

# Consolidated Financial Statements

## A. & J. M. Sheppard Limited

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For the Year Ended 30 September 2017

Registered number: 01203896

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COMPANIES HOUSE

## Company Information

**Directors**

A Sheppard  
D Sheppard  
J M Sheppard  
J Sheppard  
S J Davies  
S Majed  
C D Groves  
J Down

**Company secretary**

J Sheppard

**Registered number**

01203896

**Registered office**

The Old Lampworks  
Roberstown Industrial Estate  
Aberdare  
Rhondda Cynon Taff  
CF44 8HD

**Independent auditor**

Grant Thornton UK LLP  
Chartered Accountants & Senior Statutory Auditor  
11/13 Penhill Road  
Cardiff  
South Glamorgan  
CF11 9UP

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# Group Strategic Report

For the Year Ended 30 September 2017

## **Introduction**

The directors present their Strategic Report for the year ended 30 September 2017.

## **Business review**

The level of activity for the year ended 30 September 2017 has been broadly consistent with that of the prior year. The reduction in margin is due to NHS prescription pricing changes.

## **Principal risks and uncertainties**

The principal risks and uncertainties impacting the company are price risks as a result of core revenues being from the NHS. The company's longstanding reputation means prescription numbers should be maintained in future years.

## **Financial key performance indicators**

The directors are of the view that the financial statements contain the business' key performance indicators, namely turnover and profit before tax.

## **Other key performance indicators**

The directors do not consider that identifying other key performance indicators is important in monitoring the company's performance.

This report was approved by the board on



19 April 2018

and signed on its behalf.

**J Sheppard**  
Director

# Directors' Report

For the Year Ended 30 September 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

## **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Results and dividends**

The profit for the year, after taxation, amounted to £2,141,000 (2016 - £2,472,000).

Interim dividends totalling £1,400,000 (2016 - £2,000,000) were declared during the year.

## **Directors**

The directors who served during the year were:

A Sheppard  
D Sheppard  
J M Sheppard  
J Sheppard  
S J Davies  
S Majed  
C D Groves  
J Down

## **Future developments**

The directors anticipate similar activity levels in the forthcoming year and the company is in a good position to take advantage of these opportunities and with a tight control over costs expect to maintain profitability.

## Directors' Report (continued)

For the Year Ended 30 September 2017

### **Financial instruments**

Given the size of the entity, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the group's finance department.

#### ***Price risk***

The group is exposed to price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

#### ***Credit risk***

The group is not exposed to any significant credit risk.

#### ***Liquidity risk***

The group actively utilises both long-term and short-term debt finance that is designed to ensure the group has sufficient funds for operations.

#### ***Interest rate risk***

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances, which earn interest at fixed and floating rates. The group assess the level of risk on debt and assesses whether to maintain debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

### **Post balance sheet events**

On 2 October 2017, A.&J.M. Sheppard Limited acquired 100% of the issued share capital of Andojg Limited, a company incorporated in England and Wales. Andojg Limited is a retail pharmacist.

An estimate of the financial effect of this transaction cannot yet be made. There have been no other significant events affecting the Group since the year end.

## **Directors' Report (continued)**

**For the Year Ended 30 September 2017**

### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **19 April 2018** and signed on its behalf.



**J Sheppard**  
Director

# Independent Auditor's Report to the Shareholders of A. & J. M. Sheppard Limited

## **Opinion**

We have audited the financial statements of A. & J. M. Sheppard Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2017, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 30 September 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Who we are reporting to**

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.



## Independent Auditor's Report to the Shareholders of A. & J. M. Sheppard Limited (continued)

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

## Independent Auditor's Report to the Shareholders of A. & J. M. Sheppard Limited (continued)

### **Matters on which we are required to report by the Companies Act 2006**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

### **Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.



## Independent Auditor's Report to the Shareholders of A. & J. M. Sheppard Limited (continued)

### **Auditors' responsibilities for the audit of the financial statements**

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 an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). The description forms part of our Auditor's report.

A handwritten signature in black ink, appearing to read "Rhian Owen UK LLP".

Rhian Owen (Senior statutory auditor)  
for and on behalf of

**Grant Thornton UK LLP**

Chartered Accountants

Senior Statutory Auditor

Cardiff

Date:

19 April 2018

# Consolidated Statement of Comprehensive Income

For the Year Ended 30 September 2017

|   | Note | 2017<br>£000 | 2016<br>£000  |
|---|------|--------------|---------------|
| Turnover                                    | 4    | 33,029       | 32,397        |
| Cost of sales                               |      | (23,037)     | (22,245)      |
| <b>Gross profit</b>                         |      | <b>9,992</b> | <b>10,152</b> |
| Administrative expenses                     |      | (7,574)      | (7,416)       |
| Other operating income                      | 5    | 383          | 440           |
| <b>Operating profit</b>                     | 6    | <b>2,801</b> | <b>3,176</b>  |
| Interest receivable and similar income      | 9    | 77           | 45            |
| Interest payable and expenses               | 10   | (21)         | (49)          |
| <b>Profit before taxation</b>               |      | <b>2,857</b> | <b>3,172</b>  |
| Tax on profit                               | 11   | (716)        | (700)         |
| <b>Profit for the financial year</b>        |      | <b>2,141</b> | <b>2,472</b>  |
| <b>Profit for the year attributable to:</b> |      |              |               |
| Owners of the parent Company                |      | 2,141        | 2,472         |
|   |      | <b>2,141</b> | <b>2,472</b>  |

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £000NIL).

The notes on pages 14 to 34 form part of these financial statements.

## Consolidated Balance Sheet

As at 30 September 2017

|  | Note | 2017<br>£000  | 2017<br>£000         | 2016<br>£000  | 2016<br>£000         |
|--|------|---------------|----------------------|---------------|----------------------|
| <b>Fixed assets</b>  |      |               |                      |               |                      |
| Intangible assets  | 14   |               | 2,952                |               | 3,675                |
| Tangible assets  | 15   |               | 6,218                |               | 6,158                |
| Investment property  | 17   |               | 2,020                |               | 2,020                |
|  |      |               | <u>11,190</u>        |               | <u>11,853</u>        |
| <b>Current assets</b>                                      |      |               |                      |               |                      |
| Stocks   | 18   | 1,326         |                      | 1,303         |                      |
| Debtors  | 19   | 5,895         |                      | 3,914         |                      |
| Cash at bank and in hand                                   | 20   | 9,265         |                      | 11,129        |                      |
|  |      | <u>16,486</u> |                      | <u>16,346</u> |                      |
| Creditors: amounts falling due within one year             | 21   | (6,978)       |                      | (6,940)       |                      |
| <b>Net current assets</b>                                  |      |               | <u>9,508</u>         |               | <u>9,406</u>         |
| <b>Total assets less current liabilities</b>               |      |               | <u>20,698</u>        |               | <u>21,259</u>        |
| Creditors: amounts falling due after more than one year    | 22   |               | (130)                |               | (1,489)              |
| <b>Provisions for liabilities</b>                          |      |               |                      |               |                      |
| Deferred taxation  | 25   | (317)         |                      | (242)         |                      |
| Other provisions   | 26   | (270)         |                      | (288)         |                      |
|  |      |               | <u>(587)</u>         |               | <u>(530)</u>         |
| <b>Net assets</b>  |      |               | <u><u>19,981</u></u> |               | <u><u>19,240</u></u> |
| <b>Capital and reserves</b>                                |      |               |                      |               |                      |
| Called up share capital                                    | 27   |               | 15                   |               | 15                   |
| Other reserves   | 28   |               | 369                  |               | 369                  |
| Profit and loss account                                    | 28   |               | 19,597               |               | 18,856               |
| <b>Equity attributable to owners of the parent Company</b> |      |               | <u><u>19,981</u></u> |               | <u><u>19,240</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



19/4/2018

**J Sheppard**  
Director

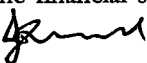
The notes on pages 14 to 34 form part of these financial statements.

## Company Balance Sheet

As at 30 September 2017

|   | Note | 2017<br>£000  | 2017<br>£000  | 2016<br>£000  | 2016<br>£000  |
|---|------|---------------|---------------|---------------|---------------|
| <b>Fixed assets</b>                                     |      |               |               |               |               |
| Intangible assets                                       | 14   |               | 2,952         |               | 3,675         |
| Tangible assets   | 15   |               | 6,218         |               | 6,158         |
| Investments   | 16   |               | 5,728         |               | 5,728         |
| Investment property                                     | 17   |               | 2,020         |               | 2,020         |
|   |      |               | <u>16,918</u> |               | <u>17,581</u> |
| <b>Current assets</b>                                   |      |               |               |               |               |
| Stocks  | 18   | 1,326         |               | 1,303         |               |
| Debtors   | 19   | 5,895         |               | 3,914         |               |
| Cash at bank and in hand                                | 20   | 9,265         |               | 11,129        |               |
|   |      | <u>16,486</u> |               | <u>16,346</u> |               |
| Creditors: amounts falling due within one year          | 21   | (13,076)      |               | (13,037)      |               |
| <b>Net current assets</b>                               |      |               | <u>3,410</u>  |               | <u>3,309</u>  |
| <b>Total assets less current liabilities</b>            |      |               | <u>20,328</u> |               | <u>20,890</u> |
| Creditors: amounts falling due after more than one year | 22   |               | (130)         |               | (1,489)       |
| <b>Provisions for liabilities</b>                       |      |               |               |               |               |
| Deferred taxation                                       | 25   | (317)         |               | (242)         |               |
| Other provisions  | 26   | (270)         |               | (288)         |               |
|   |      |               | <u>(587)</u>  |               | <u>(530)</u>  |
| <b>Net assets</b>                                       |      |               | <u>19,611</u> |               | <u>18,871</u> |
| <b>Capital and reserves</b>                             |      |               |               |               |               |
| Called up share capital                                 | 27   |               | 15            |               | 15            |
| Profit and loss account                                 | 28   |               | 19,596        |               | 18,856        |
|   |      |               | <u>19,611</u> |               | <u>18,871</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



19/4/2018

**J Sheppard**  
 Director

The notes on pages 14 to 34 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the Year Ended 30 September 2017

|                           | Called up<br>share capital<br>£000 | Other<br>reserves<br>£000 | Profit and<br>loss account<br>£000 | Total equity<br>£000 |
|---------------------------|------------------------------------|---------------------------|------------------------------------|----------------------|
| At 1 October 2015         | 15                                 | 369                       | 18,384                             | 18,768               |
| Profit for the year       | -                                  | -                         | 2,472                              | 2,472                |
| Dividends: Equity capital | -                                  | -                         | (2,000)                            | (2,000)              |
| At 1 October 2016         | 15                                 | 369                       | 18,856                             | 19,240               |
| Profit for the year       | -                                  | -                         | 2,141                              | 2,141                |
| Dividends: Equity capital | -                                  | -                         | (1,400)                            | (1,400)              |
| At 30 September 2017      | 15                                 | 369                       | 19,597                             | 19,981               |

## Company Statement of Changes in Equity

For the Year Ended 30 September 2017

|                           | Called up<br>share capital<br>£000 | Profit and<br>loss account<br>£000 | Total equity<br>£000 |
|---------------------------|------------------------------------|------------------------------------|----------------------|
| At 1 October 2015         | 15                                 | 18,384                             | 18,399               |
| Profit for the year       | -                                  | 2,472                              | 2,472                |
| Dividends: Equity capital | -                                  | (2,000)                            | (2,000)              |
| At 1 October 2016         | 15                                 | 18,856                             | 18,871               |
| Profit for the year       | -                                  | 2,140                              | 2,140                |
| Dividends: Equity capital | -                                  | (1,400)                            | (1,400)              |
| At 30 September 2017      | 15                                 | 19,596                             | 19,611               |

# Consolidated Statement of Cash Flows

For the Year Ended 30 September 2017

|   | 2017<br>£000   | 2016<br>£000   |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>                 |                |                |
| Profit for the financial year                               | 2,141          | 2,472          |
| <b>Adjustments for:</b>                                     |                |                |
| Amortisation of intangible assets                           | 723            | 664            |
| Depreciation of tangible assets                             | 347            | 318            |
| Loss on disposal of tangible assets                         | 1              | 28             |
| Interest paid   | 21             | 49             |
| Interest received   | (77)           | (45)           |
| Taxation charge   | 716            | 700            |
| (Increase)/decrease in stocks                               | (23)           | 46             |
| (Increase)/decrease in debtors                              | (1,981)        | 2,721          |
| Increase in creditors                                       | 356            | 740            |
| Corporation tax (paid)                                      | (700)          | (797)          |
| <b>Net cash generated from operating activities</b>         | <b>1,524</b>   | <b>6,896</b>   |
| <b>Cash flows from investing activities</b>                 |                |                |
| Purchase of intangible fixed assets                         | -              | (525)          |
| Purchase of tangible fixed assets                           | (408)          | (619)          |
| Sale of tangible fixed assets                               | 5              | 82             |
| Sale of investment properties                               | -              | 1,300          |
| Interest received   | 77             | 45             |
| <b>Net cash from investing activities</b>                   | <b>(326)</b>   | <b>283</b>     |
| <b>Cash flows from financing activities</b>                 |                |                |
| Repayment of other loans                                    | (1,641)        | (286)          |
| Dividends paid  | (1,400)        | (2,000)        |
| Interest paid   | (21)           | (49)           |
| <b>Net cash used in financing activities</b>                | <b>(3,062)</b> | <b>(2,335)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(1,864)</b> | <b>4,844</b>   |
| Cash and cash equivalents at beginning of year              | 11,129         | 6,285          |
| <b>Cash at bank and in hand at the end of the year</b>      | <b>9,265</b>   | <b>11,129</b>  |

The notes on pages 14 to 34 form part of these financial statements.



# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 1. General information

A. & J. M. Sheppard Limited is a private company limited by shares and incorporated in England and Wales, with its registered office at: The Old Lampworks, Robertstown Industrial Estate, Aberdare, Rhondda Cynon Taff, CF44 8HD. The principal activity of the group and company is that of retailing and dispensing chemists.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Financial statements are presented in sterling which is the functional currency of the company. Amounts are rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 October 2014.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover is recognised on dispatch of goods to customers.

### 2.4 Intangible assets

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of the pharmacies is eliminated by amortisation through the profit or loss account over its useful economic life of 10 years.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                               |  |
|-------------------------------|--|
| Freehold property             | - 50 years                             |
| Short-term leasehold property | - Over the remaining life of the lease |
| Motor vehicles                | - 4 years                              |
| Fixtures and fittings         | - 10 years                             |
| Equipment                     | - 5 years                              |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

### 2.6 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated statement of comprehensive income.

Where the fair value of the investment property component of mixed use property cannot be measured reliably without undue cost or effort, the entire property is accounted for as property, plant and equipment.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

### 2.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined by professional stocktakers. Provision is made where necessary for obsolete, slow moving and defective stocks by the professional stocktakers.

### 2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.11 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated statement of comprehensive income in the same period as the related expenditure.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.14 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### 2.16 Operating leases: the Group as lessor

Rentals income from operating leases is credited to the Consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

### 2.17 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 2.18 Pensions

#### Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.19 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

### 2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement as accrued at the Balance sheet date.

### 2.21 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

### 2.22 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

### 2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 2. Accounting policies (continued)

### 2.24 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The key judgements made by management are in relation to the following:

- (a) The estimated useful lives and estimated residual value of fixed assets, for the purpose of calculating depreciation to be charged.
- (b) The estimated useful economic life of the assets to which goodwill relates, for the purpose of calculating amortisation to be charged.

## 4. Turnover

The whole of the turnover is attributable to sale of pharmaceuticals and related goods.

All turnover arose within the United Kingdom.



# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 5. Other operating income

|                                       | 2017<br>£000 | 2016<br>£000 |
|---------------------------------------|--------------|--------------|
| Rental income and other sundry income | 383          | 440          |
|                                       | <u>383</u>   | <u>440</u>   |

## 6. Operating profit

The operating profit is stated after charging:

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Amortisation of grants  | (4)          | (4)          |
| Depreciation of tangible fixed assets   | 347          | 318          |
| Amortisation of intangible assets, including goodwill   | 723          | 664          |
| Operating lease rentals   | 64           | 65           |
| <b>Fees payable to the Group's auditors and its associates for other services to the group:</b> |              |              |
| - The audit of the Group's subsidiaries pursuant to legislation                                 | 21           | 20           |
| - Taxation compliance services  | 4            | 4            |
| - Other taxation services   | 13           | -            |
|   | <u>13</u>    | <u>-</u>     |

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 7. Employees

Staff costs, including directors' remuneration, were as follows:

|                                     | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|-------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Wages and salaries                  | 4,802                 | 4,642                 | 4,802                   | 4,642                   |
| Social security costs               | 379                   | 369                   | 379                     | 369                     |
| Cost of defined contribution scheme | 138                   | 109                   | 138                     | 109                     |
|                                     | <u>5,319</u>          | <u>5,120</u>          | <u>5,319</u>            | <u>5,120</u>            |

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

|                          | 2017<br>No. | 2016<br>No. |
|--------------------------|-------------|-------------|
| Administrative           | 7           | 6           |
| Selling and distribution | 218         | 212         |
|                          | <u>225</u>  | <u>218</u>  |

## 8. Directors' remuneration

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Directors' emoluments   | 516          | 507          |
| Company contributions to defined contribution pension schemes | 74           | 45           |
|   | <u>590</u>   | <u>552</u>   |

During the year retirement benefits were accruing to 6 directors (2016 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £117,000 (2016 - £111,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,000 (2016 - £10,000).

## 9. Interest receivable

|                           | 2017<br>£000 | 2016<br>£000 |
|---------------------------|--------------|--------------|
| Other interest receivable | 77           | 45           |
|                           | <u>77</u>    | <u>45</u>    |

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 10. Interest payable and similar charges

|                             | 2017<br>£000 | 2016<br>£000 |
|-----------------------------|--------------|--------------|
| Bank interest payable       | 20           | 49           |
| Other loan interest payable | 1            | -            |
|                             | <u>21</u>    | <u>49</u>    |

## 11. Taxation

|  | 2017<br>£000 | 2016<br>£000 |
|--|--------------|--------------|
| <b>Corporation tax</b>                           |              |              |
| Current tax on profits for the year              | 680          | 817          |
| Adjustments in respect of previous periods       | (39)         | (39)         |
|  | <u>641</u>   | <u>778</u>   |
| <b>Total current tax</b>                         | <u>641</u>   | <u>778</u>   |
| <b>Deferred tax</b>                              |              |              |
| Origination and reversal of timing differences   | 75           | (78)         |
| <b>Total deferred tax</b>                        | <u>75</u>    | <u>(78)</u>  |
| <b>Taxation on profit on ordinary activities</b> | <u>716</u>   | <u>700</u>   |

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 11. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

|  | 2017<br>£000 | 2016<br>£000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax   | 2,857        | 3,172        |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%) | 557          | 625          |
| <b>Effects of:</b>   |              |              |
| Amortisation of goodwill   | 97           | 111          |
| Expenses not deductible for tax purposes   | 1            | 50           |
| Capital allowances for year in excess of depreciation  | 47           | 31           |
| Adjustments to tax charge in respect of prior periods  | (39)         | (39)         |
| Adjustments to deferred tax in respect of prior periods  | 54           | (78)         |
| Other differences leading to an increase (decrease) in the tax charge  | (1)          | -            |
| <b>Total tax charge for the year</b>   | <b>716</b>   | <b>700</b>   |

### Factors that may affect future tax charges

There are no factors that may affect future tax charges.

## 12. Dividends

|                | 2017<br>£000 | 2016<br>£000 |
|----------------|--------------|--------------|
| Dividends paid | 1,400        | 2,000        |
|                | <b>1,400</b> | <b>2,000</b> |

## 13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £2,141,000 (2016 - £2,472,000):

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 14. Intangible assets

Group and Company

|                       | Goodwill<br>£000 |
|-----------------------|------------------|
| <b>Cost</b>           |                  |
| At 1 October 2016     | 14,080           |
| At 30 September 2017  | <u>14,080</u>    |
| <b>Amortisation</b>   |                  |
| At 1 October 2016     | 10,405           |
| Charge for the year   | 723              |
| At 30 September 2017  | <u>11,128</u>    |
| <b>Net book value</b> |                  |
| At 30 September 2017  | <u>2,952</u>     |
| At 30 September 2016  | <u>3,675</u>     |

A. & J. M. Sheppard Limited

Notes to the Financial Statements  
For the Year Ended 30 September 2017

**15. Tangible fixed assets**

Group and Company

|                                     | Freehold<br>property<br>£000 | Short-term<br>leasehold<br>property<br>£000 | Motor<br>vehicles<br>£000 | Fixtures and<br>fittings<br>£000 | Office<br>equipment<br>£000 | Total<br>£000 |
|-------------------------------------|------------------------------|---|---------------------------|----------------------------------|-----------------------------|---------------|
| <b>Cost or valuation</b>            |                              |   |                           |                                  |                             |               |
| At 1 October 2016                   | 6,355                        | 145   | 128                       | 1,756                            | 540                         | 8,924         |
| Additions                           | 188                          | -   | 19                        | 168                              | 33                          | 408           |
| Disposals                           | -                            | -   | (16)                      | (33)                             | (33)                        | (82)          |
| At 30 September 2017                | 6,543                        | 145   | 131                       | 1,891                            | 540                         | 9,250         |
| <b>Depreciation</b>                 |                              |   |                           |                                  |                             |               |
| At 1 October 2016                   | 1,279                        | 21  | 84                        | 972                              | 410                         | 2,766         |
| Charge for the year on owned assets | 118                          | 2   | 25                        | 121                              | 81                          | 347           |
| Disposals                           | -                            | -   | (16)                      | (32)                             | (33)                        | (81)          |
| At 30 September 2017                | 1,397                        | 23  | 93                        | 1,061                            | 458                         | 3,032         |
| <b>Net book value</b>               |                              |   |                           |                                  |                             |               |
| At 30 September 2017                | 5,146                        | 122   | 38                        | 830                              | 82                          | 6,218         |
| At 30 September 2016                | 5,076                        | 124   | 44                        | 784                              | 130                         | 6,158         |

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 16. Fixed asset investments

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name                                  | Class of shares | Holding | Principal activity |
|---------------------------------------|-----------------|---------|--------------------|
| G. & E. J. Morris Limited             | Ordinary        | 100 %   | Non-trading        |
| A. & J. M. Sheppard (Pencoed) Limited | Ordinary        | 100 %   | Non-trading        |
| J. G. Fletcher (Chemists) Co Limited  | Ordinary        | 100 %   | Non-trading        |
| Paul Hopkinson Limited                | Ordinary        | 100 %   | Non-trading        |

### Company

Investments  
in subsidiary  
companies  
£000

### Cost or valuation

|                      |       |
|----------------------|-------|
| At 1 October 2016    | 8,942 |
| At 30 September 2017 | 8,942 |

### Impairment

|                      |       |
|----------------------|-------|
| At 1 October 2016    | 3,214 |
| At 30 September 2017 | 3,214 |

### Net book value

|                      |       |
|----------------------|-------|
| At 30 September 2017 | 5,728 |
| At 30 September 2016 | 5,728 |

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 17. Investment property

Group and Company

|                             | Freehold<br>investment<br>property<br>£000 |
|-----------------------------|--|
| <b>Valuation</b>            |  |
| At 1 October 2016           | 2,020                                      |
| <b>At 30 September 2017</b> | <b>2,020</b>                               |

The 2017 valuations were made by Burnett Davies Chartered Surveyors, on an open market value for existing use basis.

## 18. Stocks

|                  | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Goods for resale | 1,326                 | 1,303                 | 1,326                   | 1,303                   |
|                  | <b>1,326</b>          | <b>1,303</b>          | <b>1,326</b>            | <b>1,303</b>            |

## 19. Debtors

|                                | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|--------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Trade debtors                  | 2,584                 | 2,562                 | 2,584                   | 2,562                   |
| Other debtors                  | 3,186                 | 1,253                 | 3,186                   | 1,253                   |
| Prepayments and accrued income | 125                   | 99                    | 125                     | 99                      |
|                                | <b>5,895</b>          | <b>3,914</b>          | <b>5,895</b>            | <b>3,914</b>            |



# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 20. Cash and cash equivalents

|                          | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|--------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Cash at bank and in hand | 9,265                 | 11,129                | 9,265                   | 11,129                  |
|                          | <u>9,265</u>          | <u>11,129</u>         | <u>9,265</u>            | <u>11,129</u>           |

## 21. Creditors: Amounts falling due within one year

|  | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| Bank loans   | -                     | 286                   | -                       | 286                     |
| Trade creditors  | 6,391                 | 6,015                 | 6,391                   | 6,015                   |
| Amounts owed to group undertakings                     | -                     | -                     | 6,098                   | 6,097                   |
| Corporation tax  | 178                   | 236                   | 178                     | 236                     |
| Other creditors including taxation and social security | 114                   | 118                   | 114                     | 118                     |
| Accruals and deferred income                           | 295                   | 285                   | 295                     | 285                     |
|  | <u>6,978</u>          | <u>6,940</u>          | <u>13,076</u>           | <u>13,037</u>           |

## 22. Creditors: Amounts falling due after more than one year

|                            | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|----------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Bank loans                 | -                     | 1,355                 | -                       | 1,355                   |
| Government grants received | 130                   | 134                   | 130                     | 134                     |
|                            | <u>130</u>            | <u>1,489</u>          | <u>130</u>              | <u>1,489</u>            |

## Notes to the Financial Statements

For the Year Ended 30 September 2017

**23. Loans**

The bank loan bears interest at 2.25% above LIBOR. The loan is repayable in instalments, and is due for payment as shown in the table below.

|  | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| <b>Amounts falling due within one year</b> |                       |                       |                         |                         |
| Bank loans                                 | -                     | 286                   | -                       | 286                     |
| <b>Amounts falling due 1-2 years</b>       |                       |                       |                         |                         |
| Bank loans                                 | -                     | 1,355                 | -                       | 1,355                   |
| <b>Amounts falling due 2-5 years</b>       |                       |                       |                         |                         |
|  | -                     | 1,641                 | -                       | 1,641                   |

**24. Financial instruments**

|   | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                         |                         |
| Financial assets measured at fair value through profit or loss        | 9,265                 | 11,129                | 9,265                   | 11,129                  |
| Financial assets that are debt instruments measured at amortised cost | 5,392                 | 3,439                 | 5,392                   | 3,439                   |
|   | <b>14,657</b>         | <b>14,568</b>         | <b>14,657</b>           | <b>14,568</b>           |
| <b>Financial liabilities</b>  |                       |                       |                         |                         |
| Financial liabilities measured at amortised cost                      | (6,686)               | (7,911)               | (12,784)                | (14,007)                |
|   | <b>(6,686)</b>        | <b>(7,911)</b>        | <b>(12,784)</b>         | <b>(14,007)</b>         |

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, amounts due to group undertakings and accruals.

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 25. Deferred taxation

### Group

|                           | 2017<br>£000 |
|---------------------------|--------------|
| At beginning of year      | (242)        |
| Charged to profit or loss | (75)         |
| <b>At end of year</b>     | <b>(317)</b> |

### Company

|                           | 2017<br>£000 |
|---------------------------|--------------|
| At beginning of year      | (242)        |
| Charged to profit or loss | (75)         |
| <b>At end of year</b>     | <b>(317)</b> |

The provision for deferred taxation is made up as follows:

|                                | Group<br>2017<br>£000 | Company<br>2017<br>£000 |
|--------------------------------|-----------------------|-------------------------|
| Accelerated capital allowances | (328)                 | (328)                   |
| Other items                    | 11                    | 11                      |
|                                | <b>(317)</b>          | <b>(317)</b>            |

## 26. Provisions

### Group

|                             | Onerous<br>lease<br>£000 |
|-----------------------------|--------------------------|
| At 1 October 2016           | 288                      |
| Charged to profit or loss   | (18)                     |
| <b>At 30 September 2017</b> | <b>270</b>               |

# Notes to the Financial Statements

For the Year Ended 30 September 2017

Company

|                             | Onerous<br>lease<br>£000 | Total<br>£000 |
|-----------------------------|--------------------------|---------------|
| At 1 October 2016           | 288                      | 288           |
| Charged to profit or loss   | (18)                     | (18)          |
| <b>At 30 September 2017</b> | <b>270</b>               | <b>270</b>    |

The onerous lease provision relates to the rental of a property which is no longer suitable for the group's business but the company is committed to a 30 year lease from 2000. The property is being sublet at a lower rent than the annual lease commitment.

## 27. Share capital

|  | 2017<br>£000 | 2016<br>£000 |
|--|--------------|--------------|
| Shares classified as equity              |              |              |
| Allotted, called up and fully paid       |              |              |
| 14,950 Ordinary shares shares of £1 each | 15           | 15           |

## 28. Reserves

### Other reserves

Other reserves comprise a group merger reserve that arose on a past business combination that was accounted for as a merger.

### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

## 29. Contingent liabilities

Certain grants received by the company have conditions attached and if these are not met, the company may have a liability to repay these grants or a part thereof. The potential liability to repay one of the grants is secured by a fixed charge over some of the company's freehold properties.

## 30. Pension commitments

The group operates a pension scheme in respect of the directors, and contributes to other schemes in respect of certain employees. All of these schemes are defined contribution schemes and the group has no further obligations over and above the amounts paid into the schemes. The pension cost charge represents contributions payable by the group to the funds and amounted to £138,000 (2016: £109,000).

# Notes to the Financial Statements

For the Year Ended 30 September 2017

## 31. Commitments under operating leases

At 30 September 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

|  | Group<br>2017<br>£000 | Group<br>2016<br>£000 | Company<br>2017<br>£000 | Company<br>2016<br>£000 |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| Not later than 1 year                        | 52                    | 54                    | 52                      | 54                      |
| Later than 1 year and not later than 5 years | 208                   | 208                   | 208                     | 208                     |
| Later than 5 years                           | 279                   | 331                   | 279                     | 331                     |
|  | <u>539</u>            | <u>593</u>            | <u>539</u>              | <u>593</u>              |

## 32. Related party transactions

A Sheppard's director's loan account started the year with a debit balance of £Nil (2016: £500,000). During the year net amounts lent to A Sheppard amounted to £1,900,000 (2016: net amounts repaid of £500,000). Interest of £4,803 (2016: £21,562) was receivable on the loan. The closing debtor balance on the loan was £1,900,000 (2016: £Nil).

The key management personnel are the directors.

## 33. Controlling party

The company is ultimately controlled by A. Sheppard and J. M. Sheppard who have a 52% direct interest in the equity share capital. A. Sheppard and J. M. Sheppard also jointly hold 7,176 (2016: 7,176) ordinary shares of £1 each in a non-beneficial capacity. These financial statements represent the smallest and largest group for which consolidated financial statements are produced.