr D J Williams (Chairman)
Mr D P Carter
Mr J M Collins
Mrs C Johnstone
Mr H Velge
Mr A Allner

Information relating to the retirement and re-election of directors at the forthcoming Annual General Meeting is included in the notice.

Employees

Shepherd Group recognises that its employees and their knowledge and skills are a key contributor to the achievement of long term success. The Company actively promotes being a responsible employer along with a working environment based on equality and diversity, free from discrimination and where every employee can deliver on their potential and make the fullest possible contribution to the Company.

The Company takes a proactive approach to engaging with employees through a variety of methods such as the intranet, website, social media, monthly newsletters, weekly health and safety briefings, team talks and 1-2-1 meetings.

The Company recognises that a key priority is to provide an environment where there is scope for personal and career development for employees, to allow every employee the opportunity to develop themselves to their fullest and support them in doing so through a variety of mechanisms such as professionally recognised training.

A high priority is placed on safety culture and on engaging with employees, as well as customers, suppliers and the general public, so that all activities minimise the risk of harm. The safety culture is one which is embedded through processes which drive full engagement on safety matters.

Guidance on business ethics is made available to all employees and all are encouraged to raise concerns through the whistleblowing process.



Shepherd Group

Report of the Directors continued

Suppliers

Suppliers play a pivotal part in the ability to meet customer's needs and regular dialogue is held with strategic suppliers to ensure they understand and meet the standards expected of them in areas such as ethical trading, considerations of safety and well-being and environmental impact. Suppliers are required to sign up to a Supplier Code of Conduct and are subjected to regular audits to confirm compliance with these standards.

Communities

The Company has a Community Support Policy that directs funding and resources to support people and organisations and has a number of partnerships with a variety of charities, voluntary organisations and community groups.

Environment

The Company recognises that managing its environmental impact is not only the right thing to do but also aids in meeting the needs of a number of stakeholder groups. The business actively seeks to minimise the environmental impact from products and operations and employs dedicated sustainability professionals to help deliver on this aim. This sits alongside a focus on waste reduction and recycling and the principal manufacturing site has maintained its zero waste to landfill status.

Political Donations

No political donation or contribution to political parties under the Companies Act 2006 have been made during the year or during the year ended 31 December 2018.

Provision of Information to Auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

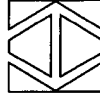
Auditor

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

By order of the Board

Martin Goforth

Secretary
Yorkon House, New Lane
Huntington, York YO32 9PT
17 April 2020



Shepherd Group

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, 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 period. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent Auditor's Report to the Members of Shepherd Building Group Limited

We have audited the financial statements of Shepherd Building Group Limited ("the company") for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated and Parent Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Balance Sheet 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 group's and of the parent company's affairs as at 31 December 2019 and of the group's 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 group 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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 the 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



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 group and parent 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 group or the parent 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.

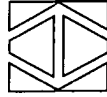
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit 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.

A handwritten signature in black ink, appearing to read 'Chris Hearld'.

Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA
17 April 2020



Shepherd Group

Consolidated Profit and Loss Account

for the year ended 31 December 2019

	Note	Year ended 31 December 2019			Year ended 31 December 2018		
		Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
		£m	£m	£m	£m	£m	£m
Turnover	2	323.4	10.9	334.3	306.9	13.6	320.5
Costs and Overheads less Other Income	3	(259.4)	(13.6)	(273.0)	(250.6)	(16.3)	(266.9)
Operating Profit / (Loss) before Exceptional Items		64.0	(2.7)	61.3	56.3	(2.7)	53.6
Exceptional Items	5	-	(15.9)	(15.9)	-	(13.8)	(13.8)
Operating Profit / (Loss)		64.0	(18.6)	45.4	56.3	(16.5)	39.8
Interest	6	(0.4)	-	(0.4)	(0.6)	-	(0.6)
Other Financial Expense	25	(0.3)	-	(0.3)	(0.5)	-	(0.5)
Profit / (Loss) before Tax		63.3	(18.6)	44.7	55.2	(16.5)	38.7
Tax on Profit / (Loss)	8	(13.5)	3.5	(10.0)	(10.5)	3.2	(7.3)
Profit / (Loss) for the financial year		49.8	(15.1)	34.7	44.7	(13.3)	31.4

Consolidated Statement of Other Comprehensive Income

for the year ended 31 December 2019

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit for the financial year (see above)	34.7	31.4
Foreign currency differences arising on retranslation of foreign operations	(3.5)	0.6
Actuarial (loss)/gain on defined benefit schemes (see note 25)	(13.2)	1.9
Deferred tax on actuarial gain in the period (see note 19)	2.3	(0.3)
Total comprehensive income for the financial year	20.3	33.6

The accompanying notes form part of the financial statements



Shepherd Group

Consolidated Balance Sheet

as at 31 December 2019

	Note	31 December 2019		31 December 2018	
		£m	£m	£m	£m
Fixed Assets					
Intangible assets	10	5.4		6.0	
Tangible assets	11	287.0		268.4	
Investment properties	12	<u>2.7</u>		<u>7.4</u>	
			295.1		281.8
Current Assets					
Stocks	14	20.4		17.8	
Debtors	15	60.4		63.3	
(£0.5m owed in more than 1 yr (2018 £1.5m))					
Cash at bank and short term deposits	16	<u>40.8</u>		<u>30.7</u>	
		121.6		111.8	
Creditors					
Due within one year	17	<u>(119.4)</u>		<u>(138.9)</u>	
Net Current Assets/ (Liabilities)			2.2		(27.1)
Total Assets less Current Liabilities			<u>297.3</u>		<u>254.7</u>
Creditors due after more than one year	18		(60.4)		(27.5)
Provision for Liabilities					
Pensions and similar obligations	25		(23.6)		(15.0)
Net Assets			<u><u>213.3</u></u>		<u><u>212.2</u></u>
Capital and Reserves					
Called up share capital	20		0.9		0.9
Capital redemption reserve	21		0.1		0.1
Profit and loss account	21		<u>212.3</u>		<u>211.2</u>
Shareholders' Funds			<u><u>213.3</u></u>		<u><u>212.2</u></u>

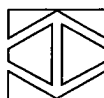
Signed on behalf of the Board

D Carter
D P Carter
Director
17 April 2020

J Collins
J M Collins
Director
17 April 2020

Company Number 653663

The accompanying notes form part of the financial statements



Shepherd Group

Statement of Changes in Equity

for the year ended 31 December 2019

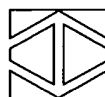
Group

	Note	Called up Share Capital £m	Capital Redemption Reserve £m	Profit and Loss Account £m	Total £m
At 1 January 2018		0.9	0.1	188.3	189.3
Profit for the financial year		-	-	31.4	31.4
Other comprehensive income		-	-	2.2	2.2
Total comprehensive income for the year		-	-	33.6	33.6
Dividends paid during the year	9	-	-	(10.7)	(10.7)
At 31 December 2018		0.9	0.1	211.2	212.2
Profit for the financial year		-	-	34.7	34.7
Other comprehensive income		-	-	(14.4)	(14.4)
Total comprehensive income for the year		-	-	20.3	20.3
Dividends paid during the year	9	-	-	(11.2)	(11.2)
Redemption of ordinary share capital	20	-	-	(8.0)	(8.0)
At 31 December 2019		0.9	0.1	212.3	213.3

Company

		Called up Share Capital £m	Capital Redemption Reserve £m	Profit and Loss Account £m	Total £m
At 1 January 2018		0.9	0.1	27.3	28.3
Profit for the financial year		-	-	7.8	7.8
Dividends paid during the year	9	-	-	(10.7)	(10.7)
At 31 December 2018		0.9	0.1	24.4	25.4
Profit for the financial year		-	-	35.9	35.9
Dividends paid during the year	9	-	-	(11.2)	(11.2)
Redemption of ordinary share capital	20	-	-	(8.0)	(8.0)
At 31 December 2019		0.9	0.1	41.1	42.1

The accompanying notes form part of the financial statements



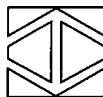
Shepherd Group

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Year ended 31 December 2019		Year ended 31 December 2018	
	£m	£m	£m	£m
Cash Flow from Operating Activities				
Profit for the financial year	34.7		31.4	
Adjustments for:				
Amortisation of intangible assets	0.6		0.6	
Depreciation of tangible assets	60.9		54.5	
Movement in the value of investment properties	0.1		(0.9)	
Profit on disposal of investment properties	(1.4)		(4.1)	
Profit on disposal of fixed assets	(5.4)		(2.9)	
Interest payable	0.4		0.6	
Taxation	10.0		7.3	
Change in trade and other debtors	(0.4)		(7.0)	
Change in stocks	(2.9)		5.9	
Change in trade and other creditors	(18.4)		19.5	
Excess of pension contributions over P&L pension expense	(5.2)		(3.8)	
	73.0		101.1	
Dividends Paid	(11.2)		(10.7)	
Interest Paid	(0.4)		(0.5)	
Tax Paid	(4.4)		(5.5)	
Net cash generated from operating activities		57.0		84.4
Cash flows from investing activities				
Proceeds from sale of investment properties	6.2		10.6	
Proceeds from sale of tangible assets	9.4		4.3	
Additions to tangible assets	(87.4)		(75.7)	
Net cash from investing activities		(71.8)		(60.8)
Cash flows from financing activities				
Redemption of ordinary share capital (see note 20)	(8.0)		-	
increase / (Decrease) in medium term bank loans	34.0		(22.0)	
Net cash from financing activities		26.0		(22.0)
Net Increase in cash and cash equivalents		11.2		1.6
Foreign exchange translation adjustment		(1.1)		0.2
Cash and cash equivalents brought forward		30.7		28.9
Cash and cash equivalents carried forward		40.8		30.7
	As at 1 January 2019	Cashflow	Foreign exchange movement	As at 31 December 2019
	£m	£m	£m	£m
Cash and cash equivalents	30.7	11.2	(1.1)	40.8
Borrowings due after more than one year	(27.5)	(34.0)	1.1	(60.4)
Net Cash / (Debt)	3.2	(22.8)	-	(19.6)

The accompanying notes form part of the financial statements



Shepherd Group

Parent Company Balance Sheet

as at 31 December 2019

	Note	31 December 2019		31 December 2018	
		£m	£m	£m	£m
Fixed Assets					
Tangible assets	11	0.1		0.1	
Investment in subsidiary companies	13	<u>6.4</u>		<u>6.4</u>	
			6.5		6.5
Current Assets					
Debtors					
(£0.5m owed in more than 1 yr (2018 £1.5m))	15	79.1		36.3	
Cash at bank and short term deposits	16	<u>0.1</u>		<u>39.6</u>	
		79.2		75.9	
Creditors					
Due within one year	17	<u>(43.6)</u>		<u>(51.0)</u>	
Net Current Assets			35.6		24.9
Creditors due after more than one year	18		-		(6.0)
Net Assets			<u>42.1</u>		<u>25.4</u>
Capital and Reserves					
Called up share capital	20	0.9		0.9	
Capital redemption reserve	21	0.1		0.1	
Profit and loss account	21	<u>41.1</u>		<u>24.4</u>	
Shareholders' Funds			<u>42.1</u>		<u>25.4</u>

Signed on behalf of the Board

D Carter

D P Carter

Director

17 April 2020

J Collins

J M Collins

Director

17 April 2020

Company Number 653663

The accompanying notes form part of the financial statements



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. Accounting Policies

Company Information

Shepherd Building Group Limited is a private company limited by shares, incorporated in England and Wales. Its registered office and principal place of business is Yorkon House, New Lane, Huntington, York YO32 9PT.

Basis of Preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - *'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102)*, and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Certain 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 comparative financial information covers the year ended 31 December 2018 which has been prepared on a consistent basis with that of the current financial year.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors have undertaken a going concern review in which they considered cash flow forecasts covering a period of at least twelve months from the date of signing of these accounts. This review took place in the context of the Group's £100 million revolving credit facility which is in place until March 2022 and the related net borrowing position of £12m at 31 March 2020.

In undertaking the going concern review the directors considered the potential impact of the Covid 19 pandemic. Within this assessment the scenarios considered included significant stress testing including severe declines in commercial activity levels and severe impacts on the timing of cash collection. The business has already instigated appropriate cost management controls and these measures were taken into account within the going concern models. However, the modelling did not consider the benefit of further, more extreme, cash conservation strategies which would be available to management if required. The modelling indicated that the Group will still be able to operate with comfortable levels of headroom against its covenants and borrowing facilities, even under the most severe downside scenario.

Following this review the directors concluded that, based on the cash forecasts and the funding facilities in place, they are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. Accounting Policies continued

Basis of Consolidation

The Group accounts consolidate the accounts of Shepherd Building Group Limited and all of its subsidiary companies. The results of businesses acquired during the year are consolidated from the date of acquisition. The results of businesses disposed of during the year are included up to the date of disposal. The Group's share of the results of joint ventures are included in the consolidated profit and loss account and its interests in their net assets are included within fixed assets. A list of the names of subsidiaries and joint ventures is shown in note 13.

Uniform accounting policies are followed throughout the Group and the accounting reference date of all material subsidiary companies is 31 December.

No profit and loss account is presented for Shepherd Building Group Limited itself as provided by section 408 (3) of the Companies Act 2006. The profit for the year is shown in the Statement of Changes in Equity.

Foreign Currencies

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

Realised differences on exchange are dealt with through the profit and loss account, together with unrealised differences arising from trading transactions. Unrealised differences on exchange arising from investment in foreign subsidiary companies are dealt with through reserves.

The profit and loss accounts of foreign subsidiary companies are translated into sterling at the average rate for the year and their balance sheets are translated at the closing market rates ruling at the balance sheet date.

Turnover

Turnover from sales activities reflects the sales value of products delivered.

Turnover from rental income is recognised on a straight line basis in the period to which the rental relates.

Turnover on long-term contracts is recognised according to the stage of completion of the contract based on the proportion of costs method.

Commercial and industrial development sales are recognised as turnover when legal completion occurs.

A breakdown of Turnover is included in note 2.

Tangible Fixed Assets

Depreciation is provided against the original cost of all tangible fixed assets, except freehold land, at rates calculated to write off the cost of each asset to its residual value on a straight line basis over its estimated useful life, as follows:

Buildings	50 years
Hire fleet plant and equipment	3 to 12 years
Other plant and equipment	3 to 10 years

Sales of hire fleet fixed assets, usually at the end of their estimated useful life, are recorded under profit or loss on disposal of fixed assets.

Investment Property

Investment property is held at fair value, as determined by third party valuation. Fair value gains and losses are recognised in the Profit and Loss Account as they arise.



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. Accounting Policies continued

Pensions

The Group operates a pension scheme providing benefits on both a defined benefit and defined contribution basis although the defined benefit sections are now closed to future accrual. The assets of the scheme are held separately from those of the Group. Pension scheme assets are measured as required by FRS 102 at bid price and scheme liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bonds of an appropriate term.

In the case of the defined benefit sections of the pension scheme the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full and the movement in this figure is split between operating charges and finance items, which are included in the Profit and Loss Account, and actuarial gains and losses which are shown in Other Comprehensive Income. In the case of the elements of the scheme providing benefits on a defined contribution basis the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and Development

Research and development expenditure is charged to income in the year in which it is incurred.

Significant Estimates

Preparation of the financial statements requires management to make significant estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The items in the financial statements where these estimates and assumptions have been made include:

Retirement benefit schemes

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experience or future changes in assumptions will be reflected in subsequent periods. In making estimates, advice is taken from qualified actuaries. Note 25 provides information on the assumptions used in these financial statements.

Long term contracts cost to complete

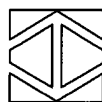
FRS102 requires estimates to be made in respect of the costs to complete long term contracts. Specifically, a key estimate is the level of cost required to complete the ongoing legacy contract in Shepherd Construction which has been accounted for as a long term contract. There remains significant uncertainty regarding the final outcome of that contract and management have therefore accrued their best estimate of the likely cost to complete based on the current programme of works. Other estimates include uncertainty regarding other legacy contracts and the positions taken represent management's best judgement based on their knowledge at the date of signing these accounts.

Long term contracts work-in-progress

Work-in-progress on long term contracts is valued at cost plus attributable profits less any losses with the profit or loss of a contract being based on management estimates. Cost comprises direct contract costs together with an addition for company general overheads. In the case of long-term contracts which provide for payments on account an appropriate proportion of profit is included on a prudent basis.

Contract provisions

Appropriate provisions are held to cover anticipated or identified defects on historic contracts which have already achieved practical completion and represent management's best estimate based on their knowledge at the date of signing the accounts.



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. Accounting Policies continued

Stocks

Land and Development

Commercial and industrial development and building land are valued at the lower of cost and net realisable value and are stated after deducting cash received on account. All interest payable on money borrowed for the purchase of land and to finance development is written off during the year in which it is incurred.

Profit arising on the sale of land or property development is not included until legal completion has taken place. Provision is made in full for estimated future losses, if any.

Manufacturing and other Stock

Stock is valued at the lower of cost and net realisable value. The value of work-in-progress and finished goods includes production costs and other appropriate overheads which are attributable to the stage of manufacture which has been reached.

Impairment of Assets

At each reporting date assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is any indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, then the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in the Profit and Loss Account.

If an impairment loss subsequently reverses, the carrying amount of the affected asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined for the asset had no impairment loss been recognised in previous years. A reversal of impairment loss is recognised immediately in the Profit and Loss Account.

Interest

All interest is recognised in the profit and loss account in the year in which it is incurred / generated.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

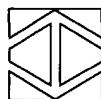
Deferred tax is recognised in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by section 29 of FRS 102. Deferred tax assets are only recognised when they are recoverable against future trading profits.

Dividends on Shares presented within Equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Operating Leases

Payments 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.



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. Accounting Policies continued

Basic Financial Instruments

Trade and other debtors / creditors

Trade and other debtors and 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 for trade and other debtors.

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.

Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses.

The Group has a £100 million committed loan facility in a club arrangement between HSBC Bank PLC and Lloyds Bank PLC and any drawings under these facilities are held in creditors. Within this facility £25m is carved out for overdraft and ancillary banking facilities with HSBC.

Cash and Liquid Resources

Cash, for the purpose of the statement of cash flows, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at their carrying values. Liquid resources comprise term deposits of less than one year (other than cash) and investments in money market managed funds.

Goodwill

Goodwill, being the excess of the fair value of consideration paid for acquired businesses over the fair value of net assets acquired, is capitalised and amortised over its useful economic life. Goodwill is immediately written off to the profit and loss account to the extent that the balance sheet carrying value exceeds the recoverable amount



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

2. Turnover

By Geographical region

Within the United Kingdom
Overseas

By activity

Hire Income
Sales Income
Other

Year ended
31 December
2019

Year ended
31 December
2018

	£m	£m
Within the United Kingdom	238.5	236.7
Overseas	95.8	83.8
	<u>334.3</u>	<u>320.5</u>
Hire Income	182.2	169.4
Sales Income	96.2	89.5
Other	55.9	61.6
	<u>334.3</u>	<u>320.5</u>

3. Costs & Overheads less Other Income & Exceptional Items

Year ended 31 December 2019

Year ended 31 December 2018

	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	2019	2019	2019	2018	2018	2018
	£m	£m	£m	£m	£m	£m
Change in stocks of finished goods and work in progress	(1.4)	(0.1)	(1.5)	0.2	(0.2)	-
Own work capitalised	(28.6)	-	(28.6)	(26.2)	-	(26.2)
Other operating income	(5.4)	(0.1)	(5.5)	(3.4)	(1.1)	(4.5)
Raw materials and consumables	52.8	1.6	54.4	56.1	2.8	58.9
Employment costs (see note 7)	90.7	4.7	95.4	87.2	5.2	92.4
Depreciation and amortisation	61.5	-	61.5	55.1	-	55.1
Auditor's fees	0.3	0.1	0.4	0.4	-	0.4
- for audit work pursuant to legislation	-	0.1	0.1	-	-	-
- for other services relating to tax	-	0.1	0.1	-	-	-
Operating lease rentals	4.0	0.2	4.2	3.4	-	3.4
- plant and machinery	6.5	0.1	6.6	7.2	0.1	7.3
- other	0.1	-	0.1	(0.9)	-	(0.9)
Movements in the value of Investment Properties	0.1	-	0.1	(0.9)	-	(0.9)
Other external and operating charges	78.9	7.0	85.9	71.5	9.5	81.0
	<u>259.4</u>	<u>13.6</u>	<u>273.0</u>	<u>250.6</u>	<u>16.3</u>	<u>266.9</u>

The Research and Development expenditure included within the above figures was £0.9m (2018 £1.1m)

Fees paid to KPMG in relation to non audit services in the year amounted to £88,000 (2018 £50,000)

4. Discontinued Operations

Within discontinued operations the Group is including the residual costs associated with its sale in earlier years of the trade and assets of Shepherd Construction Limited and Shepherd Homes Limited and the corporate sale of Shepherd Engineering Services Ltd (SES). In addition the Group has taken the decision to discontinue its operations in Erebus 1 (formerly Portasilo Limited) and Erebus 2 (formerly Portastor Limited) and the residual results of those operations are also included in discontinued operations.

Year ended 31 December 2019

	Shepherd Homes Ltd	Erebus 1 Ltd	Erebus 2 Ltd	Shepherd Construction Ltd	SES Ltd	Total
	£m	£m	£m	£m	£m	£m
Turnover	-	-	6.8	4.1	-	10.9
Operating (loss) / profit	-	-	(0.6)	(3.7)	1.6	(2.7)
Exceptional losses (see note 5)	-	-	(3.2)	(12.7)	-	(15.9)
	<u>-</u>	<u>-</u>	<u>3.0</u>	<u>(12.3)</u>	<u>1.6</u>	<u>(7.7)</u>

Year ended 31 December 2018

	Shepherd Homes Ltd	Erebus 1 Ltd	Erebus 2 Ltd	Shepherd Construction Ltd	SES Ltd	Total
	£m	£m	£m	£m	£m	£m
Turnover	-	0.8	9.3	3.5	-	13.6
Operating profit / (loss)	0.2	0.7	1.0	(5.0)	0.4	(2.7)
Exceptional losses (see note 5)	-	-	-	(13.8)	-	(13.8)
	<u>0.2</u>	<u>1.5</u>	<u>10.3</u>	<u>(15.3)</u>	<u>0.4</u>	<u>(2.9)</u>

The cashflows in the year do not include any impact from the sale of businesses (2018 nil)



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

5. Exceptional Items

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	Operations	Operations		Operations	Operations	
	2019	2019	2019	2018	2018	2018
	£m	£m	£m	£m	£m	£m
Severance costs on closure of Erebus 2		2.0	2.0			
Other costs associated with closure of Erebus 2		1.2	1.2			
Exceptional contract loss	-	12.7	12.7	-	13.8	13.8
	<u>-</u>	<u>15.9</u>	<u>15.9</u>	<u>-</u>	<u>13.8</u>	<u>13.8</u>

The company has commitments to complete the last remaining construction project and further provisions were required in 2019 to enable it to fulfill those obligations.

6. Interest

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Interest payable on loans	0.5	0.6
Interest receivable on deposits	(0.1)	-
	<u>0.4</u>	<u>0.6</u>

7. Directors and Employees

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	Operations	Operations		Operations	Operations	
	2019	2019	2019	2018	2018	2018
	£m	£m	£m	£m	£m	£m
Employment costs (including directors)						
Wages and salaries	75.5	3.9	79.4	72.9	4.4	77.3
Social security costs	10.4	0.4	10.8	10.3	0.4	10.7
Severance costs in operating profit	-	-	-	0.2	-	0.2
Other pension costs (see note 25)	4.8	0.4	5.2	3.8	0.4	4.2
	<u>90.7</u>	<u>4.7</u>	<u>95.4</u>	<u>87.2</u>	<u>5.2</u>	<u>92.4</u>

The average number of employees during the year was 1,932 (2018 1,873).

The remuneration of the directors of the parent company totalled £2.1 million in the year (2018 £1.7 million) this included £27,500 (2018 £22,000) contributions to the Group defined contribution pension scheme.

The aggregate emoluments of the highest paid director were £1.4 million in the year (2018 £1.0 million) and they were not a member of the Group pension scheme during the year.

During the year 1 director accrued pension benefits in a defined contribution scheme (2018 2).



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

8. Taxation

	Year ended 31 December 2019		Year ended 31 December 2018	
	£m	£m	£m	£m
i) Analysis of charge for the year				
<i>Current tax:</i>				
UK tax		-		3.7
Overseas tax		4.4		2.5
Adjustment relating to previous years		(0.4)		0.6
Total current tax		4.0		6.8
<i>Deferred tax:</i>				
Origination and reversal of timing differences	5.6		1.7	
Adjustment relating to previous years	0.4		(1.2)	
Total deferred tax		6.0		0.5
Tax charge on profit on ordinary activities		10.0		7.3

ii) Factors affecting tax charge for the year

The tax assessed for the year reconciles to the standard rate of corporation tax in the UK of 19% (2018 19%) as follows:

	2019 £m	2018 £m
Profit before tax for the year	44.7	38.7
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19%	8.5	7.4
Effects of:		
Income not subject to corporation tax and costs not tax deductible	0.2	0.3
Patent Box relief	(0.3)	(0.3)
Property revaluation in current period	-	(0.2)
Overseas tax rate differences	1.8	0.7
Impairment and amortisation of goodwill	0.1	0.1
Deferred tax rate difference	(0.3)	(0.1)
Adjustment to tax charge in respect of previous years	-	(0.6)
Tax charge for the year	10.0	7.3

9. Dividends

	2019 £m	2018 £m
Final dividend paid (in respect of previous year)	7.7	7.4
Interim dividends paid (current year)	3.5	3.3
	11.2	10.7



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

10. Intangible Fixed Assets

	Goodwill	
	2019	2018
	£m	£m
Cost		
Opening at 1 January	12.3	12.3
Additions	-	-
Closing at 31 December	<u>12.3</u>	<u>12.3</u>
Amortisation		
Opening at 1 January	6.3	5.7
Charge for the period	0.6	0.6
Closing at 31 December	<u>6.9</u>	<u>6.3</u>
Net Book Value	<u>5.4</u>	<u>6.0</u>

Goodwill arising on acquisition of subsidiary companies and businesses is capitalised as an asset and amortised over its useful economic life. The useful economic life of goodwill is assessed separately for each acquisition and reviewed for any impairment on an annual basis. The remaining anticipated useful life of goodwill ranges from 1 to 14 years.

11. Tangible Fixed Assets

	Portakabin Hire Fleet	Land and buildings	Plant and equipment	Total
	£m	£m	£m	£m
Cost				
At 1 January 2019	503.3	45.0	41.5	589.8
Additions	81.2	1.5	5.0	87.7
Disposals	(39.7)	(0.1)	(0.5)	(40.3)
Exchange and other adjustments	(7.2)	(0.5)	(0.3)	(8.0)
At 31 December 2019	<u>537.6</u>	<u>45.9</u>	<u>45.7</u>	<u>629.2</u>
Depreciation				
At 1 January 2019	274.7	19.2	27.5	321.4
Charge for the year	56.4	1.1	3.2	60.7
Disposals	(35.8)	(0.1)	(0.4)	(36.3)
Exchange and other adjustments	(3.3)	(0.2)	(0.1)	(3.6)
At 31 December 2019	<u>292.0</u>	<u>20.0</u>	<u>30.2</u>	<u>342.2</u>
Net Book Value at 31 December 2019	<u>245.6</u>	<u>25.9</u>	<u>15.5</u>	<u>287.0</u>
Net Book Value at 31 December 2018	<u>228.6</u>	<u>25.8</u>	<u>14.0</u>	<u>268.4</u>

Land and buildings are predominantly freehold properties, with the exception of leasehold properties with a net book value of £0.3 million (2018 £0.3 million). The fixed assets of the parent company at net book value comprised plant and equipment of £0.1m (2018 £0.2m).

Hire income received during the year was £182.2million (2018 £169.4 million).

12. Investment Property

	2019	2018
	£m	£m
Brought forward	7.4	12.9
Disposals	(4.6)	(6.4)
Net (loss)/gain from fair value adjustments	(0.1)	0.9
Carried forward	<u>2.7</u>	<u>7.4</u>
Historical cost net book value	<u>0.9</u>	<u>7.3</u>

The fair value of investment property is based on a valuation undertaken in the year by an external, Independent valuer, having appropriate recognised professional qualification and recent experience in the location and class of property being valued.

Group retained Profit and Loss account at December 2019 includes £1.8m in relation to unrealised revaluation profits on investment properties.



Shepherd Group

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

13. Investment in Subsidiary Companies and Joint Ventures

	Company	
	2019	2018
	£m	£m
Investment in subsidiary companies		
Shares in subsidiaries, mainly at cost	<u>6.4</u>	<u>6.4</u>

The company's subsidiaries at 31 December 2019 are shown below, all being wholly owned and incorporated in England except where otherwise stated. All shares held by Shepherd Building Group Limited are ordinary shares, and where ownership is not directly held by Shepherd Building Group Limited the company's name is inset beneath that of its parent company.

Shepherd Industries Limited

Portakabin Limited

Paton Plant Limited

Portakabin Hire Limited

Portakabin (Ireland) Limited (incorporated in Ireland)

Add Space Limited (incorporated in Ireland)

Allspace Limited (incorporated in Ireland)

Portakabin (Refurbished) Limited

Foremans Hire Limited

Portakabin (Site Accommodation) Limited

Portakabin (Scotland) Limited (incorporated in Scotland)

Portakabin BV (incorporated in The Netherlands)

Portakabin SAS (incorporated in France)

Portakabin Modulaire SAS (incorporated in France)

Yorkon Limited

Portakabin Europe Limited

Portakabin Holdings GmbH (incorporated in Germany)

Portakabin Mobilraum GmbH (incorporated in Germany)

Portakabin Produktions GmbH (incorporated in Germany)

Erebus 1 Limited (formerly Portasilos Limited)

Erebus 3 Limited (formerly Portasilos Bulk Handling (Asia) Limited)

Portasilos Bulk Handling (India) Private Limited (incorporated in India)

Erebus 2 Limited (formerly Portastor Limited)

Mill Mount Properties Limited

Rushden Properties Limited

Shepherd Construction Limited

Shepherd Development Company Limited

Crossways Commercial Estates Limited

Emersons Green Limited

Cyan Park Limited

Grange Mill Lane Limited

Shepherd Group Limited

Shepherd Group Built Environment Limited

SES (Building Services) Limited

Shepherd Homes Limited

George Longden Limited

Shepherd Group Properties Limited

The Shepherd Group Pension Trust Limited

Registered offices for companies incorporated in each country are:

England - Yorkon House, New Lane, Huntington, York YO32 9PT

Scotland - Whistleberry Rd, Hamilton, Lanarkshire, ML3 0EJ

Germany - Zum Flugplatz 1, D-73566 Bartholoma other than Portakabin

GmbH which has a registered office at - Delitzscher Strasse 88, 06112 Halle / Saale

France - ZI de Templemars, 8 rue de l'Epinoy, BP 50020, 59175 Templemars, France

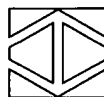
Ireland - Roseville Business Park, Turvey Avenue, Donabate, Co Dublin, Ireland

Netherlands - Postbus 115, 3360 AC Sliedrecht, Netherlands

India - No.6 3rd Street, Railway Colony, Chennai, Chennai TN, 600029, India

14. Stocks

	Group	
	2019	2018
	£m	£m
Land and development	5.4	3.8
Manufacturing and other stock	15.0	14.0
	<u>20.4</u>	<u>17.8</u>



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15. Debtors

	Company		Group	
	2019	2018	2019	2018
	£m	£m	£m	£m
Trade debtors	-	-	41.4	34.6
Amounts recoverable on contracts	-	-	5.6	10.8
Corporation tax	0.9	0.1	1.6	-
Deferred tax (see note 19)	0.2	1.3	1.6	5.3
Amounts due from subsidiary companies	25.5	25.6	-	-
Loans to subsidiary companies	50.0	6.5	-	-
Other debtors, prepayments and accrued income	2.5	2.8	10.2	12.6
	<u>79.1</u>	<u>36.3</u>	<u>60.4</u>	<u>63.3</u>

Within other debtors and prepayments for both Company and Group there is £0.5m (2018 £1.5m) which is due in more than a year.

Amounts due from subsidiary companies include an internal dividend of £25m which was paid in January 2020 (2018 £25m paid in January 2019). Other amounts are repayable on normal commercial terms.

16. Cash at bank and on deposit

	Company		Group	
	2019	2018	2019	2018
	£m	£m	£m	£m
Cash on demand	<u>0.1</u>	<u>39.6</u>	<u>40.8</u>	<u>30.7</u>

17. Creditors due within one year

	Company		Group	
	2019	2018	2019	2018
	£m	£m	£m	£m
Bank overdraft	4.6	-	-	-
Trade creditors	-	0.2	34.6	38.4
Amounts due to subsidiary companies	-	1.2	-	-
Current corporation tax	-	-	2.1	1.0
Other taxes and social security	0.2	0.2	8.5	9.7
Other creditors	-	-	7.2	8.5
Contract provisions	-	-	37.9	40.1
Accruals and deferred income	38.8	49.4	29.1	41.2
	<u>43.6</u>	<u>51.0</u>	<u>119.4</u>	<u>138.9</u>

18. Creditors due after more than one year

	Company		Group	
	2019	2018	2019	2018
	£m	£m	£m	£m
Bank term loan	-	6.0	60.4	27.5
	<u>-</u>	<u>6.0</u>	<u>60.4</u>	<u>27.5</u>

The Group has borrowing facilities of £100m in the form of a committed bank loan facility which matures in 2022. This facility is in a club arrangement with HSBC Bank Plc and Lloyds Banking Group Plc.

Analysis of Contract Provisions

	Cladding Claim Provisions	Other Contract Provisions	Total Provisions
	£m	£m	£m
Balance at 1 January 2019	9.1	30.9	9.1
Additions and adjustments	-	22.5	-
Charged against provision	(0.5)	(24.1)	(0.5)
Balance at 31 December 2019	<u>8.6</u>	<u>29.3</u>	<u>8.6</u>

Provisions in respect of cladding claims relate to buildings on which practical completion has previously been achieved, but there is a potential exposure arising from the current focus within the construction industry. Other contract provisions include cost to complete provisions in relation to ongoing construction contracts and warranty provisions on contracts that have previously achieved practical completion.



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18. Creditors due after more than one year

	Company		Group	
	2019	2018	2019	2018
	£m	£m	£m	£m
Bank term loan	-	6.0	60.4	27.5
	-	6.0	60.4	27.5

The Group has borrowing facilities of £100m in the form of a committed bank loan facility which matures in 2022. This facility is in a club arrangement with HSBC Bank Plc and Lloyds Banking Group Plc.

19. Provision for Deferred Taxation

	Company		Group	
	2019	2018	2019	2018
	£m	£m	£m	£m
Effect of capital allowances	-	-	2.5	(0.2)
Other timing differences	(0.2)	(1.3)	(4.1)	(5.1)
Provision for deferred tax	(0.2)	(1.3)	(1.6)	(5.3)
Opening provision	(1.3)	(0.5)	(5.3)	(6.1)
Deferred tax charge / (credit) in profit and loss account for the period (note 8)	1.1	(0.8)	6.0	0.5
Deferred tax on Pension deficit movements through OCI	-	-	(2.3)	0.3
Closing asset	(0.2)	(1.3)	(1.6)	(5.3)

Deferred tax balance are calculated at the future corporate tax rate of 17% which is the rate enacted at the balance sheet date.

20. Share Capital

	2019	2018
	£m	£m
Allotted, called up and fully paid		
852,693 (2018 860,219) ordinary shares of £1 each	0.9	0.9

During the year the company redeemed 7,526 ordinary shares for cash of £8.0m and these shares were cancelled.

21. Reserves

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current and prior period retained profits and losses. In addition this includes £1.8m (2018 £0.1m) relating to unrealised property revaluations which is not distributable.

Capital Redemption Reserve

Represents the value of share capital redeemed in 2019 and previous years by way of purchase of shares from shareholders.



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22. Financial Instruments

Measured at amortised cost

Financial Assets

Cash at bank and in hand

Trade debtors

Other debtors

Total

Financial Liabilities

Trade creditors

Accruals and deferred income

Other liabilities

Total

	Company		Group	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash at bank and in hand	0.1	39.6	40.8	30.7
Trade debtors	-	-	41.4	34.6
Other debtors	79.1	36.3	19.0	28.7
Total	79.2	75.9	101.2	94.0
<i>Financial Liabilities</i>				
Trade creditors	-	0.2	34.6	38.4
Accruals and deferred income	38.8	49.4	29.1	41.2
Other liabilities	4.8	7.4	116.1	86.8
Total	43.6	57.0	179.8	166.4

23. Hedge Accounting

The group is exposed to foreign exchange risk due to the investment in European subsidiaries. Borrowings denominated in Euros are held by the Group and have been designated as a hedging instrument in order to hedge the risk in the net investment in the Group's European operations.

Hedge effectiveness is assessed by Management to demonstrate that the hedge continues to be highly effective.

During the year, foreign currency gains of £1.1m (2018 - losses of £0.2m) in respect of the borrowings and foreign currency losses of £4.6m (2018 - gains of £0.9m) in respect of the translation of investment in foreign subsidiaries have been included in other comprehensive income.

24. Financial Risk Management

The group has exposure to three main areas of financial risk - foreign exchange currency exposure, liquidity risk and customer credit exposure. To a lesser extent the Group is exposed to interest rate risk.

Foreign exchange transactional currency exposure

The Group is exposed to currency exchange rate risk due to a significant proportion of its receivables, operating expenses and profit generation being denominated in Euros. The net exposure to Euros is monitored and managed including the use where appropriate of forward exchange contracts and vanilla exchange options.

Liquidity risk

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group has extensive committed borrowing facilities as outlined in note 18.

Customer credit exposure

The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by strong on-going customer relationships and by robust credit checking and credit control procedures.

Interest rate risk

The Group borrows from its bankers using either overdrafts or term loans. The exposure to interest rate fluctuations is constantly monitored and managed.



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25. Pensions

The company sponsors a funded defined benefit pension plan for qualifying UK employees, the Shepherd Group Pension Fund. The Fund closed to future accrual on 30 June 2011.

Past service benefits were partly linked to salary via an underpin until 30 November 2018, when benefits were tested on a prudent basis and additional pension granted, where appropriate, in lieu of the underpin salary linkage. The defined contribution section of the Fund was also closed at that date and all defined contribution assets were transferred to an alternative pension scheme.

The latest actuarial valuation of the fund was carried out by a qualified actuary as at 31 December 2018 and this showed a funding deficit of £44.8 million. The Group has agreed a deficit recovery plan with the Trustee involving payment of deficit contributions of £5.5 million per annum for 10 years to 2028. The next funding valuation is due no later than 31 December 2021.

The results of the latest funding valuation at 31 December 2018 have been used as the basis for FRS102 calculations. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method. The pension fund deficit is included on the balance sheet of Portakabin Limited, the Group's principal operating

Employer contributions to the defined benefit element of the fund in the year ended 31 December 2020 are estimated to be £6.4 million including a £0.9m contribution to cover administration costs. Additional employer contributions will be required if there are any augmentations during the year.

In addition the Group also makes contributions on behalf of eligible employees to other pension schemes which operate on a defined contribution basis. At 31 December 2019 there were unpaid contributions of £0.5m (2018 £0.7m) to the defined benefit scheme and £0.4 million to the defined contribution schemes (2018 £0.2 million).

The principal assumptions used by the independent qualified actuaries at the balance sheet date (expressed as weighted averages) are as follows:

	2019	2018
Rate of increase in pensionable salary	N/A	4.2%
Rate of increase of pensions in payment	2.70%	3.10%
Discount rate for scheme liabilities	2.05%	2.95%
Inflation assumption (RPI)	2.75%	3.20%
Inflation assumption (CPI)	2.05%	2.10%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member will live for the following number of years beyond the age of 65:

	2019 Years		2018 Years	
	Male	Female	Male	Female
Member currently aged 65	22.3	24.3	22.3	24.2
Member reaching 65 in 2039 (2038)	22.9	24.5	22.9	24.8

The amounts recognised in the balance sheet are as follows:

	2019	2018
	£m	£m
Present value of funded defined benefit obligations	(237.9)	(213.2)
Fair value of defined benefit scheme assets	214.3	198.2
Deficit as included on the balance sheet	(23.6)	(15.0)
Related deferred tax asset included in debtors	4.0	2.5
Net deficit	(19.6)	(12.5)



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25. Pensions (continued)

Movements in the present value of the defined benefit scheme obligations	2019	2018
	£m	£m
Opening obligations	213.2	229.5
Current service cost	-	0.1
Past service credit	-	(0.8)
Interest cost	6.1	6.0
Actuarial (gain) / losses	31.3	(11.2)
Benefits paid	(12.7)	(10.4)
Closing obligations	237.9	213.2

Movements in the fair value of defined benefit scheme assets	2019	2018
	£m	£m
Opening defined benefit scheme assets	198.2	208.9
Interest income on fund assets	5.8	5.5
Actuarial gains / (losses)	17.6	(9.3)
Employer contributions	6.4	4.4
Administration costs incurred	(1.0)	(0.9)
Benefits paid	(12.7)	(10.4)
Closing defined benefit scheme assets	214.3	198.2

The amounts recognised in the Profit and Loss account are:	Year ended 31 December	Year ended 31 December
	2019	2018
	£m	£m
Analysis of other pension costs charged in arriving at operating profit		
<i>Operating costs</i>		
Current service cost	-	(0.1)
Past service gain	-	0.8
Administration costs incurred	(1.0)	(0.9)
<i>Financing costs</i>		
Interest on net defined benefit liability	(0.3)	(0.5)
Defined benefit pension charge within Profit and Loss Account	(1.3)	(0.7)

In addition the following figures have been included in the profit and loss account in relation to defined contribution schemes

Contributions made to defined contribution schemes	(4.2)	(4.0)
Total pension charge to Profit and Loss account	(5.5)	(4.7)

The amounts recognised in Other Comprehensive Income are:

	2019	2018
	£m	£m
Asset gain / (loss) arising during the year	17.6	(9.3)
Liability (loss) / gain arising during the year	(31.3)	11.2
Movement in accruals for pension contributions	0.5	-
Total amount recognised in Other Comprehensive Income	(13.2)	1.9



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Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

25. Pensions (continued)

Fair Value of Plan Assets

	2019	2018
	£m	£m
Equities	32.5	33.7
Diversified Growth Funds	27.5	30.9
Property	12.3	12.3
Multi Asset Credit Funds	43.5	40.2
LDI Funds	72.6	54.0
Absolute Return Bonds	23.4	25.1
Other	2.5	2.0
Total Assets	<u>214.3</u>	<u>198.2</u>

None of the assets are invested in the Group's financial instruments or in property occupied by, or other assets used by, any member of the Group.

26. Guarantees and Other Financial Commitments

The principal banking facilities of the Group are covered by multilateral guarantees by the holding company and its subsidiaries. Guarantees and counter-indemnities have also been given in relation to certain subsidiary companies for the due performance of contracts and the repayment of advances in the normal course of business. No liability is expected to arise under any of the above undertakings.

At 31 December the Group had the following commitments under operating leases:

	2019	2018
	£m	£m
Operating lease payment due:		
Within one year	6.0	5.5
In two to five years	13.6	11.1
In more than five years	9.5	9.3
	<u>29.1</u>	<u>25.9</u>

27. Related Party Transactions

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group or its major operating subsidiaries are considered to be key management personnel. Payments to key management personnel during the year ended 31 December 2019 amounted to £4.6m (2018 £3.9 million).

28. Post Balance Sheet Event

Pension Fund

The latest estimates show that the funding deficit on the Shepherd Group pension scheme has not materially deteriorated despite the current market volatility. This reflects the prudent investment strategy of the fund which includes high levels of investment in liability driven investments in preference to more volatile investments such as equities. The latest triennial valuation took place as at 31 December 2018 and the recovery plan was agreed in 2019. The Group intends to continue to honour that recovery plan including the payment of agreed annual deficit contributions in 2020.