

COMPANY REGISTRATION NUMBER: 01203896

A.& J.M. SHEPPARD LIMITED
FINANCIAL STATEMENTS
30 SEPTEMBER 2018

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A.& J.M. SHEPPARD LIMITED

FINANCIAL STATEMENTS

Year ended 30 September 2018

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A.& J.M. SHEPPARD LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr J Sheppard
Mr S J Davies
Ms J Down
Mr C D Groves
Ms S Majed
Mr A Sheppard
Dr D Sheppard
Mrs J M Sheppard

Company secretary

Mr J Sheppard

Registered office

The Old Lampworks
Robertstown Industrial Estate
Aberdare
CF44 8HD

Auditor

Kilsby & Williams LLP
Chartered Accountants & statutory auditor
Cedar House
Hazell Drive
Newport
NP10 8FY

A.& J.M. SHEPPARD LIMITED

STRATEGIC REPORT

Year ended 30 September 2018

The directors present their Strategic Report for the year ended 30 September 2018. The report is consistent with the size and nature of the business and is written in the context of the risks and uncertainties of the business environment in which the group operates.

Business Review

The principal activity of the group is that of retailing and dispensing chemists, with its pharmacies based in South Wales.

During the year, the group acquired two additional pharmacies which has contributed to an increase in turnover this year. The gross margin has fallen as a result of NHS prescription pricing changes.

Key Performance Indicators

The directors are of the view that the financial statements contain the business' financial key performance indicators, namely turnover and profit before tax. The directors do not consider that identifying other key performance indicators is important in monitoring the group's performance.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the group are price risks due to the core revenue being derived from the NHS. The group's longstanding reputation gives rise to the expectation that prescription volumes should be maintained in future years.

This report was approved by the board of directors on 21/06/2019 and signed on behalf of the board by:



Mr J Sheppard
Director

A.& J.M. SHEPPARD LIMITED

DIRECTORS' REPORT

Year ended 30 September 2018

The directors present their report and the financial statements of the group for the year ended 30 September 2018.

Directors

The directors who served the company during the year were as follows:

Mr J Sheppard
Mr S J Davies
Ms J Down
Mr C D Groves
Ms S Majed
Mr A Sheppard
Dr D Sheppard
Mrs J M Sheppard

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Future developments

The directors anticipate similar activity levels in the forthcoming year and the business is in a strong position to take advantage of any opportunities and maintain a tight control over costs in order to continue trading profitably.

Financial instruments

The group's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's operations. The group's approach to managing risks applicable to the financial statements concerned is shown below.

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 continue to monitor this and would consider the appropriateness of this policy if the group's operations were to change in size or nature.

The group is not exposed to any significant credit risk.

The group manages liquidity risk by maintaining a balance between the continuity of funding and flexibility through the use of both long-term and short-term debt finance options with floating rates of interest. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The group has interest bearing assets comprising of cash balances and loans which earn interest at fixed and floating rates. The group does not currently have any bank loans but should bank finance be obtained, the directors will assess the level of risk on debt and consider whether to maintain debt at a fixed rate in order to ensure certainty over future interest cash flows.

Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 we set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

A. & J.M. SHEPPARD LIMITED

DIRECTORS' REPORT *(continued)*

Year ended 30 September 2018

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

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

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

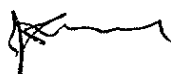
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 21/06/2019 and signed on behalf of the board by:



Mr J Sheppard
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A.& J.M. SHEPPARD LIMITED

Year ended 30 September 2018

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 2018 which comprise the consolidated profit and loss account, company statement of income and retained earnings, consolidated balance sheet, balance sheet, consolidated cash flow statement 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 FRS 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 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 auditor's 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 UK, including the FRC'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.

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.
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A.& J.M. SHEPPARD
LIMITED (continued)**

Year ended 30 September 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 strategic report or the directors' report.

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.
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A.& J.M. SHEPPARD
LIMITED** *(continued)*

Year ended 30 September 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF A.& J.M. SHEPPARD
LIMITED** *(continued)*

Year ended 30 September 2018

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Simon Tee 25th June 2019

Simon Tee (Senior Statutory Auditor)

**For and on behalf of
Kilsby & Williams LLP
Chartered Accountants & statutory auditor
Cedar House
Hazell Drive
Newport
NP10 8FY**

A.& J.M. SHEPPARD LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****Year ended 30 September 2018**

		2018	2017
	Note	£000	£000
TURNOVER	4	35,042	33,029
Cost of sales		(25,359)	(23,037)
GROSS PROFIT		<u>9,683</u>	<u>9,992</u>
Administrative expenses		(7,993)	(7,574)
Other operating income	5	377	383
OPERATING PROFIT	6	<u>2,067</u>	<u>2,801</u>
Other interest receivable and similar income	10	75	77
Interest payable and similar expenses	11	(5)	(21)
PROFIT BEFORE TAXATION		<u>2,137</u>	<u>2,857</u>
Tax on profit	12	(570)	(716)
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		<u>1,567</u>	<u>2,141</u>
Dividends paid and payable	13	(2,000)	(1,400)
RETAINED EARNINGS AT THE START OF THE YEAR		19,597	18,856
RETAINED EARNINGS AT THE END OF THE YEAR		<u>19,164</u>	<u>19,597</u>

All the activities of the group are from continuing operations.

The notes on pages 14 to 30 form part of these financial statements.

A.& J.M. SHEPPARD LIMITED

COMPANY STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended 30 September 2018

	Note	2018 £000	2017 £000
Profit for the financial year and total comprehensive income		1,568	2,140
Dividends paid and payable	13	(2,000)	(1,400)
RETAINED EARNINGS AT THE START OF THE YEAR		19,596	18,856
RETAINED EARNINGS AT THE END OF THE YEAR		<u>19,164</u>	<u>19,596</u>

The notes on pages 14 to 30 form part of these financial statements.

A. & J.M. SHEPPARD LIMITED

CONSOLIDATED BALANCE SHEET

30 September 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	14	6,242	2,952
Tangible assets	15	8,517	8,238
		<u>14,759</u>	<u>11,190</u>
CURRENT ASSETS			
Stocks	17	1,474	1,326
Debtors	18	9,617	5,895
Cash at bank and in hand		1,821	9,265
		<u>12,912</u>	<u>16,486</u>
CREDITORS: amounts falling due within one year	19	(7,406)	(6,978)
NET CURRENT ASSETS		<u>5,506</u>	<u>9,508</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,265	20,698
CREDITORS: amounts falling due after more than one year	20	(126)	(130)
PROVISIONS	21	(591)	(587)
NET ASSETS		<u>19,548</u>	<u>19,981</u>
CAPITAL AND RESERVES			
Called up share capital	26	15	15
Other reserves, including the fair value reserve	27	369	369
Profit and loss account	27	19,164	19,597
SHAREHOLDERS FUNDS		<u>19,548</u>	<u>19,981</u>

These financial statements were approved by the board of directors and authorised for issue on 21/06/2019, and are signed on behalf of the board by:



Mr J Sheppard
Director

Company registration number: 01203896

The notes on pages 14 to 30 form part of these financial statements.

A.& J.M. SHEPPARD LIMITED

BALANCE SHEET

30 September 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	14	6,242	2,952
Tangible assets	15	8,517	8,238
Investments	16	8,342	5,728
		<u>23,101</u>	<u>16,918</u>
CURRENT ASSETS			
Stocks	17	1,474	1,326
Debtors	18	9,617	5,895
Cash at bank and in hand		1,821	9,265
		<u>12,912</u>	<u>16,486</u>
CREDITORS: amounts falling due within one year	19	(16,117)	(13,076)
NET CURRENT (LIABILITIES)/ASSETS		<u>(3,205)</u>	<u>3,410</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,896	20,328
CREDITORS: amounts falling due after more than one year	20	(126)	(130)
PROVISIONS	21	(591)	(587)
NET ASSETS		<u>19,179</u>	<u>19,611</u>
CAPITAL AND RESERVES			
Called up share capital	26	15	15
Profit and loss account	27	19,164	19,596
SHAREHOLDERS FUNDS		<u>19,179</u>	<u>19,611</u>

The profit for the financial year of the parent company was £1,568,000 (2017: £2,140,000).

These financial statements were approved by the board of directors and authorised for issue on 21/06/2019, and are signed on behalf of the board by:



Mr J Sheppard
Director

Company registration number: 01203896

The notes on pages 14 to 30 form part of these financial statements.

A.& J.M. SHEPPARD LIMITED

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2018

	2018 £000	2017 £000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	1,567	2,141
<i>Adjustments for:</i>		
Depreciation of tangible assets	300	347
Amortisation of intangible assets	838	723
Government grant income	(4)	(4)
Other interest receivable and similar income	(75)	(77)
Interest payable and similar expenses	5	21
Loss on disposal of tangible assets	24	1
Tax on profit	570	716
Accrued (income)/expenses	(73)	10
<i>Changes in:</i>		
Stocks	(74)	(23)
Trade and other debtors	(2,782)	(1,981)
Trade and other creditors	38	364
Provisions and employee benefits	(21)	(18)
Cash generated from operations	313	2,220
Interest paid	(5)	(21)
Interest received	75	77
Tax paid	(1,205)	(700)
Net cash (used in)/from operating activities	<u>(822)</u>	<u>1,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	(595)	(408)
Proceeds from sale of tangible assets	3	5
Acquisition of subsidiaries	(4,034)	-
Net cash used in investing activities	<u>(4,626)</u>	<u>(403)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	-	(1,641)
Government grant income	4	4
Dividends paid	(2,000)	(1,400)
Net cash used in financing activities	<u>(1,996)</u>	<u>(3,037)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,444)	(1,864)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,265	11,129
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,821</u>	<u>9,265</u>

The notes on pages 14 to 30 form part of these financial statements.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2018

1. GENERAL INFORMATION

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is *The Old Lampworks, Robertstown Industrial Estate, Aberdare, CF44 8HD.*

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) *Disclosures in respect of financial instruments have not been presented.*
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of A.& J.M. Sheppard and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

In accordance with the transitional exemption in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that took place prior to the date of transition to FRS 102, being 1 October 2014. The group therefore continues to recognise a merger reserve that arose during a previous business combination that was accounted for as a merger in accordance with UK GAAP as applied at the time.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

3. ACCOUNTING POLICIES *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimated useful lives

Management's best estimate of the useful life and residual value of fixed assets is required for the purpose of calculating the depreciation charge. An estimate of the useful economic life of the assets to which goodwill relates is also required for the purpose of calculating the amortisation charge.

Provisions

A provision is included in respect of an onerous lease, where the unavoidable costs of the lease exceed the economic benefit expected to be received from it. The provision is discounted to the present value. This requires management's best estimate of the discount rate and amount required to settle the obligation.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Turnover is derived from the sale of pharmaceuticals and related goods. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

3. ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Lease income is recognised in profit or loss on a straight line basis over the lease term. The aggregate cost of lease incentives are recognised as a reduction to income over the lease term on a straight-line basis. Costs, including depreciation, incurred in earning the lease income are recognised as an expense. Any initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the lease and recognised as an expense over the lease term on the same basis as the lease income.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

3. ACCOUNTING POLICIES *(continued)*

Tangible assets *(continued)*

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	2% straight line
Short leasehold property	-	Over the term of the lease
Fixtures and fittings	-	10% straight line
Motor vehicles	-	25% straight line
Equipment	-	20% straight line

Investment property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

3. ACCOUNTING POLICIES *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

3. ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

3. ACCOUNTING POLICIES *(continued)*

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Business combinations

Business combinations are accounted for using the purchase method.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination.

4. TURNOVER

Turnover arises from:

	2018	2017
	£000	£000
Sale of goods	<u>35,042</u>	<u>33,029</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. OTHER OPERATING INCOME

	2018	2017
	£000	£000
Rental income	244	228
Government grant income	4	4
Other operating income	<u>129</u>	<u>151</u>
	<u>377</u>	<u>383</u>

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

6. OPERATING PROFIT

Operating profit or loss is stated after charging:

	2018	2017
	£000	£000
Amortisation of intangible assets	838	723
Depreciation of tangible assets	300	345
Loss on disposal of tangible assets	24	3
Cost of stocks recognised as an expense	25,361	23,037
Operating lease rentals	<u>58</u>	<u>64</u>

7. AUDITOR'S REMUNERATION

	2018	2017
	£000	£000
Fees payable for the audit of the financial statements	<u>16</u>	<u>21</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation advisory services	<u>—</u>	<u>17</u>

8. STAFF COSTS

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018	2017
	No.	No.
Administrative staff	7	7
Selling and distribution staff	233	218
	<u>240</u>	<u>225</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018	2017
	£000	£000
Wages and salaries	5,101	4,802
Social security costs	390	379
Other pension costs	151	138
	<u>5,642</u>	<u>5,319</u>

9. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£000	£000
Remuneration	495	516
Company contributions to defined contribution pension plans	<u>72</u>	<u>74</u>
	<u>567</u>	<u>590</u>

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

9. DIRECTORS' REMUNERATION *(continued)*

Remuneration of the highest paid director in respect of qualifying services:

	2018 £000	2017 £000
Aggregate remuneration	112	117
Company contributions to defined contribution pension plans	20	20
	<u>132</u>	<u>137</u>

The number of directors in a defined contribution pension scheme during the year was 6 (2017 - 6).

10. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Interest on loans and receivables	57	54
Interest on cash and cash equivalents	18	23
	<u>75</u>	<u>77</u>

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	2017 £000
Interest on banks loans and overdrafts	–	20
Other interest payable and similar charges	5	1
	<u>5</u>	<u>21</u>

12. TAX ON PROFIT

Major components of tax expense

	2018 £000	2017 £000
Current tax:		
UK current tax expense	551	641
Adjustments in respect of prior periods	(4)	–
Total current tax	<u>547</u>	<u>641</u>
Deferred tax:		
Origination and reversal of timing differences	23	75
Tax on profit	<u>570</u>	<u>716</u>

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

12. TAX ON PROFIT *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.50%).

	2018	2017
	£000	£000
Profit on ordinary activities before taxation	2,137	2,857
Profit on ordinary activities by rate of tax	406	557
Adjustment to tax charge in respect of prior periods	(2)	15
Effect of expenses not deductible for tax purposes	2	1
Effect of capital allowances and depreciation	38	47
Amortisation of goodwill	126	97
Other differences leading to an increase/ (decrease) in the tax charge	—	(1)
Tax on profit	570	716

13. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018	2017
	£000	£000
Dividends on equity shares	2,000	1,400

14. INTANGIBLE ASSETS

Group and company	Goodwill
	£000
Cost	
At 1 October 2017	14,080
Acquisitions through business combinations	4,128
At 30 September 2018	18,208
Amortisation	
At 1 October 2017	11,128
Charge for the year	838
At 30 September 2018	11,966
Carrying amount	
At 30 September 2018	6,242
At 30 September 2017	2,952

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

15. TANGIBLE ASSETS

Group and company	Freehold property £000	Short leasehold property £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Investment property £000	Total £000
Cost						
At 1 Oct 2017	6,543	145	2,431	131	2,020	11,270
Additions	185	–	382	39	–	606
Disposals	–	–	(193)	(9)	–	(202)
At 30 Sep 2018	<u>6,728</u>	<u>145</u>	<u>2,620</u>	<u>161</u>	<u>2,020</u>	<u>11,674</u>
Depreciation						
At 1 Oct 2017	1,397	23	1,519	93	–	3,032
Charge for the year	122	–	152	26	–	300
Disposals	–	–	(166)	(9)	–	(175)
At 30 Sep 2018	<u>1,519</u>	<u>23</u>	<u>1,505</u>	<u>110</u>	<u>–</u>	<u>3,157</u>
Carrying amount						
At 30 Sep 2018	<u>5,209</u>	<u>122</u>	<u>1,115</u>	<u>51</u>	<u>2,020</u>	<u>8,517</u>
At 30 Sep 2017	<u>5,146</u>	<u>122</u>	<u>912</u>	<u>38</u>	<u>2,020</u>	<u>8,238</u>

The investment property balance is based on valuations carried out in 2017 by Burnett Davies Chartered Surveyors, on an open market value for existing use basis.

16. INVESTMENTS

The group has no investments.

Company	Shares in group undertakings £000
Cost	
At 1 October 2017	8,942
Additions	2,614
At 30 September 2018	<u>11,556</u>
Impairment	
At 1 October 2017 and 30 September 2018	<u>3,214</u>
Carrying amount	
At 30 September 2018	<u>8,342</u>
At 30 September 2017	<u>5,728</u>

A. & J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

16. INVESTMENTS *(continued)*

The company acquired the entire share capital and 100% of the voting rights in Andojg Ltd on 2 October 2017.

The company also acquired the entire share capital and 100% of the voting rights in Hope Pharmacy Limited on 29 June 2018.

By virtue of section 479A of the Companies Act 2006, both Andojg Ltd and Hope Pharmacy Limited are exempt from the requirements relating to the audit of individual accounts, with the parent company, A. & J.M. Sheppard Limited, providing a guarantee for both companies under section 479C.

The registered office of all subsidiaries is The Old Lampworks, Robertstown Industrial Estate, Aberdare, CF44 8HD. All subsidiaries are included within the consolidated accounts.

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
A & J M Sheppard (Pencoed) Limited	Ordinary	100
G & E J Morris Limited	Ordinary	100
J G Fletcher (Chemists) Co. Ltd	Ordinary	100
Paul Hopkinson Limited	Ordinary	100
Andojg Ltd	Ordinary	100
Hope Pharmacy Limited	Ordinary	100

17. STOCKS

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Stock	1,474	1,326	1,474	1,326

18. DEBTORS

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	5,671	2,584	5,671	2,584
Prepayments and accrued income	139	125	139	125
Directors loan account	1,900	1,900	1,900	1,900
Other debtors	1,907	1,286	1,907	1,286
	9,617	5,895	9,617	5,895

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

19. CREDITORS: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade creditors	6,943	6,391	6,942	6,391
Amounts owed to group undertakings	—	—	8,709	6,098
Accruals and deferred income	222	295	225	295
Corporation tax	114	178	114	178
Social security and other taxes	120	107	120	107
Other creditors	7	7	7	7
	<u>7,406</u>	<u>6,978</u>	<u>16,117</u>	<u>13,076</u>

20. CREDITORS: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Accruals and deferred income	<u>126</u>	<u>130</u>	<u>126</u>	<u>130</u>

21. PROVISIONS

Group and company	Onerous contracts	Deferred tax (note 22)	Total
	£000	£000	£000
At 1 October 2017	270	317	587
Additions	—	25	25
Charge against provision	(21)	—	(21)
At 30 September 2018	<u>249</u>	<u>342</u>	<u>591</u>

The onerous contract provision relates to the rental of a property which is no longer suitable for the group's business. The group is committed to a 30 year lease from August 2000 and the property is being sublet at a lower rental charge.

22. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Included in provisions (note 21)	<u>342</u>	<u>317</u>	<u>342</u>	<u>317</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Accelerated capital allowances	354	328	354	328
Deferred tax - other timing differences	(12)	(11)	(12)	(11)
	<u>342</u>	<u>317</u>	<u>342</u>	<u>317</u>

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

23. EMPLOYEE BENEFITS

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £79,336 (2017: £64,179).

24. GOVERNMENT GRANTS

The amounts recognised in the financial statements for government grants are as follows:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Recognised in creditors:				
Deferred government grants due after more than one year	126	130	126	130
Recognised in other operating income:				
Government grants recognised directly in income	4	4	4	4

25. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument is as follows:

Financial assets that are debt instruments measured at amortised cost

	Group	
	2018	2017
	£000	£000
Financial assets that are debt instruments measured at amortised cost	8,490	5,392

Financial liabilities measured at amortised cost

	Group	
	2018	2017
	£000	£000
Financial liabilities measured at amortised cost	7,174	6,686

26. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2018		2017	
	No.	£000	No.	£000
Ordinary shares of £1 each	14,950	14,950.00	14,950	14,950.00

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

27. RESERVES

Called up share capital - This reserve represents the nominal value received for shares issued.

Other reserves - This reserves represents a group merger reserve that arose on a previous business combination that was accounted for as a merger.

Profit and loss account - This reserve represents the total of all current and prior period retained profits and losses.

28. BUSINESS COMBINATIONS

Acquisition of Andojg Ltd

The group acquired the entire share capital and 100% of the voting rights in Andojg Ltd on 2 October 2017. Goodwill is amortised over a period of 10 years, in line with the group policy.

The fair value of consideration paid in relation to the acquisition of Andojg Ltd is as follows:

	£000
Cash	2,088
Directly attributable costs	44
	<u>2,132</u>

The fair value of amounts recognised at the acquisition date in relation to Andojg Ltd are as follows:

	Book value	Adjustments	Fair value
	£000	£000	£000
Cash and cash equivalents acquired	224	42	266
Debtors acquired	152	21	173
Creditors assumed	(284)	80	(204)
	<u>92</u>	<u>143</u>	<u>235</u>
Goodwill on acquisition			1,897
			<u>2,132</u>

The adjustments arising on acquisition were in respect of further bank receipts received since the completion date, the recognition of additional trade debtors and a revision to the estimated corporation tax liability.

Following the acquisition of Andojg Ltd, the assets and liabilities were transferred to A.& J.M. Sheppard Limited. The subsidiary company has not traded since and remains dormant.

Acquisition of Hope Pharmacy Limited

The group acquired the entire share capital and 100% of the voting rights in Hope Pharmacy Limited on 29 June 2018. Goodwill is amortised over a period of 10 years, in line with the group policy.

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

28. BUSINESS COMBINATIONS *(continued)*

The fair value of consideration paid in relation to the acquisition of Hope Pharmacy Limited is as follows:

	£000
Cash	2,146
Directly attributable costs	43
	<u>2,189</u>

The fair value of amounts recognised at the acquisition date in relation to Hope Pharmacy Limited are as follows:

	Fair value £000
Tangible assets acquired	11
Stocks acquired	74
Cash and cash equivalents acquired	22
Debtors acquired	172
Provisions assumed	(2)
Creditors assumed	(319)
	<u>(42)</u>
Goodwill on acquisition	2,231
	<u>2,189</u>

Following the acquisition of Hope Pharmacy Limited, the assets and liabilities were transferred to A.& J.M. Sheppard Limited. The subsidiary company has not traded since and remains dormant.

29. OPERATING LEASES

As lessee

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Not later than 1 year	73	52	73	52
Later than 1 year and not later than 5 years	292	208	292	208
Later than 5 years	295	279	295	279
	<u>660</u>	<u>539</u>	<u>660</u>	<u>539</u>

A.& J.M. SHEPPARD LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 30 September 2018

29. OPERATING LEASES *(continued)*

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Not later than 1 year	160	160	160	160
Later than 1 year and not later than 5 years	517	568	517	568
Later than 5 years	155	264	155	264
	<u>832</u>	<u>992</u>	<u>832</u>	<u>992</u>

30. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

Included within debtors is a balance of £1,900,000 (2017 - £1,900,000) due from a director. Interest is charged at 3% on the loan. Interest of £57,000 (2017 - £53,624) was paid by the director during the year.

31. RELATED PARTY TRANSACTIONS

Company

In accordance with FRS 102, transactions with other group companies that are wholly owned are not disclosed.

The key management personnel are the directors. Directors' remuneration is disclosed in note 10 of the financial statements.

32. CONTROLLING PARTY

By virtue of their shareholding, the company and group is under the control of A Sheppard and J M Sheppard.