Registered no: 1203896

A. & J. M. Sheppard Limited

Annual report
for the year ended 30 September 2012

A. & J. M. Sheppard Limited

Annual report
for the year ended 30 September 2012

A. & J. M. Sheppard Limited

Directors and Advisers

Directors

A Sheppard
D Sheppard
J M Sheppard
J Sheppard
S J Davies
S Majed

Secretary and registered office

J Sheppard
4 Mill Street
Trecynon
Aberdare
Rhondda Cynon Taff
CF44 8NA

Independent auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Bankers

Barclays Bank plc
93/94 Taff Street
Pontypridd
Rhondda Cynon Taff
CF37 4XX

Directors' report
for the year ended 30 September 2012

The directors present their report and the audited consolidated financial statements for the year ended 30 September 2012

Business review and principal activities

The principal activity of the group and company is that of retailing and dispensing chemists

The group profit and loss account for the year is set out on page 6

The results for the year show a pre-tax profit of £3,756k (2011 £3,071k) on sales of £28,322k (2011 £28,085k)

The directors were pleased with the performance of the business during the year and the year-end financial position Whilst the external commercial environment is expected to remain competitive in 2013, the directors consider the group and company to be well placed to achieve further growth in sales and profits given reasonable market conditions

The management of the business and the execution of the group's strategy are subject to a number of risks The key business risks and uncertainties affecting the group are considered to relate to competition from competitors and customer retention

Given the nature of the business the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk

Given the size of the group, 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 commodity price risk as a result of its operations However, given the size of the group's operations, the costs of managing exposure to commodity 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 cash flow 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 has a policy of maintaining 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

Directors' report for the year ended 30 September 2012 (continued)

Dividends

Interim dividends totalling £66 89 (2011 £66 89) per share (£1,000,000 in both years) were declared during the year

No final dividend is proposed (2011 £Nil)

Property values

In the opinion of the directors there was no significant difference between market and book values of land and buildings at 30 September 2012

Directors

The directors of the company at 30 September 2012, and up to the date of approval of the financial statements, are listed on page 1

Policy and practice on payment of creditors

In respect of all of the Company and Group's suppliers, it is the Company and Group's policy to abide by the terms of payment with suppliers for each transaction and to ensure that suppliers are made aware of the terms of the payment

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 prepared the group and parent company 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 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 and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that 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

Directors' report
for the year ended 30 September 2012 (continued)

Statement of disclosure of information to auditors

Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board

J Sheppard
Secretary

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

We have audited the group and parent company financial statements (the "financial statements") of A & J M Sheppard Limited for the year ended 30 September 2012 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2012 and of the group's profit and cash flows 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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's 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

M L Ellis

Mark Ellis (Senior Statutory Auditor) for and on behalf of:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff, 8 May 2013

A & J. M. Sheppard Limited

Registered no: 1203896

Group profit and loss account for the year ended 30 September 2012

	Notes	2012 £000	2011 £000
Turnover	2	**28,322**	28,085
Cost of sales		**(18,597)**	(19,195)
Gross profit		**9,725**	8,890
Net operating expenses	3	**(5,960)**	(5,759)
Operating profit		**3,765**	3,131
Interest receivable		**16**	28
Interest payable and similar charges	6	**(25)**	(88)
Profit on ordinary activities before taxation	7	**3,756**	3,071
Tax on profit on ordinary activities	8	**(1,028)**	(938)
Profit for the financial year	22	**2,728**	2,133

The group has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

All the above amounts relate to continuing operations

Balance sheets
as at 30 September 2012

	Notes	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Fixed assets					
Intangible assets	11	**2,131**	2,736	**2,131**	2,736
Tangible assets	12	**6,464**	6,000	**6,464**	6,000
Investments	13	**-**	-	**2**	2
		8,595	8,736	**8,597**	8,738
Current assets					
Stocks	14	**1,096**	1,160	**1,096**	1,160
Debtors	15	**5,525**	3,384	**5,525**	3,384
Cash at bank and in hand		**4,855**	6,188	**4,855**	6,188
		11,476	10,732	**11,476**	10,732
Creditors: amounts falling due within one year	16	**(5,192)**	(5,917)	**(5,192)**	(5,917)
Net current assets		**6,284**	4,815	**6,285**	4,815
Total assets less current liabilities		**14,879**	13,551	**14,882**	13,553
Creditors: amounts falling due after more than one year	17	**-**	(370)	**(371)**	(741)
Provisions for liabilities and charges	18	**(150)**	(177)	**(150)**	(177)
Accruals and deferred income	19	**(84)**	(87)	**(84)**	(87)
		(234)	(634)	**(606)**	(1,005)
Net assets		**14,645**	12,917	**14,276**	12,548
Capital and reserves					
Called up share capital	20	**15**	15	**15**	15
Other reserves	22	**369**	369	**-**	-
Profit and loss account	22	**14,261**	12,533	**14,261**	12,533
Total shareholders' funds	23	**14,645**	12,917	**14,276**	12,548

The accounting policies and notes on pages 10 to 20 form part of these financial statements

The financial statements on pages 6 to 20 were approved by the board of directors on 8 May 2013 and were signed on its behalf by

J Sheppard
Director

A & J. M. Sheppard Limited

Group cash flow statement
for the year ended 30 September 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities			
(reconciliation to operating profit on page 9)		**2,767**	6,195
Returns on investments and servicing of finance			
Interest received		**16**	28
Interest paid		**(85)**	(88)
		(69)	(60)
Taxation			
United Kingdom corporation tax paid		**(1,026)**	(991)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(755)**	(412)
Sale of tangible fixed assets		**-**	4
		(755)	(408)
Acquisitions and disposals			
Purchase of unincorporated business		-	(630)
Equity dividends paid			
Dividends paid		**(1,000)**	(1,000)
Net cash (outflow)/inflow before the use of liquid resources and financing		**(83)**	3,106
Financing			
Repayment of loans		**(563)**	(209)
Repayment of directors' loan		**(619)**	(248)
Repayment of other loan		-	(100)
(Decrease)/increase in cash	24	**(1,265)**	2,549

Reconciliation of operating profit to net cash inflow from operating activities

	2012 £000	2011 £000
Continuing operating activities		
Operating profit	**3,765**	3,131
Amortisation of grants	**(3)**	(3)
Amortisation of goodwill	**605**	565
Depreciation of tangible fixed assets	**291**	274
Loss on disposal of tangible fixed assets	**-**	46
Decrease in stock	**64**	45
(Increase)/decrease in debtors	**(2,141)**	2,189
Increase/(decrease) in creditors	**186**	(52)
Net cash inflow from continuing operating activities	**2,767**	6,195

Notes to the financial statements for the year ended 30 September 2012

1. Principal accounting policies

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom A summary of the more important group accounting policies which have been consistently applied is set out below

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and of all the subsidiary undertakings made up to the year end The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes Intra-company sales, profits and balances are eliminated fully on consolidation

On acquisition of a subsidiary all of the subsidiary's assets and liabilities that exist at the date of acquisition are record at their fair values reflecting their condition at that date All changes in those assets and liabilities, and the operating gains and losses that arise after the group has gained control of the subsidiary are charged to the profit and loss account

All company's included within consolidation adopt uniform accounting policies

Fixed assets

The cost of tangible and intangible fixed assets is their purchase cost, together with any incidental expenses of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets less their residual values, on a straight line basis over the expected useful economic lives of the assets concerned The principal annual rates used for this purpose are

	%
Fixtures and fittings	10
Equipment	20
Motor vehicles	25
Freehold buildings	2

Freehold land is not depreciated No depreciation is charged on assets in the course of construction

Short leasehold land and buildings are amortised over the period of the lease

The directors undertake reviews of the carrying value of fixed assets when trigger events occur and make such provisions for impairment as they consider necessary

Investments

Investments are valued at cost Provisions for diminution in value of investments are made where necessary against this cost.

Goodwill

Goodwill arising 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 pharmacies is eliminated by amortisation through the profit and loss account over its useful economic life of 10 years

Notes to the financial statements for the year ended 30 September 2012 (continued)

Principal accounting policies (continued)

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions, or events that result in an obligation to pay more tax in future, or a right to pay less tax in the future, have occurred at the balance sheet date

Timing differences are temporary differences between profit as computed for taxation purposes and profit as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different periods for taxation purposes

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal on the underlying timing differences can be deducted

Turnover

Turnover which excludes value added tax and trade discounts, represents the value of goods and services supplied Turnover is recognised on dispatch of goods to customers

Pension scheme

The group operates a defined contribution pension scheme which is non contributory Payments made to the scheme are charged annually in these financial statements as part of employment costs and represents the group's contributions payable in the period

Grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life Other grants are released to the profit and loss account in the period in which they are received

Notes to the financial statements for the year ended 30 September 2012 (continued)

2. Turnover

Turnover consists entirely of sales made in the United Kingdom and is derived from the company's one class of business

3. Net operating expenses

	2012 £000	2011 £000
Administrative expenses	**6,230**	5,997
Other operating income	**(270)**	(238)
	5,960	5,759

4. Directors' emoluments

	2012 £000	2011 £000
Aggregate emoluments	**340**	325
Company pension contributions to money purchase schemes	**23**	5

	2012 £000	2011 £000
Highest paid director		
Aggregate emoluments	**111**	109
Company pension contributions to money purchase scheme	**7**	3

Retirement benefits are accruing to four directors (2011 four directors) under money purchase schemes

Notes to the financial statements for the year ended 30 September 2012 (continued)

5. Employee information

The average monthly number of persons (including executive directors) employed by the group during the year was

By activity	2012 Number	2011 Number
Selling and distribution	**186**	181

Staff costs (for the above persons)	2012 £000	2011 £000
Wages and salaries	**3,796**	3,464
Social security costs	**325**	284
Other pension costs (see note 21)	**69**	47
	4,190	3,795

6. Interest payable and similar charges

	2012 £000	2011 £000
Interest payable on overdrafts and bank loans	**25**	28
Interest payable on other loans	**-**	60
	25	88

7. Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after (crediting) / charging		
Amortisation of grants	**(3)**	(3)
Loss on the disposal of fixed assets	**-**	46
Amortisation of goodwill	**605**	565
Depreciation charge for year		
- Tangible owned assets	**291**	274
Operating lease charges		
- Other	**48**	52
Services provided by the company's auditors		
Fees payable for the audit	**18**	18
Fees payable for other services – taxation compliance	**5**	5

Notes to the financial statements for the year ended 30 September 2012 (continued)

8. Tax on profit on ordinary activities

	2012	2011
Current tax:	**£000**	£000
UK Corporation tax on profits of the year	**1,055**	938
Adjustments in respect of previous years	**-**	(7)
Total current tax	**1,055**	931
Deferred tax		
Origination and reversal of timing differences	**(14)**	20
Changes in tax rates or laws	**(13)**	(13)
Total deferred tax	**(27)**	7
Tax on profit on ordinary activities	**1,028**	938

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK (25%) (2011 26 99%) The difference is explained below

	2012	2011
	£000	£000
Profit on ordinary activities before tax	**3,756**	3,072
Profit multiplied by the standard rate of corporation tax in the UK of 25% (2011 26 99%)	**939**	829
Effects of		
Expenses not deductible for tax purposes	**103**	128
Accelerated capital allowances and other timing differences	**13**	(19)
Adjustment to tax charges in respect of previous years	**-**	(7)
Total current tax charge for the year	**1,055**	931

9. Profit for the financial year

Of the consolidated profit, £2,728,000 (2011 £2,133,000) is dealt with in the financial statements of A & J M Sheppard Limited The directors have taken advantage of the exemptions afforded by Section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone

10. Dividends

Equity shares	**2012**	2011
	£000	£000
Interim paid £66 89 (2011 £66,89) per share	**1,000**	1,000

Notes to the financial statements for the year ended 30 September 2012 (continued)

11. Intangible fixed assets

Group and company

	Goodwill arising on purchase of retail pharmacies £000
Cost	
At 1 October 2011 and 30 September 2012	**9,766**
Accumulated amortisation	
At 1 October 2011	7,030
Charge for the year	605
At 30 September 2012	**7,635**
Net book value	
At 30 September 2012	**2,131**
At 30 September 2011	2,736

Goodwill arose on the purchase of retail pharmacies and is being amortised over a period of 10 years which the directors consider to be the useful economic life

12. Tangible fixed assets

Group and company	Freehold land and buildings £	Short leasehold land and holdings £	Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 October 2011	6,301	26	421	1,009	80	7,837
Additions	714	-	9	32	-	755
Disposals	-	-	(8)	-	(7)	(15)
At 30 September 2012	**7,015**	**26**	**422**	**1,041**	**73**	**8,577**
Accumulated depreciation						
At 1 October 2011	922	11	242	622	40	1,837
Charge for year	127	2	60	85	17	291
Disposals	-	-	(8)	-	(7)	(15)
At 30 September 2012	**1,049**	**13**	**294**	**707**	**50**	**2,113**
Net book value						
At 30 September 2012	**5,966**	**13**	**128**	**334**	**23**	**6,464**
At 30 September 2011	5,379	15	179	387	40	6,000

Notes to the financial statements for the year ended 30 September 2012 (continued)

13. Investments

Company	Interests in group undertakings £000
Cost	
At 1 October 2011 and 30 September 2012	**3,216**
Amounts written off	
At 1 October 2011 and 30 September 2012	**3,214**
Net book value	
At 30 September 2011 and 30 September 2012	**2**

The directors believe that the carrying value of the investments is supported by their underlying net assets

Details of group undertakings are:

Name of company	Country of incorporation	Class of share	Proportion of nominal value of shares held	Principal activities
A & J M Sheppard (Pencoed) Limited	United Kingdom	Ordinary	100%	Non trading
J G Fletcher (Chemists) Co Ltd	United Kingdom	Ordinary	100%	Non trading

14. Stocks

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Goods for resale	**1,096**	1,160	**1,096**	1,160

15. Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Amounts falling due within one year				
Trade debtors	**4,844**	2,695	**4,844**	2,695
Other debtors	**617**	608	**617**	608
Prepayments and accrued income	**64**	81	**64**	81
	5,525	3,384	**5,525**	3,384

Notes to the financial statements for the year ended 30 September 2012 (continued)

16. Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Bank overdrafts and loans	288	549	288	549
Trade creditors	3,973	3,837	3,973	3,837
Directors' loan	10	629	10	629
Corporation tax	473	444	473	444
Other creditors including taxation and social security	97	88	97	88
Accruals and deferred income	351	370	351	370
	5,192	5,917	5,192	5,917

The bank overdrafts and loans are secured by a fixed charge over the company's freehold properties and by a fixed and floating charge over the assets of the company

Details concerning the Directors' loan are provided in note 26 to the financial statements

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£0000	£000	£000	£000
Amounts owed to group undertakings	-	-	371	371
Bank loans	-	370	-	370
	-	370	371	741

18. Provisions for liabilities and charges

Provisions for liabilities and charges consist entirely of a provision for deferred tax The movement on the deferred tax provision can be analysed as follows

Group and company	**Deferred taxation**
	£000
At 1 October 2011	177
Released to profit and loss account	(26)
At 30 September 2012	**151**

Provision for deferred tax comprises:

	2012	2011
	£000	£000
Accelerated capital allowances	151	177

Notes to the financial statements for the year ended 30 September 2012 (continued)

19. Accruals and deferred income

Group and company	£000
Government Grants	
At 1 October 2011	87
Credited to profit and loss account	(3)
At 30 September 2012	**84**

20. Called up share capital

	2012 **£000**	2011 £000
Allotted, called up and fully paid		
14,950 ordinary shares of £1 each	**15**	15

21. Pension obligations

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 total pension cost for the year was £59,000 (2011 £47,000)

22. Reserves

	Group Merger reserve **£000**	**Group Profit & loss account** **£000**	**Company Profit & loss account** **£000**
At 1 October 2011	369	12,533	12,533
Profit for the financial year	-	2,728	2,728
Dividend	-	(1,000)	(1,000)
At 30 September 2012	**369**	**14,261**	**14,261**

23. Reconciliation of movements in shareholders' funds

	Group		**Company**	
	2012 **£000**	2011 £000	**2012** **£000**	2011 £000
Profit for the financial year	**2,728**	2,133	**2,728**	2,133
Dividends	**(1,000)**	(1,000)	**(1,000)**	(1,000)
	1,728	1,133	**1,728**	1,133
Opening shareholders' funds	**12,917**	11,784	**12,548**	11,415
Closing shareholders' funds	**14,645**	12,917	**14,276**	12,548

Notes to the financial statements for the year ended 30 September 2012 (continued)

24. Reconciliation of net cash flow to movement in net funds

	2012 £000	2011 £000
(Decrease)/increase in cash in year	**(1,265)**	2,549
Movement in borrowings	**1,182**	557
	(83)	3,106
Net funds at 1 October 2011	**4,641**	1,535
Net funds at 30 September 2012	**4,558**	4,641

25. Analysis of net funds

	At 1 October 2011 £000	Cash flow £000	At 30 September 2012 £000
Net funds			
Cash at bank and in hand	6,188	(1,333)	**4,855**
Overdrafts	(356)	68	**(288)**
	5,832	(1,265)	**4,567**
Bank loans	(563)	563	**-**
Directors' loans	(629)	619	**(10)**
	4,640	(83)	**4,557**

Liquid resources and net funds are analysed in the balance sheet as follows

	2012 £000	2011 £000
Cash at bank and in hand	**4,855**	6,188
Bank overdrafts and loans due within one year	**(287)**	(549)
Bank loans falling due after more than one year	**-**	(369)
Directors' loans repayable within one year	**(10)**	(629)
	4,558	4,641

Notes to the financial statements for the year ended 30 September 2012 (continued)

26. Related party transactions

During the year interest of £Nil (2011 £28,262) was declared on the directors' loan account due to A Sheppard The interest payable as at 31 December 2011 and the underlying loan were repaid before the end of the year

During the year interest of £Nil (2011 £28,262) was declared on the directors' loan account due to J M Sheppard The interest payable as at 31 December 2011 and the underlying loan were repaid before the end of the year

During the year interest of £Nil (2011 £3,750) was declared in respect of the loan account due to F Sheppard, the spouse of J Sheppard, a director of the company The interest payable as at 31 December 2011 was repaid before the end of the year

The loans advanced by A Sheppard and J M Sheppard were unsecured and repayable on demand

The company has taken advantage of the exemption provided by Financial Reporting Standard Number 8 not to disclose any transactions or balances between group entities that are eliminated on consolidation

27. Operating lease commitments

At 30 September 2012 the group and the company has annual commitments under non-cancellable operating leases as follows

	2012		2011	
	Land and Buildings	**Other**	Land and buildings	Other
	£000	**£000**	£000	£000
Expiring within one year	-	-	-	-
Expiring within two to five years	-	5	-	4
Expiring in over five years	44	-	35	-
	44	5	35	4

28. 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 certain of the company's freehold properties

29. Ultimate 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 (2011 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