SHEPHERD DIRECT LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Company Registration Number 06055271

SHEPHERD DIRECT LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

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OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 MARCH 2014

The board of directors	PR Gratton GP Brewster NV Tamplin JW Bloomer R Clifford
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	Baker Tilly UK Audit LLP Chartered Accountants Suite A, 7th Floor City Gate East Toll House Hill Nottingham NG1 5FS
Bankers	HSBC Bank plc 26 Clumber Street Nottingham NG1 3GA

Fair review of the business

The Shepherd Direct Group is a long established and fast growing property services provider in the UK. The group's strategy is to provide services to the UK property market, continuing to grow and improve its existing Panel Management, Surveying, Lettings and Mortgage Broking businesses, and develop its new Estate Agency franchise business, acquired in this financial year.

The group achieves this through a strong focus on excellent customer service, and deploying technology innovation and remote solutions to drive business efficiency and manage risk.

In the year, the group has grown turnover by 26%, reflecting both the recovery in the mortgage market and the diversified income streams generated from this strategy. The panel management business handled around 115,000 valuations (up from 90,000 in prior year) and the in-house surveying business performed over 50,000 valuations (up from 34,000 in the prior year). The group believes that the positive, but cautious outlook in the market will enable Shepherd Direct Group to further grow these volumes. In addition, the group sees significant potential for growth in its Lettings and Estate Agency businesses through the coming year.

As at 31 March 2014, the business has net assets of £742,266. This includes full provision for the potential liability under tax planning schemes as set out in detail in note 7, and an exceptional increase in provision for Professional Indemnity claims of £3.8m. The operating performance of the business, excluding these exceptional items, was strong, increasing from £659,855 in 2013 to £1,393,783 in 2014.

Subsequent to the year end the Group is in advanced talks regarding opportunities to accelerate its expansion plans and strengthen its working capital position.

Principal risks and uncertainties

The group's revenues and profits are substantially dependent on the volume of housing transactions in the UK residential property market. During recent years, the mortgage market has been steadily recovering, but competition remains strong. The group's focus on key clients and high levels of customer service has enabled it to compete successfully and grow in the market.

The group's revenues have predominantly come from its surveying centric business model, and therefore focus has been placed on exploring its strategy to diversify. As a result, the group has now secured exciting platforms for growth in both Estate Agency Franchising and Lettings and Property Management.

Historical Professional Indemnity insurance claims remains a risk in the surveying business. However, the group maintains a quality assurance process supported by market leading technology to ensure that the surveys and valuations undertaken by its employees are accurate. As a result of these improvements, claims relating to surveys carried out post 2008 represent less than 1% of total claims made and less than 0.1% of valuations performed.

The group makes little use of financial instruments other than an operational bank account and bank borrowings. The group prepares an annual funding plan which is approved by Board and sets out the group's expected financing requirements for the next 12 months, and beyond. These requirements are ordinarily expected to be met through existing cash balances, loan facilities and expected cash flows for the year.

Signed by order of the directors
C S Staley
Secretary

Approved by the directors on 23 December 2014

The directors present their report and the consolidated financial statements of the group for the year ended 31 March 2014.

Results and dividends

The operating profit for continuing operations before exceptional items for the year amounted to £1,954,251. The loss for the year after exceptional items amounted to £6,230,777. The directors have not recommended a dividend.

Directors

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

PR Gratton
GP Brewster
NV Tamplin (appointed 19 June 2014)
JW Bloomer (appointed 19 June 2014)
R Clifford (appointed 11 July 2014)
I Fergusson (resigned 11 July 2014 and re-appointed on 17 December 2014)
CC Hickling (resigned 11 July 2014 and re-appointed on 17 December 2014)

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 these consolidated 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; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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
- each director has taken all steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to 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.

Post balance sheet events

On 31 May 2014 Direct Lettings Limited disposed of part of its trade for a consideration of £430,000 to Direct Lettings (Scotland) Limited. The sale was at market value.

On 29 July 2014 the company disposed of its 60% shareholding in Central Scotland West Limited for the consideration of £15,000. Maurice MacNeill Iona Limited, a subsidiary of Shepherd Direct Limited, acquired these shares.

On 13 June 2014 the holders of 1,500,000 preference shares agreed to changes in the redemption terms from 10 July 2014 to when the company has obtained at least £10,000,000 of additional equity funding or a payment plan has been agreed with HMRC in relation to the tax planning allowing the company to redeem the shares without undue pressure on the company's cash-flows (as evidenced by the cash-flow forecasts accepted by the board of directors of the company).

Auditor

Baker Tilly Audit Limited (formerly RSM Tenon Audit Limited) ceased trading on 31 March 2014. The directors, having been notified of the cessation of trade of Baker Tilly Audit Limited, appointed Baker Tilly UK Audit LLP as auditor on 1 April 2014 to fill the casual vacancy. In accordance with the Companies Act 2006 a resolution proposing the appointment of Baker Tilly UK Audit LLP as Auditor will be put to the members.

Signed by order of the directors

C S Staley
Secretary

Approved by the directors on 23 December 2014

We have audited the group and parent company financial statements ("the consolidated financial statements") of Shepherd Direct Limited for the year ended 31 March 2014 on pages 8 to 34. 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 page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2014 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in notes 1 and 7 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group and Company has a significant tax liability and is reliant on successfully obtaining a payment plan with HMRC on acceptable terms or additional finance. These conditions, along with the other matters explained in notes 1 and 7 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

Baker Tilly UK Audit LLP.

Kelly Boorman, Senior Statutory Auditor
For and on behalf of

Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
City Gate East
Toll House Hill
Nottingham
NG1 5FS

Date:- 23 December 2014

SHEPHERD DIRECT LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2014

		2014				*2013*
		Continuing operations			Total	*Total*
		Results before exceptional items	Exceptional items	Acquisitions		
	Note	£	£	£	£	£
Turnover	2	18,370,350	-	967,422	19,337,772	*15,301,871*
Other operating income		1,399,907	-	-	1,399,907	*812,037*
Other external charges		(7,634,797)	(3,787,000)	(355,862)	(11,777,659)	*(7,161,302)*
Staff costs		(6,811,067)	(4,640,013)	(747,114)	(12,198,194)	*(5,524,243)*
Depreciation written off fixed assets		(1,016,789)	-	(32,517)	(1,049,306)	*(965,767)*
Other operating charges		(2,353,353)	-	(392,397)	(2,745,750)	*(1,802,741)*
Operating (loss)/profit		1,954,251	(8,427,013)	(560,468)	(7,033,230)	*659,855*
Share of associate operating profit		218,134	-	-	218,134	-
Total operating (loss)/profit: Group and share of associates		2,172,385	(8,427,013)	(560,468)	(6,815,096)	*659,855*
Interest receivable		11	-	-	11	-
Interest payable and similar charges	6	(209,982)	(1,582,632)	-	(1,792,614)	*(148,140)*
(Loss)/profit on ordinary activities before taxation		1,962,414	(10,009,645)	(560,468)	(8,607,699)	*511,715*
				Note		
Tax on (loss)/profit on ordinary activities				7	2,317,727	*(287,630)*
(Loss)/profit on ordinary activities after taxation					(6,289,972)	*224,085*
Minority interests					59,195	*(1,675)*
(Loss)/profit attributable to members of the parent company				8	(6,230,777)	*222,410*
(Loss)/profit for the financial year					(6,230,777)	*222,410*

The group has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the group are classed as continuing. The total for the year ended 31 March 2013 does not include amounts relating to acquisitions.

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

SHEPHERD DIRECT LIMITED

CONSOLIDATED BALANCE SHEET

31 MARCH 2014

	Note	2014 £	2014 £	*2013* *£*	*2013* *£*
Fixed assets					
Intangible assets	9		11,573,087		*11,709,144*
Tangible assets	10		2,850,922		*2,732,897*
Investments in associates	11		203,690		*2,500*
			14,627,699		*14,444,541*
Current assets					
Debtors due within one year	12	2,214,283		*2,732,967*	
Debtors due after one year	12	1,097,280		*73,035*	
Cash at bank		528,642		–	
		3,840,205		*2,806,002*	
Creditors: amounts falling due within one year	14	(11,425,838)		*(4,205,495)*	
Net current liabilities			(7,585,633)		*(1,399,493)*
Total assets less current liabilities			7,042,066		*13,045,048*
Creditors: amounts falling due after more than one year	15		(2,874,807)		*(5,017,484)*
Provisions for liabilities					
Other provisions	18		(3,424,993)		*(1,090,959)*
			742,266		*6,936,605*
Capital and reserves					
Called-up share capital	22		1,000,000		*1,000,000*
Profit and loss account	23		(300,936)		*5,929,841*
Shareholders' funds	24		699,064		*6,929,841*
Minority interests			43,202		*6,764*
			742,266		*6,936,605*

These accounts were approved by the directors and authorised for issue on 23 December 2014, and are signed on their behalf by:

PR Gratton
Director

The notes on pages 12 to 34 form part of these consolidated financial statements.

SHEPHERD DIRECT LIMITED

Registered Number 06055271

COMPANY BALANCE SHEET

31 MARCH 2014

		2014		2013 (restated)	
	Note	**£**	**£**	£	£
Fixed assets					
Investments	11		16,153,710		15,654,740
Current assets					
Debtors due within one year	12	–		576,607	
Debtors due after one year	12	2,828,046		–	
Cash at bank		–		219,730	
		2,828,046		796,337	
Creditors: amounts falling due within one year	14	(4,808,941)		(540,000)	
Net current (liabilities)/assets			(1,980,895)		256,337
Total assets less current liabilities			14,172,815		15,911,077
Creditors: amounts falling due after more than one year	15		(2,077,286)		(4,484,048)
			12,095,529		11,427,029
Capital and reserves					
Called-up share capital	22		1,000,000		1,000,000
Profit and loss account	23		11,095,529		10,427,029
Shareholders' funds			12,095,529		11,427,029

These accounts were approved by the directors and authorised for issue on 23 December 2014 and are signed on their behalf by:

PR Gratton
Director

The notes on pages 12 to 34 form part of these consolidated financial statements.

SHEPHERD DIRECT LIMITED

CONSOLIDATED CASH FLOW

YEAR ENDED 31 MARCH 2014

	Note	2014 £	2014 £	*2013* £	*2013* £
Net cash inflow/(outflow) from operating activities	25		2,456,114		*(84,866)*
Returns on investments and Servicing of finance					
Interest received		11		–	
Interest paid		(88,426)		*(27,121)*	
Interest element of hire purchase		(1,556)		*(1,019)*	
Dividends on shares classed as financial liabilities		(120,000)		*(120,000)*	
Net cash outflow from returns on investments and servicing of finance			(209,971)		*(148,140)*
Capital expenditure					
Payments to acquire tangible fixed assets		(308,796)		*(89,002)*	
Net cash outflow from capital expenditure			(308,796)		*(89,002)*
Acquisitions and disposals					
Acquisition of shares in group undertakings		(409,970)		–	
Net cash acquired		245,378			
Net cash outflow from acquisitions and disposals			(164,592)		–
Cash inflow/(outflow) before financing			1,772,755		*(322,008)*
Financing					
New bank loans		410,000		–	
Repayment of bank loans		(111,635)		*(74,092)*	
Repayment of other loans		(912,112)		*(200,142)*	
Capital element of hire purchase		(14,614)		*5,030*	
Net cash outflow from financing			(628,361)		*(269,204)*
Increase/(decrease) in cash	25		1,144,394		*(591,212)*

The notes on pages 12 to 34 form part of these consolidated financial statements.

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.

The financial statements have been prepared on a going concern basis, which assumes that the group will continue in operational existence for the foreseeable future, based on the continued support of its fellow group undertakings, controlling shareholders, directors and the group's bankers. The directors have prepared projections for the period to 31 March 2018. These projections have been prepared using assumptions which the directors consider to be appropriate to the current financial position of the group as regards to current expected revenues and its cost base. These projections also include two significant assumptions, timing of the re-payment of tax and interest in respect of tax planning schemes (as set out in note 7) and the deferral of the repayment of preference shares due in the current year (as set out in note 22).

Should HMRC refuse to enter into an appropriate payment plan, this may cast doubt on the group's ability to trade as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business. However the Directors consider it to be unlikely that HMRC will not enter into acceptable terms and in such an event would look to raise additional finance.

Furthermore the Company has £1.5m of preference shares due for repayment in the current year; until such time as the negotiations with HMRC have been concluded the Company has obtained an agreement to defer the repayment of the first £1.5m of preference shares.

Subsequent to the year end the Company is in advanced talks regarding opportunities to raise capital to accelerate its expansion plans and strengthen its working capital position.

The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that may be necessary in the event that HMRC do not agree a payment plan with the Company and adequate funding was not made available.

There have been no changes in the accounting policies during the year other than the change of format used for the profit and loss account from Format 1 to Format 2. The directors have changed the format as the largest subsidiary prepared accounts using format 2 and this format more appropriately reflects the business activity.

Prior year adjustment

During the year ended 31 March 2013 the carrying value of the investment held by the company in Moneyquest Mortgage Brokers Limited was reassessed. An impairment of £750,000 previously booked in the year ended 31 March 2012 was found to have reversed.

In the 31 March 2013 financial statements the £750,000 impairment reversal was incorrectly accounted for within the revaluation reserve. This is considered to be a fundamental error and a prior year adjustment has been processed in the 31 March 2014 financial statements to correct this error.

The impact on the retained profit for the year ended 31 March 2013 for Shepherd Direct Limited (the company) is an increase of £750,000. The impact on the net assets at 31 March 2013 is £nil, as seen in note 23. There has been no impact on the consolidated results or balance sheet.

1. Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group 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 twenty 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 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.

Associates

In the group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the group's share of associates' profit less losses while the group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition is accounted for in accordance with the policy set out below. Any unamortised balance of goodwill is included in the carrying value of the investments in associates.

Turnover

Turnover, which is net of value added tax, trade discounts and all intra-group transactions, represents:

- revenue recognised by the group when a valuation report is supplied to the customer, exclusive of value added tax;
- revenue recognised by the group when a franchise is provided to a franchisee and when continuation fees and royalties become due, exclusive of value added tax;
- mortgage broker fee on a mortgage offer being made;
- mortgage procurement fee on a mortgage offer being made;
- insurance fee - on an insurance offer being accepted;
- the value of other goods and services supplied to customers in the year.

Goodwill

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

Intangible fixed assets other than goodwill

Intangible fixed assets other than goodwill are stated at cost less amortisation. Intangible fixed assets represent rights acquired under franchise agreements.

Amortisation of intangible assets

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

Goodwill	-	5% straight line
Master franchise fees	-	over the term of the franchise agreement

1. Accounting policies *(continued)*

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.

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 over the term of the agreement.

Finance lease agreements

Where the group 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 over the term of the lease, 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 group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group 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.

1. **Accounting policies** ***(continued)***

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.

Investments

Investments are valued at cost less provision for impairment.

Claims provision

The group provides for the estimated liability that it expects to be required to settle arising from claims that customers have suffered a loss resulting from past valuations of properties undertaken by the group. The estimated liability is discounted where the effect of the time value of money is material.

When evaluating the impact of potential professional indemnity liabilities arising from claims made against the group, the directors take legal and professional advice to assist them in arriving at a best estimate of the liability, taking into account the probability of success of any such claims.

The group also considers the likelihood of potential claims being received in the future in respect of work completed by the group before 31 March 2014 - i.e. incurred but not reported. Provision is made for such potential claims, where material, taking into account historical data regarding the likelihood of a claim being received and average cost per case. The level of claims post year end has continued to be in line with the provision and previous experience.

The estimate of these provisions, by their nature, is judgmental.

The group carries professional indemnity insurance and no separate recognition is made of the cost of claims covered by insurance. The claims provision represents the expected net cost to the group (i.e. costs of the claim, including legal costs, which are not covered by insurance) as the directors believe to recognise a separate liability and reimbursement asset would seriously prejudice the position of the group. This is a departure from the requirements of FRS12 and the Companies Act 2006 and is considered necessary to show a true and fair view.

Employee benefit trusts

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

1. Accounting policies *(continued)*

Taxation settlements

Where the group has entered into arrangements which are likely to give rise to a taxation liability, provisions are made for taxation and interest to the extent that it is probable that amounts will be payable and these amounts can be reliably estimated.

2. Turnover

Class of business	**2014**	*2013*
	£	*£*
Surveying	17,328,031	*14,337,973*
Financial services	976,927	*963,898*
Agency	1,032,814	*-*
	19,337,772	*15,301,871*

Turnover has arisen solely from activities within the United Kingdom.

3. Particulars of employees

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

	2014	*2013*
	No	*No*
Number of administrative staff	205	*174*

The aggregate payroll costs of the above were:

	2014	*2013*
	£	*£*
Wages and salaries	6,892,683	*5,024,601*
Social security costs	662,215	*494,977*
Other pension costs	3,283	*4,665*
Exceptional staff costs - administrative expenses	4,640,013	*–*
	12,198,194	*5,524,243*

4. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2014	2013
	£	£
Amortisation of intangible assets	853,112	*818,130*
Depreciation of owned fixed assets	187,641	*141,361*
Depreciation of assets held under hire purchase agreements	8,553	*6,276*
Loss on disposal of fixed assets	6,232	-
Operating lease costs:		
-Other	32,224	*24,187*
Auditor's remuneration audit of the parent and consolidated financial statements	22,500	*4,700*
Auditor's remuneration audit of the subsidiary financial statements	30,000	*10,000*
Claims provision charge (note 18)	219,373	*111,076*
Exceptional claims provisions charge (note 18)	3,787,000	–
Exceptional directors' remuneration (note 5)	4,640,013	–

Exceptional items relate to continuing activities. There are no exceptional items relating to acquisitions.

Exceptional directors' remuneration

In 2014 a provision has been made in relation to tax planning schemes, as set out in note 7.

In the prior year accounts the potential liability in respect of tax planning schemes was disclosed as a contingent liability as the directors were of the view, based on professional advice, that HMRC arguments would not prevail. At 31 March 2014 the amounts have been included in other taxation and social security as following the publication of the Finance Act 2014 the group may be required to make a payment on account of the tax saved by the scheme. The contingent liability disclosed in the previous year in respect of these schemes was £969,648. The directors have assessed the current legal position in respect of the warranties in place as disclosed in the prior year financial statements and have discounted them in considering the group liability in respect of the scheme.

Exceptional direct costs

Within other external charges is an amount of £3,787,000 in relation to provisions made on PI claims (note 18).

5. Directors' remuneration

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

	2014	2013
	£	£
Remuneration receivable	5,004,049	200,004

Remuneration of highest paid director:

	2014	2013
	£	£
Total remuneration (excluding pension contributions)	273,600	200,004

All of the above remuneration was paid by a subsidiary company.

Within directors' remuneration is an amount of £4,640,013 in respect of the PAYE and NIC on the amounts previously received by the directors and former directors (note 4).

6. Interest payable and similar charges

	2014	2013
	£	£
Interest payable on bank borrowing	36,626	27,121
Finance charges on hire purchase borrowings	1,556	1,019
Other similar charges payable	1,754,432	120,000
	1,792,614	148,140

Included within other similar charges payable in 2014 is an amount of £1,582,632 in relation to interest payable on potential payments due to HMRC.

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2014		2013	
	£	£	£	£
In respect of the year:				
UK Corporation tax based on the results for the year at 23% (2013 - 24%)		(778,514)		142,248
Share of associate tax		16,944		-
		(761,570)		142,248
Deferred tax:				
Origination and reversal of timing differences	(1,556,157)		145,382	
Total deferred tax (note 13)		(1,556,157)		145,382
Tax on (loss)/profit on ordinary activities		(2,317,727)		287,630

7. 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 23% (2013 - 24%).

	2014	2013
	£	£
(Loss)/profit on ordinary activities before taxation	(8,607,699)	*511,715*
(Loss)/profit on ordinary activities by rate of tax	(1,983,858)	*122,812*
Effects of:		
Expenses not deductible for tax purposes	425,196	*32,286*
Capital allowances for period in excess of depreciation	(40,170)	*(12,408)*
Utilisation of tax losses	(297,318)	*(179,255)*
Unrelieved tax losses	1,897,991	-
Amortisation disallowable	195,111	*196,250*
Non qualifying depreciation	13,417	*12,863*
Other timing differences	(971,939)	*(30,300)*
Total current tax (note 7(a))	(761,570)	*142,248*

Other timing differences include £970,431 which relates to tax scheme adjustments.

In 2014 a provision has been made in respect of potential payments due to HMRC following an enquiry into tax planning schemes in prior years 2003 – 2006.

The directors anticipate the liability under the tax arrangements (as set out in note 1) to be £5,617,225 (including all tax and interest payable). The company is in negotiations with HMRC to agree settlement terms, and, having sought professional advice, anticipate that the most likely outcome is a settlement spread over a period covered by the projections on which the directors have based their going concern assessment. These negotiations are still at an early stage, and payment terms have not yet been agreed. The directors are optimistic that a suitable payment plan with HMRC will be agreed, which will not be detrimental to the operating capability of the business.

(c) Factors that may affect future tax charges

The group has taxable losses carried forward of £9,163,347 (2013: £1,416,831) available to utilise against future trading profits. A deferred tax asset has been recognised for £8,099,200 of the losses at 20% based on expected utilisation of the tax losses as per detailed forecasts produced to March 2018 (note 13). The remaining losses are available to be utilised against future trading profit achieved in excess of forecasts to March 2018 and future trading profit achieved after March 2018.

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £668,500 (2013: £880,000).

9. Intangible fixed assets

Group	Franchise agreements £	Goodwill £	Total £
Cost			
At 1 April 2013	-	16,425,322	*16,425,322*
Additions	-	234,802	*234,802*
Arising on acquisition	482,253	-	*482,253*
At 31 March 2014	482,253	16,660,124	*17,142,377*
Amortisation			
At 1 April 2013	-	4,716,178	*4,716,178*
Charge for the year	27,614	825,498	*853,112*
At 31 March 2014	27,614	5,541,676	*5,569,290*
Net book value			
At 31 March 2014	454,639	11,118,448	*11,573,087*
At 31 March 2013	-	11,709,144	*11,709,144*

Additions relate to the increase of investment in Direct Lettings Limited and new investments made in Maurice Macneill Iona Limited and Central Scotland West Limited, see note 26.

10. Tangible fixed assets

Group

	Freehold Property £	Furniture, Fittings & Equipment £	Motor Vehicles £	Total £
Cost				
At 1 April 2013	2,633,333	1,853,384	110,514	4,597,231
Additions	–	308,796	–	308,796
Disposals	–	–	(19,969)	(19,969)
Arising on acquisition	–	11,655	–	11,655
At 31 March 2014	2,633,333	2,173,835	90,545	4,897,713
Depreciation				
At 1 April 2013	297,894	1,511,386	55,054	1,864,334
Charge for the year	48,398	128,444	19,352	196,194
On disposals	–	–	(13,737)	(13,737)
At 31 March 2014	346,292	1,639,830	60,669	2,046,791
Net book value				
At 31 March 2014	2,287,041	534,005	29,876	2,850,922
At 31 March 2013	*2,335,439*	*341,998*	*55,460*	*2,732,897*

Included in land and buildings is freehold land at a cost of £480,000 (2013: £480,000), 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 (2013: £1,300,000), accumulated depreciation of £114,800 (2013: £98,400) and a net book value of £1,185,200 (2013: £1,201,600).

Hire purchase agreements

Included within the net book value of £2,850,922 is £10,295 (2013: £18,848) relating to assets held under hire purchase agreements. The depreciation charged to the consolidated financial statements in the year in respect of such assets amounted to £8,553 (2013: £6,276).

11. Investments

Group	2014 £	*2013 £*
Share of net assets of associate	203,690	*2,500*

Company	Group companies £
Cost	
At 1 April 2013	*15,654,740*
Additions	498,970
At 31 March 2014	16,153,710
Net book value	
At 31 March 2014	16,153,710
At 31 March 2013	*15,654,740*

Subsidiary undertakings

The investment at 1 April 2013 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.

During the year the group acquired 50% of the ordinary share capital of Direct Lettings Limited, a company registered in England and Wales and 90% of the ordinary share capital of Maurice Macneill Iona Limited, a company registered in Scotland. The group also acquired 60% of the ordinary share capital of Central Scotland West Limited, a company registered in Scotland. Further details in respect of the acquisitions are included in note 26.

Direct Lettings Limited is considered to be a subsidiary by the nature of its 50% shareholding which entitles the holder to appoint, remove and maintain from time to time any such number of directors as is equal to one half of the directors in the company plus one.

Direct Valuations Limited is involved in providing surveying and related financial services. Moneyquest Mortgage Brokers Limited and If I Were You Limited are involved in brokering mortgages and selling related products. Direct Lettings Limited has a principal activity of providing full property management for landlords and property letting. Maurice Macneill Iona Limited has a principal activity of Estate Agency Franchising and the company trades under the name of Century 21 UK. Central Scotland West Limited has a principal activity of an estate and letting agency.

All subsidiaries are held directly by Shepherd Direct Limited with the exception of JV Limited which is owned by Direct Valuations Limited.

11. Investments *(continued)*

Associated undertakings

Direct Valuations Limited holds 25% of the ordinary share capital of Sesame Bankhall Valuation Services Limited, a company that is incorporated in England and Wales. The nature of the business of Sesame Bankhall Valuation Services Limited is the provision of surveying panel management services.

The group's share of the associate is detailed below:

	2014
	£
Turnover	3,347,740
Profit before tax	218,134
Taxation	(16,944)
Profit after tax	201,190
Fixed assets	–
Current assets	857,922
Liabilities due within one year	(654,232)
Liabilities due after one year	–

The cumulative results of the associated undertaking have been included in the consolidated financial statements for the first time in 2014. In prior years the results of the associated undertaking have been omitted on the grounds of immateriality to the group.

12. Debtors

	Group		*Company*	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Trade debtors	1,485,093	*1,747,984*	–	–
Amounts owed by group undertakings	–	–	2,828,046	*214,317*
Other debtors	15,976	*6,964*	–	–
Deferred taxation (Note 13)	1,629,192	*73,035*	–	–
Prepayments and accrued income	181,302	*978,019*	–	*362,290*
	3,311,563	*2,806,002*	2,828,046	*576,607*

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

	Group		*Company*	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Amounts owed by group undertakings	–	–	2,828,046	–
Deferred taxation	1,097,280	*73,035*	–	–
	1,097,280	*73,035*	2,828,046	–

13. Deferred taxation

The movement in the deferred taxation asset during the year was:

	Group		Company	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Asset brought forward	73,035	*218,417*	-	-
Increase/(decrease)	1,556,157	*(145,382)*	-	-
Asset carried forward	1,629,192	*73,035*	-	-

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

Group	**2014**		*2013*	
	Provided	**Unprovided**	*Provided*	*Unprovided*
	£	**£**	*£*	*£*
Excess of depreciation over taxation allowances	9,352	-	*9,472*	-
Tax losses available	1,619,840	-	*63,563*	-
	1,629,192	-	*73,035*	-

A deferred tax asset has been recognised in respect of the tax losses as the group expects to be profitable in future periods.

The deferred tax asset has been recognised on the basis that the losses of JV Limited and Direct Valuations Limited are utilised in the years ending 31 March 2015, 2016 and 2017. This is in accordance with the forecasts prepared by the directors. The tax losses have largely arisen due to the non-recurring exceptional items set out in note 4. Before taking into account the exceptional items the group has a history of being profitable. Recent growth demonstrates that profitability is increasing and the directors expect this to continue to be the case. The losses in respect of other group companies have not been recognised as a deferred tax asset.

14. Creditors: amounts falling due within one year

	Group		Company	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Bank loans and overdrafts	385,693	*975,533*	2,510,853	–
Trade creditors	998,067	*878,068*	-	–
Amounts owed to group undertakings	–	–	–	*540,000*
Hire purchase agreements	21,379	*15,689*	–	–
Other creditors including taxation and social security:				
Taxation and social security	6,501,911	*580,844*	–	–
Shares classed as financial liabilities	1,500,000	–	1,500,000	–
Other creditors	936,650	–	664,356	–
Accruals and deferred income	1,082,138	*1,755,361*	133,732	–
	11,425,838	*4,205,495*	4,808,941	*540,000*

14. Creditors: amounts falling due within one year *(continued)*

Within taxation and social security creditor in 2014 is £5,617,225 in respect of tax planning schemes as set out in detail in note 7.

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

	Group		Company	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Bank loans and overdrafts	785,585	*513,132*	–	–
Other loans	571,936	*1,484,048*	560,000	*1,484,048*
Hire purchase agreements	–	*20,304*	–	–
Other creditors	17,286	–	17,286	–
Shares classed as financial liabilities	1,500,000	*3,000,000*	1,500,000	*3,000,000*
	2,874,807	*5,017,484*	2,077,286	*4,484,048*

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

The bank loans are repayable by monthly instalments. Interest is charged at 2.4% above the Bank of England base rate.

Other loans include medium term loans of £560,000 (2013 £480,000), which at 31 March 2014 were due for repayment in September 2015 bearing interest at 10%. On 2 December 2014 holders of £485,000 of the medium terms loans agreed to defer repayment terms until September 2016.

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

Other creditors fall due for repayment in 2016. No interest is charged on other creditors.

Terms of repayment and rates of interest payable on shares classed as financial liabilities are disclosed in note 22.

16. Creditors - bank loan repayments

Creditors include finance capital which is due for repayment as follows:

	Group		Company	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Amounts repayable:				
In one year or less or on demand	127,123	*101,211*	–	–
In more than one year but not more than two years	122,364	*101,212*	–	–
In more than two years but not more than five years	398,862	*303,636*	–	–
In more than five years	264,359	*108,284*		
	912,708	*614,343*	–	–

17. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
Amounts payable within 1 year	21,379	*15,689*	-	-
Amounts payable between 1 and 2 years	-	*15,689*	-	-
Amounts payable between 3 and 5 years	-	*4,615*	-	-
	21,379	*35,993*	-	-

18. Other provisions

	Group		Company	
	2014	*2013*	**2014**	*2013*
	£	*£*	**£**	*£*
	3,424,993	*1,090,959*	-	-

	Claims provision £
Balance brought forward	1,090,959
Provided during the year	4,006,373
Paid during the year	(1,672,339)
Balance carried forward	3,424,993

The provision carried forward represents the estimated cost to the group of settling claims against previous property valuations undertaken by the group. Within amounts provided during the year is £3,787,000 which is considered to be an exceptional charge.

The estimate of these provisions is by their nature judgmental. Three key inputs, claim rate, claim rate liability and average loss are very sensitive to changes in trends. As historical claims relating to valuations carried out prior to 2008 have matured, and new claims have reduced significantly, the group feels it can now more accurately calculate the potential liability under all of these claims, and in line with peers, the group has made an additional exceptional provision for potential liabilities arising from this aged cohort of valuations. There have been very few claims received in relation to valuations performed post 2008.

While there are many factors which determine the settlement date of any claims, the expected cash flows are estimated based on the average length of time it takes to settle claims historically, which has been around 2 years.

19. Commitments under operating leases

At 31 March 2014 the group had annual commitments under non-cancellable operating leases as set out below.

Group	*Assets other than Land and buildings*	
	2014	*2013*
	£	*£*
Operating leases which expire:		
Within 1 year	34,142	-
Within 2 to 5 years	27,857	*42,530*
	61,999	*42,530*

20. Contingencies

The company is party to a composite company limited multilateral guarantee in respect of the bank overdraft facilities with Direct Valuations Limited and JV Limited. At 31 March 2014 the total liability was £1,631,405 (2013: £2,675,233).

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

21. Related party transactions

Included within creditors are amounts due to P R Gratton of £12,022 (2013: £132,022), C C Hickling of £137,286 (2013: £257,286). 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.

Included within creditors is an amount of £110,000 due to E Gratton, the wife of P R Gratton. The loan bears interest at 10%.

Included within other creditors is an amount of £499,740 due to J & E Nominees Limited, being the maximum outstanding during the year. £249,740 of the balance does not bear interest. £250,000 of the balance bears interest at 10%. J & E Nominees Limited is a shareholder in the company.

During the year preference dividends of £120,000 (2013: £120,000) were paid to C C Hickling and J Hickling.

As at 31 March 2014 the group owed £3,402 to D McManus a director of Central Scotland West Limited a group company. As at 31 March 2014 the company owed £30,000 to R Clifford a director of If I Were You Limited and Direct Lettings Limited group companies, the loan bears interest at 10%.

During the year the group invoiced management charges and other recharges of £nil (2013: £4,087) 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 £nil (2013: £nil) by X-Bond Limited in respect of these management charges.

During the year the group invoiced management charges and other recharges of £6,916,387 (2013: £2,444,735) to Sesame Bankhall Valuation Services Limited, an associated company of the group and in which P R Gratton and G P Brewster are directors. At the year end the group was owed £835,770 (2013: £812,052) by Sesame Bankhall Valuation Services Limited in respect of these management charges.

21. Related party transactions ***(continued)***

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 £64,700 (2013: £58,275) to J & E Shepherd partnership. At the year end the group was owed £17,100 (2013: £5,718) by J & E Shepherd partnership in respect of these management charges. In addition the group purchased services totalling £149,539 (2013: £568,678) from the J & E Shepherd partnership. At the year end £9,186 (2013: £22,000) was owed to the J & E Shepherd partnership.

During the year the group made management charges and other recharges of £nil (2013: £9,000) to Activ8 Intelligence Limited, of which there is one mutual director and four mutual shareholders. At the year end the group was owed £nil (2013: £nil) by Activ8 Intelligence Limited in respect of these management charges.

At 31 March 2014, Central Scotland West Limited, a 90% subsidiary owed £100,000 to Shepherd Direct Limited, the loan has been repaid in full post 31 March 2014.

At 31 March 2014, Direct Lettings Limited, a 50% subsidiary owed £266,000 (2013: £nil) to Shepherd Direct Limited, its ultimate parent company, the loan has been repaid in full post 31 March 2014.

At 31 March 2014 If I Were You Limited owed £Nil (2013: £86,000) to Shepherd Direct Limited.

At 31 March 2014 Maurice MacNeill Iona Limited, a 90% subsidiary owed £304,433 (2013: £83,636) to Shepherd Direct Limited.

22. Share capital

Allotted, called up and fully paid:

	2014		*2013*	
	No	**£**	*No*	*£*
A ordinary shares of £1 each	500,000	500,000	*500,000*	*500,000*
B ordinary shares of £1 each	500,000	500,000	*500,000*	*500,000*
Preference shares of £1 each	3,000,000	3,000,000	*3,000,000*	*3,000,000*
	4,000,000	4,000,000	*4,000,000*	*4,000,000*

	2014	*2013*
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*
	1,000,000	*1,000,000*

	2014	*2013*
Amounts presented in liabilities:		
3,000,000 Preference shares of £1 each	3,000,000	*3,000,000*

22. Share capital ***(continued)***

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 when the company has obtained at least £10,000,000 of additional equity funding or a payment plan has been agreed with HMRC in relation to the tax planning allowing the company to redeem the shares without undue pressure on the company's cash-flows (as evidenced by the cash-flow forecasts accepted by the board of directors of the company); 500,000 annually on 10 July 2015, 2016 and 2017.

At 31 March 2014 and 2013 there were 200,000 share options outstanding and available to exercise. The share options were granted with an exercise price of £6.40.

23. Reserves

Group	**Profit and loss account**
	£
Balance brought forward as previously reported	5,929,841
Loss for the year	(6,230,777)
Balance carried forward	(300,936)

Company	**Profit and loss account**
	(restated)
	£
Balance brought forward as previously reported	9,677,029
Prior year adjustment	750,000
Restated balance as at 1 April 2013	10,427,029
Profit for the year	668,500
Balance carried forward	11,095,529

Company	**Revaluation**
	£
Balance bought forward as previously reported	750,000
Prior year adjustment	(750,000)
Restated balance at 1 April 2013	-

24. Reconciliation of movements in shareholders' funds

	2014	*2013*
	£	*£*
(Loss)/profit for the financial year	(6,219,602)	*222,410*
Opening shareholders' funds	6,929,841	*6,707,431*
Closing shareholders' funds	710,239	*6,929,841*

25. Notes to the cash flow statement

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

	2014	*2013*
	£	*£*
Operating (loss)/profit	(7,033,230)	*659,855*
Amortisation	853,112	*818,130*
Depreciation	196,194	*147,637*
Loss on disposal of fixed assets	6,232	*–*
Decrease/(increase) in debtors	1,124,385	*(780,087)*
Increase in creditors	4,975,387	*163,449*
Increase/(decrease) in provisions	2,334,034	*(1,093,850)*
Net cash inflow/(outflow) from operating activities	2,456,114	*(84,866)*

25. Notes to the cash flow statement *(continued)*

Reconciliation of net cash flow to movement in net debt

	2014		*2013*	
	£	£	*£*	*£*
Increase/(decrease) in cash in the period	1,144,394		*(591,212)*	
Net cash (inflow)/outflow from bank loans	(298,365)		*74,092*	
Net cash outflow from other loans	912,112		*200,142*	
Cash outflow in respect of hire purchase	14,614		*(5,030)*	
Change in net debt resulting from cash flows		1,772,755		*(322,008)*
Movement in net debt in the period		1,772,755		*(322,008)*
Net debt at 1 April 2013		(6,008,706)		*(5,686,698)*
Net debt at 31 March 2014		(4,235,951)		*(6,008,706)*

Analysis of changes in net debt

	At 1 April 2013	Cash flows	Other changes	At 31 March 2014
	£	£	£	£
Net cash:				
Cash in hand and at bank	–	528,642	–	528,642
Overdrafts	(874,322)	615,752	–	(258,570)
	(874,322)	1,144,394	–	270,072
Debt:				
Debt due within 1 year	(101,211)	416,172	(1,942,084)	(1,627,123)
Debt due after 1 year	(4,997,180)	197,575	1,942,084	(2,857,521)
Hire purchase agreements	(35,993)	14,614	–	(21,379)
	(5,134,384)	628,361	–	(4,506,023)
Net debt	(6,008,706)	1,772,755	–	(4,235,951)

Other changes represent the movement of items due in more than one year to due in less than one year.

26. Acquisitions

On 2 April 2013 the company purchased 57% of the share capital of Maurice Macneill Iona Limited for a total consideration of £263,655 in cash including legal costs. Details of the net assets acquired are as set out below, together with the resultant amount of goodwill arising. The purchase has been accounted for as an acquisition.

	Book value	Fair value adjustments	Provisional fair value
	£	£	£
Tangible fixed assets	1,986	–	1,986
Intangible fixed assets	479,752	–	479,752
Debtors	44,558	–	44,558
Cash	50,598	–	50,598
Creditors: amounts falling due within one year	(92,300)	–	(92,300)
Creditors: amounts falling due in more than one year	(28,549)	–	(28,549)
	456,045	–	456,045
Cash consideration (including legal costs)			(263,655)
Minority interest of net assets at acquisition			(196,098)
Goodwill			(3,708)

On 21 March 2014 the company purchased a further 33% of the share capital of Maurice Macneill Iona Limited for a total consideration of £189,000 including legal costs. The company now holds 90% of the share capital at 31 March 2014. Details of the net assets acquired are as set out below, together with the resultant amount of goodwill arising. The purchase has been accounted for as an addition to goodwill.

	Book value	Fair value adjustments	Provisional fair value
	£	£	£
Increase in share of net assets (reduction of minority interest)	59,314	–	59,314
Cash consideration (including legal costs)			(100,000)
Deferred cash consideration			(89,000)
Goodwill			(129,686)

The fair values are determined on a provisional basis as the directors are still reviewing the accounting policies and procedures of Maurice Macneill Iona Limited.

Since acquisition the company has had a negative impact of £231,714 to group cash flows, including £234,788 to group operating cash flows.

The profit after taxation of Maurice Macneill Iona Limited was as follows:

	£
Previous financial year ended 31 May 2012	1,995
From 1 June 2012 to 2 April 2013	37,342

26. Acquisitions *(continued)*

On 16 December 2013 the group purchased 60% of the share capital of Central Scotland West Limited for a total consideration of £20,000 including legal costs. Details of the net assets acquired are as set out below, together with the resultant amount of goodwill arising. The purchase has been accounted for as an acquisition.

	Book value	Fair value adjustments	Provisional fair value
	£	£	£
Tangible fixed assets	7,067	–	7,067
Intangible fixed assets	2,501	–	2,501
Debtors	2,113	–	2,113
Overdraft	(6,582)	–	(6,582)
Creditors: amounts falling due within one year	(16,201)	–	(16,201)
Long term loan	(58,594)	–	(58,594)
	(69,696)	–	(69,696)
Cash consideration (including legal costs)			(20,000)
Minority interest of net liabilities at acquisition			27,878
Goodwill			(61,818)

The fair values are determined on a provisional basis as the directors are still reviewing the accounting policies and procedures of Central Scotland West Limited.

Since acquisition the company has had a negative impact of £88,527 to group cash flows, including £50,446 to group operating cash flows.

The loss after taxation of Central Scotland West Limited was as follows:

	£
Previous financial year ended 31 December 2012	(1,100)
From 1 January 2013 to 16 December 2013	(28,159)

On 2 April 2013 the group purchased a further 45% of the share capital of Direct Lettings Limited for a total consideration of £26,316 in cash after legal costs. The group now holds 50% of the share capital. Details of the net assets acquired are as set out below, together with the resultant amount of goodwill arising. The purchase has been accounted for as an acquisition.

	Book value	Fair value adjustments	Provisional fair value
	£	£	£
Tangible fixed assets	2,602	–	2,602
Debtors	27,119	–	27,119
Cash	201,362	–	201,362
Creditors: amounts falling due within one year	(257,632)	–	(257,632)
	(26,549)	–	(26,549)
Cash consideration (including legal costs)			(26,315)
Minority interest of net liabilities at acquisition			13,274
Goodwill			(39,590)

26. Acquisitions ***(continued)***

The fair values are determined on a provisional basis as the directors are still reviewing the accounting policies and procedures of Direct Lettings Limited.

Since acquisition the company has had a negative impact of £153,279 to group cash flows, including £153,279 to group operating cash flows.

The loss after taxation of Direct Lettings Limited was as follows:

	£
Previous financial year ended 31 March 2013	(64,166)
From 1 April 2013 to 2 April 2013	-

27. Post balance sheet events

On 31 May 2014 the Direct Lettings Limited disposed of part of its trade for a consideration of £430,000 to Direct Lettings (Scotland) Limited. The sale was at market value.

On 29 July 2014 the company disposed of its 60% shareholding in Central Scotland West Limited for the consideration of £15,000. Maurice MacNeill Iona Limited, a subsidiary of Shepherd Direct Limited, acquired these shares.

On 13 June 2014 the holders of 1,500,000 preference shares agreed to changes in the redemption terms from 10 July 2014 to when the company has obtained at least £10,000,000 of additional equity funding or a payment plan has been agreed with HMRC in relation to the tax planning allowing the company to redeem the shares without undue pressure on the company's cash-flows (as evidenced by the cash-flow forecasts accepted by the board of directors of the company).

28. Controlling party

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