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SHEPHERD DIRECT LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Company Registration Number 06055271

RSM Tenon Limited
Accountants & Business Advisers
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

SHEPHERD DIRECT LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the members	4
Consolidated profit and loss account	6
Group statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow	10
Notes to the consolidated financial statements	11

SHEPHERD DIRECT LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2012

The board of directors	PR Gratton GP Brewster I Fergusson CC Hickling
Company secretary	C S Staley
Business address	3-4 Regan Way Chetwynd Business Park Chilwell Nottingham NG9 6RZ
Registered office	3-4 Regan Way Chetwynd Business Park Chilwell Nottingham NG9 6RZ
Auditor	RSM Tenon Audit Limited The Poynt 45 Wollaton Street Nottingham NG1 5FW
Accountants	RSM Tenon Limited Accountants & Business Advisers The Poynt 45 Wollaton Street Nottingham NG1 5FW
Bankers	HSBC Bank plc 26 Clumber Street Nottingham NG1 3GA

SHEPHERD DIRECT LIMITED
THE DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2012

The directors present their report and the consolidated financial statements of the group for the year ended 31 March 2012

Principal activity and business review

The principal activity of the group during the year was that of providing surveying and related financial services

Clearly, the current economic climate and its effect on the UK mortgage market, means that for residential property related businesses conditions remain tough but our continued focus on quality and productivity ensured we maintained our position as one of the UK's leading valuation panel management and surveying firms. Opportunities for the group to grow further were secured during the year.

During the year, the group acquired a further 70% of the share capital of If I Were You Limited, thus increasing its holding to 80%.

Principal risks and uncertainties

The market remains difficult but the focus on key clients has protected the company from the worst impacts of the reduced activity in the mortgage market. Focus on high levels of customer service and the associated underlying investment in productivity has ensured that the group continues to trade successfully.

Results and dividends

The loss for the year amounted to £1,474,795. The directors have not recommended a dividend.

Directors

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

PR Gratton
GP Brewster
I Fergusson
CC Hickling

Directors' responsibilities

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated 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 consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those consolidated financial statements, the directors are required to:

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

SHEPHERD DIRECT LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 MARCH 2012

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

In so far as the directors are, individually, aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

RSM Tenon Audit Limited are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors



C S Staley
Secretary

Approved by the directors on 23 July 2012

SHEPHERD DIRECT LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHEPHERD DIRECT LIMITED
YEAR ENDED 31 MARCH 2012

We have audited the group and parent company consolidated financial statements ("the consolidated financial statements") of Shepherd Direct Limited for the year ended 31 March 2012 on pages 6 to 27. 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).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 3, the directors are responsible for the preparation of the consolidated 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 consolidated 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.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated 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 the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2012 and of the group's loss 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

SHEPHERD DIRECT LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SHEPHERD DIRECT LIMITED *(continued)*

YEAR ENDED 31 MARCH 2012

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 consolidated 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

Alistair Hunt, Senior Statutory Auditor
For and on behalf of

RSM Tenon Audit Limited

RSM Tenon Audit Limited
Statutory Auditor
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

23 July 2012

SHEPHERD DIRECT LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
Group turnover	2	12,915,439	13,211,168
Cost of sales		(8,933,374)	(6,997,854)
Gross profit		<u>3,982,065</u>	<u>6,213,314</u>
Administrative expenses		(5,730,187)	(5,485,392)
Other operating income	3	411,003	280,305
Operating (loss)/profit	4	<u>(1,337,119)</u>	<u>1,008,227</u>
Interest payable and similar charges	7	(274,667)	(38,123)
(Loss)/profit on ordinary activities before taxation		<u>(1,611,786)</u>	<u>970,104</u>
Tax on (loss)/profit on ordinary activities	8	123,253	52,660
(Loss)/profit on ordinary activities after taxation		<u>(1,488,533)</u>	<u>1,022,764</u>
Minority interests		13,738	—
(Loss)/profit attributable to members of the parent company		<u>(1,474,795)</u>	<u>1,022,764</u>
(Loss)/profit for the financial year		<u>(1,474,795)</u>	<u>1,022,764</u>

All of the activities of the group are classed as continuing

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account

The notes on pages 11 to 27 form part of these consolidated financial statements

SHEPHERD DIRECT LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 MARCH 2012

	2012 £	2011 £
(Loss)/profit for the financial year		
Attributable to the shareholders of the parent company	(1,474,795)	1,022,764
Total recognised gains and losses relating to the year	<u>(1,474,795)</u>	<u>1,022,764</u>
Prior year adjustment (see note 10)	<u>(316,667)</u>	
Total gains and losses recognised since the last annual report	<u>(1,791,462)</u>	

The notes on pages 11 to 27 form part of these consolidated financial statements

SHEPHERD DIRECT LIMITED
CONSOLIDATED BALANCE SHEET

31 MARCH 2012

		2012		2011 (restated)	
	Note	£	£	£	£
Fixed assets					
Intangible assets	11		12,527,274		13,348,708
Tangible assets	12		2,791,532		2,281,725
Investments	13		2,500		554,500
			<u>15,321,306</u>		<u>16,184,933</u>
Current assets					
Debtors due within one year	14	1,952,880		1,271,842	
Debtors due after one year	14	218,417		95,164	
			<u>2,171,297</u>	<u>1,367,006</u>	
Creditors: amounts falling due within one year	16	(3,308,805)		(2,713,949)	
Net current liabilities			(1,137,508)		(1,346,943)
Total assets less current liabilities			<u>14,183,798</u>		<u>14,837,990</u>
Creditors amounts falling due after more than one year	17		(5,286,469)		(5,236,895)
Provisions for liabilities					
Other provisions	19		(2,184,809)		(1,418,869)
			<u>6,712,520</u>		<u>8,182,226</u>
Capital and reserves					
Called-up share capital	23		1,000,000		1,000,000
Profit and loss account	24		5,707,431		7,182,226
Shareholders' funds	25		<u>6,707,431</u>		<u>8,182,226</u>
Minority interests			5,089		-
			<u>6,712,520</u>		<u>8,182,226</u>

These consolidated financial statements were approved by the directors and authorised for issue on 23 July 2012, and are signed on their behalf by



PR Gratton
Director

The notes on pages 11 to 27 form part of these consolidated financial statements

SHEPHERD DIRECT LIMITED*Registered Number 06055271***COMPANY BALANCE SHEET****31 MARCH 2012**

		2012		2011	
	Note	£	£	£	£
Fixed assets					
Investments	13		14,904,740		14,834,740
Current assets					
Cash at bank			306,479		147,244
Net current assets			<u>306,479</u>		<u>147,244</u>
Total assets less current liabilities			<u>15,211,219</u>		<u>14,981,984</u>
Creditors: amounts falling due after more than one year	17		(4,664,190)		(4,546,668)
			<u>10,547,029</u>		<u>10,435,316</u>
Capital and reserves					
Called-up share capital	23		1,000,000		1,000,000
Profit and loss account	24		9,547,029		9,435,316
Shareholders' funds			<u>10,547,029</u>		<u>10,435,316</u>

These consolidated financial statements were approved by the directors and authorised for issue on 23 July 2012, and are signed on their behalf by


PR Gratton
Director

The notes on pages 11 to 27 form part of these consolidated financial statements

SHEPHERD DIRECT LIMITED
CONSOLIDATED CASH FLOW
YEAR ENDED 31 MARCH 2012

		2012		2011	
	Note	£	£	£	£
Net cash inflow from operating activities	26		415,991		989,621
Returns on investments and Servicing of finance					
Interest paid		(152,225)		(36,722)	
Interest element of hire purchase and finance lease		(2,442)		(1,401)	
Dividends on shares classed as financial liabilities		(120,000)		—	
Net cash outflow from returns on investments and servicing of finance			(274,667)		(38,123)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(80,523)		(38,485)	
Disposal of investments		866,667		—	
Net cash inflow/(outflow) for capital expenditure and financial investment			786,144		(38,485)
Acquisitions and disposals					
Acquisition of shares in group undertakings		(70,000)		—	
Net cash acquired with subsidiary		4,570		—	
Acquisition investments in participating interests		—		(2,500)	
Net cash outflow from acquisitions and disposals			(65,430)		(2,500)
Cash inflow before financing			862,038		910,513
Financing					
Repayment of bank loans		(75,046)		(67,204)	
Net inflow/(outflow) from long-term payments received on account		117,522		(750,832)	
Capital element of hire purchase and finance lease		(12,375)		(14,091)	
Net cash inflow/(outflow) from financing			30,101		(832,127)
Increase in cash	26		892,139		78,386

The notes on pages 11 to 27 form part of these consolidated financial statements

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

1. Accounting policies

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Basis of consolidation

The consolidated financial statements incorporate the consolidated financial statements of the company and all group undertakings, together with the group's share of the net assets and results of associated undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the consolidated profit and loss account after or up to the date that control passes respectively. As a consolidated consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group consolidated financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

Turnover comprises revenue recognised by the group when a valuation report is supplied to the customer, exclusive of value added tax together with rental income receivable.

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Goodwill is reviewed for impairment on an annual basis.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Goodwill - 5% straight line

Tangible fixed assets and depreciation

The cost of tangible fixed assets is the purchase price together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Freehold property - 2% straight line
Fixtures, fittings & equipment - 10%-33% straight line and 10%-33% reducing balance
Motor vehicles - 25% straight line and 25% reducing balance

Freehold land is not depreciated.

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

1. Accounting policies *(continued)*

Investment properties

Investment properties are included in the balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No 19 and are not depreciated. This treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the directors, necessary in order to give a true and fair view of the financial position of the company and the group.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the consolidated profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is capitalised in the balance sheet as a tangible fixed asset at its fair value and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the consolidated profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

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 or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

1. Accounting policies (continued)

Investments

Investments are valued at cost less provision for impairment

Employee benefit trusts

The company has established trusts for the benefit of employees, former employees and certain of their dependents. Monies contributed to these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that the assets of the trust vest in identified individuals.

Where the company determines payments to the trust on the basis of employees' past services to the business and the company can obtain no future economic benefit from those contributions, such contributions payable by the company to the trust are charged to the profit and loss account in the period to which they relate.

Claims provision

The company provides for the estimated liability for claims where the customer has suffered a loss resulting from past valuations of properties that are proven to be the fault of the company.

2. Turnover

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2012	2011
	£	£
United Kingdom	<u>12,915,439</u>	<u>13,211,168</u>

3. Other operating income

	2012	2011
	£	£
Rent receivable	252,634	142,543
Other operating income	<u>158,369</u>	<u>137,762</u>
	<u>411,003</u>	<u>280,305</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

4. Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2012	2011
	£	£
Amortisation of intangible assets	818,128	821,434
Depreciation of owned fixed assets	120,446	127,750
Depreciation of assets held under hire purchase and finance lease agreements	21,300	14,617
Auditors remuneration	35,240	31,000
Operating leases	29,048	18,574
Claims provision charge (note 19)	<u>1,620,440</u>	<u>36,064</u>

The exceptional administrative expenses is the amortisation charge of goodwill in both years

Audit and non-audit fees are analysed as follows

	2012	2011
	£	£
Auditor's remuneration - audit of the financial statements	<u>17,038</u>	<u>14,700</u>
Auditor's remuneration - other fees		
	2012	2011
	£	£
- Taxation services	10,900	10,000
- Other services	7,302	6,300
	<u>18,202</u>	<u>16,300</u>

5. Particulars of employees

The average number of staff employed by the group during the financial year amounted to

	2012	2011
	No	No
Number of administrative staff	<u>178</u>	<u>172</u>

The aggregate payroll costs of the above were

	2012	2011
	£	£
Wages and salaries	3,206,222	3,258,593
Social security costs	797,417	539,488
Other pension costs	6,541	4,287
	<u>4,010,180</u>	<u>3,802,368</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

6. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2012 £	2011 £
Remuneration receivable	<u>155,446</u>	<u>281,833</u>

Remuneration of highest paid director:

	2012 £	2011 £
Total remuneration (excluding pension contributions)	<u>149,139</u>	<u>227,667</u>

During the year retirement benefits were accruing to no directors (2011 no directors) in respect of money purchase pension schemes

All of the above remuneration was paid by a subsidiary company

7 Interest payable and similar charges

	2012 £	2011 £
Interest payable on bank borrowing	33,058	36,722
Finance charges	2,442	1,401
Other similar charges payable	<u>239,167</u>	<u>-</u>
	<u>274,667</u>	<u>38,123</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2012 £	£	2011 £	£
Deferred tax				
Origination and reversal of timing differences	(123,253)		(52,660)	
Total deferred tax (note 15)		<u>(123,253)</u>		<u>(52,660)</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

8. Taxation on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 26% (2011 - 28%)

	2012	2011
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(1,611,786)</u>	<u>970,104</u>
(Loss)/profit on ordinary activities by rate of tax	(419,064)	271,629
Effects of		
Expenses not deductible for tax purposes	34,567	238,660
Capital allowances for period in excess of depreciation	(3,878)	(3,932)
Amortisation	212,604	-
Non qualifying depreciation	9,587	10,473
Other timing differences	9,824	24
Carried forward tax losses	156,360	59,422
Prior year adjustment	-	<u>(576,276)</u>
Total current tax (note 8(a))	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

The group has taxable losses carried forward of £2,426,890 (2011 £1,613,283) available to utilise against future trading profits

9. Profit attributable to members of the parent company

The profit dealt with in the consolidated financial statements of the parent company was £111,713 (2011 - £(579,749))

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

10 Prior year adjustment

During the year the directors decided to transfer the investment property at 17 Regan Way at market value from investment properties to tangible fixed assets at the end of the third party lease. Whilst effecting that transfer, the directors realised that the valuation of the proportion of the property included in investment properties had incorrectly been compared to the valuation of the property as a whole, including that portion held in tangible fixed assets. As a result an impairment in the property of £316,667 relating to 2009 had not been recognised. This error has been reflected in the accounts as a prior year adjustment.

There is no impact to the profit and loss account or cash flow statement from this prior year adjustment. The balance sheet has been impacted as follows:

	2009 £
Amounts written off investment property as previously stated	—
Prior year adjustment	316,667
Amounts written off investment property as restated	<u>316,667</u>
	2011 £
Profit and loss account brought forward as previously stated	(8,764,684)
Prior year adjustment	(316,667)
Profit and loss account brought forward as restated	<u>(9,081,351)</u>

11. Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2011	16,428,628
Additions (Note 12)	(3,306)
At 31 March 2012	<u>16,425,322</u>
Amortisation	
At 1 April 2011	3,079,920
Charge for the year	818,128
At 31 March 2012	<u>3,898,048</u>
Net book value	
At 31 March 2012	<u>12,527,274</u>
At 31 March 2011	<u>13,348,708</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

12. Tangible fixed assets

Group	Freehold Property £	Furniture, Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 April 2011	2,083,333	1,622,480	80,695	3,786,508
Additions	–	101,553	–	101,553
Transfers (note 13)	550,000	–	–	550,000
At 31 March 2012	<u>2,633,333</u>	<u>1,724,033</u>	<u>80,695</u>	<u>4,438,061</u>
Depreciation				
At 1 April 2011	212,086	1,265,308	27,389	1,504,783
Charge for the year	37,404	91,010	13,332	141,746
At 31 March 2012	<u>249,490</u>	<u>1,356,318</u>	<u>40,721</u>	<u>1,646,529</u>
Net book value				
At 31 March 2012	<u>2,383,843</u>	<u>367,715</u>	<u>39,974</u>	<u>2,791,532</u>
At 31 March 2011	<u>1,871,247</u>	<u>357,172</u>	<u>53,306</u>	<u>2,281,725</u>

Included in land and buildings is freehold land at a cost of £480,000 (2011 £320,000), which is not depreciated

Freehold land and buildings with a cost of £983,333 has suffered an impairment as an investment property in 2009. If valued under the historical cost basis, the freehold property would have had a cost of £1,300,000 (2011 £1,300,000), accumulated depreciation of £82,000 (2011 £65,600) and a net book value of £1,218,000 (2011 £1,234,400)

Hire purchase and finance lease agreements

Included within the net book value of £2,791,532 is £34,245 (2011 - £45,669) relating to assets held under hire purchase agreements, and £89,873 (2011 - £98,773) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £11,424 (2011 - £4,769), and £9,876 (2011 - £9,848) in respect of assets held under finance lease agreements.

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

13. Investments

Group	Unlisted Investments	Freehold investment Property	Total
	£	£	£
Cost			
At 1 April 2011	4,500	866,667	871,167
Transfers (note 12)	(2,000)	(866,667)	(868,667)
At 31 March 2012	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Amounts written off			
At 1 April 2011 - as restated	-	316,667	316,667
Transfers (note 12)	-	(316,667)	(316,667)
At 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 March 2012	<u>2,500</u>	<u>-</u>	<u>2,500</u>
At 31 March 2011	<u>4,500</u>	<u>550,000</u>	<u>554,500</u>

Company	Group companies	Associated undertakings	Total
	£	£	£
Cost			
At 1 April 2011	15,582,740	2,000	15,584,740
Additions	72,000	-	72,000
Transfers	-	(2,000)	(2,000)
At 31 March 2012	<u>15,654,740</u>	<u>-</u>	<u>15,654,740</u>
Amounts written off			
At 1 April 2011 and 31 March 2012	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Net book value			
At 31 March 2012	<u>14,904,740</u>	<u>-</u>	<u>14,904,740</u>
At 31 March 2011	<u>14,832,740</u>	<u>2,000</u>	<u>14,834,740</u>

Subsidiary undertakings

The investment represents the entire ordinary share capital of Direct Valuations Limited and Moneyquest Mortgage Brokers Limited, as well as 80% of the ordinary share capital of If I Were You Limited, all of which are registered in England and Wales. All of the companies are involved in providing surveying and related financial services.

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

13. Investments (continued)

Acquisition of If I Were You Limited

On 31 December 2011, the company increased its shareholding in If I Were You Limited from 10% to 80% and thus acquired the trade and assets of If I Were You Limited. The total consideration was £72,000. Details of the net assets acquired and fair value adjustments processed are as set out below, together with the resultant goodwill arising.

	Value at acquisition £	Fair value adjustment £	Fair value £
Tangible fixed assets	21,029	—	21,029
Cash at bank	4,570	—	4,570
Trade debtors	88,534	—	88,534
Other creditors	(20,000)	—	(20,000)
Net assets at 31 December 2011	<u>94,133</u>	<u>—</u>	<u>94,133</u>
Cash consideration			72,000
Net assets acquired			<u>(75,306)</u>
Goodwill			<u>(3,306)</u>

14. Debtors

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	1,788,254	1,097,705	—	—
Other debtors	5,931	86,458	—	—
Deferred taxation (Note 15)	218,417	95,164	—	—
Prepayments and accrued income	158,695	87,679	—	—
	<u>2,171,297</u>	<u>1,367,006</u>	<u>—</u>	<u>—</u>

The debtors above include the following amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other debtors	<u>218,417</u>	<u>95,164</u>	<u>—</u>	<u>—</u>

15. Deferred taxation

The movement in the deferred taxation asset during the year was

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Asset brought forward	95,164	42,504	—	—
Increase in asset	<u>123,253</u>	<u>52,660</u>	<u>—</u>	<u>—</u>
Asset carried forward	<u>218,417</u>	<u>95,164</u>	<u>—</u>	<u>—</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

15 Deferred taxation (continued)

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of

Group	2012		2011	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of depreciation over taxation allowances	23,417	-	20,477	-
Tax losses available	195,000	-	74,687	-
	<u>218,417</u>	<u>-</u>	<u>95,164</u>	<u>-</u>

16. Creditors amounts falling due within one year

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Bank loans and overdrafts	384,321	409,793	-	-
Trade creditors	837,839	973,834	-	-
Hire purchase and finance lease agreements	15,908	15,381	-	-
Taxation and social security	557,303	555,915	-	-
Other creditors	-	3,366	-	-
Accruals and deferred income	1,513,434	755,660	-	-
	<u>3,308,805</u>	<u>2,713,949</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Bank loans and overdrafts	587,224	662,270	-	-
Other loans	1,684,190	1,546,668	1,664,190	1,546,668
Hire purchase and finance lease agreements	15,055	27,957	-	-
Shares classed as financial liabilities	3,000,000	3,000,000	3,000,000	3,000,000
	<u>5,286,469</u>	<u>5,236,895</u>	<u>4,664,190</u>	<u>4,546,668</u>

The bank borrowings are secured by way of a fixed and floating charge over the company's assets

The bank loan is repayable by monthly installments, at 3.45% above the Bank of England base rate

The finance lease and hire purchase contracts are secured on the assets to which they relate

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

17. Creditors: Amounts falling due after more than one year (continued)

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts	<u>182,376</u>	<u>280,355</u>	<u>-</u>	<u>-</u>

18. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Amounts payable within 1 year	15,908	15,381	-	-
Amounts payable between 1 and 2 years	6,054	15,908	-	-
Amounts payable between 3 and 5 years	9,001	12,049	-	-
	<u>30,963</u>	<u>43,338</u>	<u>-</u>	<u>-</u>

19. Other provisions

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other provisions	<u>2,184,809</u>	<u>1,418,869</u>	<u>-</u>	<u>-</u>

	Claims provision £
Balance brought forward	1,418,869
Provided during the year	1,620,440
Paid during the year	(854,500)
Balance carried forward	<u>2,184,809</u>

The provision carried forward represents the estimated cost to the group of settling claims against previous property valuations undertaken by the group

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

20. Commitments under operating leases

At 31 March 2012 the group had annual commitments under non-cancellable operating leases as set out below

Group	Assets other than Land and buildings	
	2012	2011
	£	£
Operating leases which expire		
Within 1 year	2,770	447
Within 2 to 5 years	36,947	18,676
	<u>39,717</u>	<u>19,123</u>

21. Contingencies

HM Revenue and Customs is enquiring into the tax planning schemes set up by the group in 2003. The directors have formed the view, after taking advice, that legal precedent is in the group's favour and that it will be concluded that no additional taxation liabilities will arise to the group in respect of the contributions to the tax planning schemes, other than the sum provided for of £388,267 in respect of National Insurance contributions and interest payable. No additional provision has thus been made for any future economic outflows in this matter. It may take several years before the position is finally established and as such there is a possibility, which the directors have assessed as more than remote, that further taxation liabilities will arise. Should the contributions to the tax planning schemes be determined to be fully subject to income tax, additional tax liabilities of up to £422,029 may be incurred by the group, however, at this stage it is not possible to predict with any reasonable degree of certainty the likelihood of further sums being payable, the amount of such sums and the date on which they could become payable.

The company is party to a composite company limited multilateral guarantee in respect of the bank overdraft facilities with Direct Valuations Limited, JV Limited and Moneyquest Mortgage Brokers Limited. At 31 March 2012 the total liability was £1,327,935 (2011 £1,219,407).

The directors take advice as to the likelihood of success of claims and actions the group and no provision is made where the directors consider, based on that advice, that the action is unlikely to succeed.

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

22. Related party transactions

Included within other creditors are amounts due to P R Gratton of £280,534 (2011 £259,012), C C Hickling of £384,320 (2011 £354,320) and J & E Nominees Limited of £1,008,336 (2011 £933,336) These carried forward balances were the maximum outstanding during the year and the amounts due carry no interest

P R Gratton and C C Hickling are both directors and shareholders in the company, whilst J & E Nominees Limited is a shareholder in the company

During the year preference dividends of £120,000 (2011 £nil) were paid to C C Hickling

During the year the group invoiced management charges and other recharges of £nil (2011 £159,589) to Gasbox Limited, a company in which P R Gratton was a director At the year end the group was owed £nil (2011 £22,500) by Gasbox Limited in respect of these management charges In addition the group purchased services totalling £nil (2011 £11,321) from Gasbox Limited during the year of which £nil (2011 £nil) was outstanding at the year end

During the year the group invoiced management charges and other recharges of £8,169 (2011 £22,064) to X-Bond Limited, a group in which P R Gratton and C C Hickling are both directors and shareholders At the year end the group was owed £2,700 (2011 £nil) by X-Bond Limited in respect of these management charges

During the year the group invoiced management charges and other recharges of £1,054,215 (2011 £nil) to Sesame Bankhall Valuation Services Limited, a company in which Direct Valuations has an investment and in which P R Gratton and G P Brewster are directors At the year end the group was owed £392,769 (2011 £nil) by Sesame Bankhall Valuation Services Limited in respect of these management charges

The J & E Shepherd partnership is related to the group as it has partners who have an interest in J & E Nominees Limited, a major shareholder in Shepherd Direct Limited During the year the group invoiced management charges and other recharges of £50,615 (2011 £149,731) to J & E Shepherd partnership At the year end the group was owed £17,100 (2011 £82,307) by J & E Shepherd partnership in respect of these management charges In addition the group purchased services totalling £606,647 (2011 £831,618) from the J & E Shepherd partnership At the year end £22,165 (2011 £23,507) was owed to the J & E Shepherd partnership

During the year the group made management charges and other recharges of £48,846 (2011 £32,799) to Activ8 Intelligence Limited, of which there is one mutual director and four mutual shareholders At the year end the group was owed £9,600 (2011 £nil) by Activ8 Intelligence Limited in respect of these management charges

The group purchased services totalling £187,556 (2011 £27,133) from If I Were You Limited, a company which is a subsidiary of Shepherd Direct Limited The group also invoiced management recharges totalling £69,526 (2011 £nil) to If I Were You Limited At the year end the group was owed £33,520 (2011 £nil) by If I Were You Limited

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

23. Share capital

Allotted, called up and fully paid:

	2012		2011	
	No	£	No	£
500,000 A ordinary shares of £1 each	500,000	500,000	500,000	500,000
500,000 B ordinary shares of £1 each	500,000	500,000	500,000	500,000
3,000,000 Preference shares of £1 each	3,000,000	3,000,000	3,000,000	3,000,000
	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

	2012	2011
	£	£
Amounts presented in equity:		
500,000 A ordinary shares of £1 each	500,000	500,000
500,000 B ordinary shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>

Amounts presented in liabilities:		
3,000,000 Preference shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

The £1 redeemable cumulative preference shares do not entitle the shareholders to voting rights. The holders of preference shares shall be entitled to receive a cumulative preferential cash dividend which is equal to 3.5% above the Bank of England base rate. On winding up of the company preference shareholders are entitled to receive distributions in priority to holders of any other class of shares. The preference shares are redeemable as follows 1,500,000 on 10 July 2014 and 500,000 annually on 10 July 2015, 2016 and 2017.

24. Reserves

Group	Profit and loss account (restated) £
Balance brought forward	7,498,893
Prior year adjustment (note 10)	(316,667)
Restated balance as at 1 April 2011	<u>7,182,226</u>
Loss for the year	(1,474,795)
Balance carried forward	<u>5,707,431</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

24. Reserves (continued)

Company	Profit and loss account £
Balance brought forward	9,435,316
Profit for the year	111,713
Balance carried forward	<u>9,547,029</u>

25. Reconciliation of movements in shareholders' funds

	2012 £	£	2011 £	£
(Loss)/Profit for the financial year		(1,474,795)		1,022,764
Opening shareholders' funds		8,182,226		7,476,129
Prior year adjustment (see note 10)		-		(316,667)
Closing shareholders' funds		<u>6,707,431</u>		<u>8,182,226</u>

26. Notes to the cash flow statement

**Reconciliation of operating (loss)/profit to net cash inflow
from operating activities**

	2012 £	2011 £
Operating (loss)/profit	(1,337,119)	1,008,227
Amortisation	818,128	821,434
Depreciation	141,746	142,367
Increase in debtors	(592,508)	(570,439)
Increase in creditors	619,804	162,279
Increase/(decrease) in provisions	765,940	(574,247)
Net cash inflow from operating activities	<u>415,991</u>	<u>989,621</u>

SHEPHERD DIRECT LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2012

26. Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt

	2012		2011	
	£	£	£	£
Increase in cash in the period	892,139		78,386	
Net cash outflow from bank loans	75,046		67,204	
Net cash (inflow) from/outflow from long-term payments received on account	(117,522)		750,832	
Cash outflow in respect of hire purchase and finance lease	<u>12,375</u>		<u>14,091</u>	
Change in net debt resulting from cash flows		862,038		910,513
Change in net debt due to acquisition/disposal of trade/business		(20,000)		—
Movement in net debt in the period		<u>842,038</u>		<u>910,513</u>
Net debt at 1 April 2011		(5,662,069)		(6,572,582)
Net debt at 31 March 2012		<u>(5,686,698)</u>		<u>(5,662,069)</u>

Analysis of changes in net debt

	At 1 April 2011 £	Cash flows £	Acquisition £	At 31 March 2012 £
Net cash				
Overdrafts	(308,581)	25,472	—	(283,109)
Debt	(5,310,150)	(42,476)	(20,000)	(5,372,626)
Hire purchase and finance lease agreements	(43,338)	12,375	—	(30,963)
	<u>(5,353,488)</u>	<u>(30,101)</u>	<u>(20,000)</u>	<u>(5,403,589)</u>
	<u>(5,662,069)</u>	<u>(4,629)</u>	<u>(20,000)</u>	<u>(5,686,698)</u>
Net debt				

27. Controlling party

In the opinion of the directors there is no ultimate controlling party