4. Meditor

a) Yes, the company did make a profit. Retained earnings increased by €366,000 to €2,308 k at 30 September 2020, which represents the profit retained during the year.

b) The property is Meditor’s most significant asset. At €3.5 million, its value on the statement of financial position is much greater than other assets.

c) During the year ended 30 September 2020, Meditor raised €900,000 from an issue of ordinary shares and repaid a €600,000 loan.

Share capital increased by €300,000, and share premium increased by €600,000, revealing that the share issue raised €900,000.

The loan was on the 2019 statement of financial position but is not on the 2020 one. It must have been repaid.

d) The company did not buy any new properties.

The difference between the 2020 and 2019 property figures is €1,260,000, (€3,500,000 - €2,240,000). This is the same as the amount that has been added to the revaluation reserve, which reveals that the property has been revalued during the year. No new properties were purchased.

e) The plant and equipment that Meditor owns has on average been owned for a number of years. This can be deduced from the fact that these assets have been heavily depreciated.

f) At 30 September 2019, the company had an overdraft of €111,000, but at 30 September 2020, the company had a positive cash balance of €640,000. While it is a
good sign that the overdraft has been eliminated, the current cash balance is rather high. Meditor may plan to invest the funds in the next financial year, perhaps in new plant and equipment.

5. Brewce Ltd

a)
Brewce Ltd  
Statement of financial position as at 31 March 2018

Non-current assets £'000  £'000 
Property, at NBV 8,180  
Plant and equipment, at NBV 1,411 9,591

Current assets 
Inventory 3,671  
Trade receivables 576  
Bank balance 157 4,404  

Total assets 13,995  

EQUITY AND LIABILITIES  
Equity 
Ordinary shares 5,000  
6% preference shares 2,000  
Share premium 750  
Retained profits 2,251  
Total equity 10,001  

Current liabilities 
5% debenture 3,000  
Trade payables and tax due 994 3,994 

Total equity and liabilities 13,995

Brewce Ltd  
Statement of changes in equity for the year ended 31 March 2018
Ordinary share capital  | Pref. share capital | Share premium | Retained profits | Total share-holders’ equity |
--- | --- | --- | --- | --- |
At 1 April 2017  | £’000  | £’000  | £’000  | £’000  | £’000  |
5,000  | 2,000  | 750  | 1,676  | 9,426 |
Profit for the year  |  |  | 995  | 995 |
Dividends paid  |  |  | (420)  | (420) |
At 31 March 2018  | 5,000  | 2,000  | 750  | 2,251  | 10,001 |

b) Similarities between preference shares and debentures include:

- Both provide holders with a fixed rate of return.
- Both debenture holders and preference shareholders are repaid before ordinary shareholders, if the company fails.

Differences between preference shares and debentures:

- Debentures are debt on which interest has to be paid. Preference dividends may or may not be paid.
- Debentures are usually secured on assets of the company whereas preference shareholders would have no such security.
6. Shirley

a) The operating profit is the profit arrived at after all of the operating expenses of the business have been deducted from sales revenues but before any interest payable or receivable is taken into account. The profit for the year is the profit arrived at after all income and expenses have been taken into account including any tax payable on the profits for the year.

b) A company statement of financial position shows the assets which it owns and the liabilities which it owes, with both assets and liabilities being categorized as either non-current (long term), or current (short term). The statement of financial position also shows the shareholders’ equity, which represents the shareholders’ investment in the company.

c) The statement of changes in equity shows how the individual elements of shareholders’ equity can be reconciled between the last two year ends:
   - Share capital and share premium may have increased as a result of a share issue during the last financial year.
   - Retained profits will increase as a result of any profit for the year and be reduced by any dividends paid.
   - Any revaluation reserve will increase as a result of any positive revaluations during the last financial year.

d) Share premium records the total amount by which shares issued by the company have exceeded their nominal or par value.
The revaluation reserve records the increase in value (from cost to valuation) of any properties held by the company.

Preference shares are non-voting shares that usually carry a fixed rate of dividend and whose dividend has to be paid before an ordinary dividend can be paid. Their dividends are usually cumulative.

e) The company can do this because neither preference nor ordinary dividends have to be paid for any given financial year but, before an ordinary dividend can be paid, preference dividends must be paid.

f) Corporate governance refers to the systems in place within a company to ensure that it is properly managed by the directors in the best interests of all the shareholders.

The basic principles which govern it are:

- responsibility
- accountability
- transparency
- fairness.

See Chapter 6 for more details.

*7 Atlas Plc

a) atlas plc

Extract from the statement of profit or loss for the year ended 31 January 2018

| £'000 |  
|---|---|
| Operating profit | 9,456 |
Interest (240 + 240 owed) 480

Profit before tax 8,976

Taxation 2,600

Profit for the year 6,376

b)  
Atlas Plc
Statement of comprehensive income for the year ended 31 January 2018

£’000

Profit for the year 6,376

Gain on property revaluation 8,000

Total comprehensive income for the year 14,376

c)  
Atlas Plc
Statement of financial position as at 31 January 2018

Non-current assets £’000  £’000

Property, at valuation 75,000

Plant and equipment, at NBV 27,525

102,525

Current assets

Inventory 3,610

Trade receivables 4,339

7,949

Total assets 110,474

EQUITY AND LIABILITIES
### Equity

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares of £1 pence each</td>
<td>50,000</td>
</tr>
<tr>
<td>4% preference shares of £1 each</td>
<td>5,000</td>
</tr>
<tr>
<td>Share premium</td>
<td>6,000</td>
</tr>
<tr>
<td>Revaluation reserve (£75k – 67k)</td>
<td>8,000</td>
</tr>
<tr>
<td>Retained profits</td>
<td>22,284</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>91,284</strong></td>
</tr>
</tbody>
</table>

### Non-current liabilities

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6% debentures</td>
<td>8,000</td>
</tr>
</tbody>
</table>

### Current liabilities

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank overdraft</td>
<td>1,847</td>
</tr>
<tr>
<td>Trade payables</td>
<td>6,503</td>
</tr>
<tr>
<td>Interest owing</td>
<td>240</td>
</tr>
<tr>
<td>Taxation due</td>
<td>2,600</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>11,190</strong></td>
</tr>
</tbody>
</table>

### Total equity and liabilities

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>110,474</strong></td>
</tr>
</tbody>
</table>

---

**Atlas Plc**

**Statement of changes in equity for the year ended 31 January 2018**

<table>
<thead>
<tr>
<th></th>
<th>Ordinary share capital</th>
<th>Pref. share capital</th>
<th>Share premium</th>
<th>Revaluation reserve</th>
<th>Retained profits</th>
<th>Total Shareholders' equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>At 1 February 2017</td>
<td>50,000</td>
<td>5,000</td>
<td>6,000</td>
<td>17,608</td>
<td>78,608</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,376</td>
<td>6,376</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

comprehensive
### Income

<table>
<thead>
<tr>
<th>Dividends paid</th>
<th>(1,700)</th>
<th>(1,700)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 January</td>
<td>50,000</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>6,000</td>
<td>8,000</td>
</tr>
<tr>
<td>2018</td>
<td>22,284</td>
<td>91,284</td>
</tr>
</tbody>
</table>

**d)**

If Atlas Plc issues 10 million ordinary shares in March 2018 at £1.50 per share, then:

- the bank account will increase by £15 million
- the ordinary share capital will increase by £10 million
- the share premium will increase by £5 million.