

**SDL Property Services Group Limited  
(Formerly Shepherd Direct Limited)**

**Report and financial statements  
for the year ended**

**31 March 2018**

FRIDAY



\*A7BL2EGA\*

A07

03/08/2018

#118

COMPANIES HOUSE

**SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)**

<b>CONTENTS</b>	<b>PAGES</b>
Directors and advisers	1
Strategic report	2
Directors' report	5
Statement of Directors' responsibilities	7
Independent auditor's report to the members of SDL Property Services Group Limited	8
Consolidated statement of profit or loss and other comprehensive income	11
Consolidated balance sheet	12
Consolidated statement of changes in equity	13
Consolidated statement of cash flows	16
Company balance sheet	17
Company statement of cash flows	18
Company statement of changes in equity	19
Notes to the financial statements	21

## **GROUP STRATEGIC REPORT**

The directors present the Group Strategic Report for SDL Property Services Group Limited and its subsidiary companies for the year ended 31 March 2018.

### **Introduction**

SDL Group is a diversified, fast growing and long established provider of services to the residential property sector in the UK. The Group's strategy is to continue to grow and develop its existing Surveying, Mortgage Broking, Property Management and Auction businesses through a mixture of organic growth and acquisition.

The Group is known for its strong focus on excellent customer service, and deploying innovation to drive customer engagement and business efficiency and manage risk.

The growth and expansion seen in previous years, and the additional acquisition in our Mortgage Broking business has resulted in significant revenue growth in 2017/18, with a 122% increase in revenues this year. SDL Group has continued to invest those revenues into further expansion, with significant organic investment into its Property Management and Auction businesses in the year, enabling expansion and future growth. Operating profit before exceptional items has increased from £2.8m to £4.9m (75%). Post year end, the Group has raised additional debt to further increase its investment in Stonebridge to 100%.

### **Business Review**

The UK Housing market has remained steady in 2017, with transaction volumes at 1.2 million being flat against 2014, 2015 and 2016 levels, albeit with the geography of property transactions continuing to redistribute around the country away from London and the South East. UK Finance forecasts these transactions to remain relatively flat over the next 12 to 24 months, which matches the SDL Board's expectation that the market will remain subdued through the period of the UK's exit from the EU. Re-mortgage lending climbed by around 10% in 2017, albeit remains significantly behind levels seen historically. Increasing levels of re-mortgage are forecast by UK Finance, which in turn with the strong intermediary share of the mortgage market, stands our Mortgage Broking business in good stead for 2018/19.

While the purchase market remains flat, there continues to be a growing demographic that is looking to rent in the long term - the proportion of households now in the private rented sector climbed above 20% for the first time in the year. We expect this trend to continue, and our Property Management businesses are well placed to support this need.

### **Surveying**

The Surveying business has benefited from the investment into new technology and the focus on customer relationships, receiving new instructions in the year and growing its market share. The business managed 223k surveys this year (12% increase on prior year), of which 71k were performed by our in-house surveyors.

### **Mortgage Broking**

Stonebridge, one of the UK's leading mortgage networks, continues to perform strongly, with the network again growing significantly in 17/18. Revenues in this business were up 16% year on year, reflecting the increase in the average advisor numbers from 471 to 538, increased advisor productivity, and the additional work available as the intermediary share of the mortgage market continues to grow. Stonebridge will continue to enhance its proposition to further attract high quality firms into its network.

## **DIRECTORS AND ADVISERS**

### **Directors**

JW Bloomer (Chairman)  
GP Brewster  
R Clifford  
I Downing  
I Fergusson  
PR Gratton  
CC Hickling  
NV Tamplin

### **Secretary**

S Tuck

### **Registered office**

3&4 Regan Way  
Chetwynd Business Park  
Chilwell  
Nottingham  
NG9 6RZ

### **Auditor**

KPMG LLP  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

## GROUP STRATEGIC REPORT (CONTINUED)

### KPIs

	17/18	16/17
Total Group Revenues	84,520	38,051
Staff Numbers	607	482
Total Surveying Volumes	223k	199k
Gross Mortgage Lending	£5.7bn	£4.1bn
Properties Under Management	36,070	30,418
Auction Lots Offered	1,939	1,589

### Conclusion

In a fairly flat property market, the group has continued to make good progress in its strategy to diversify and grow its revenue streams over the last year. The Group will continue to invest in its core infrastructure and focus on developing innovative solutions to provide best-in-class service to an evolving property sector.



**Paul Gratton**  
23rd July 2018

## **GROUP STRATEGIC REPORT (CONTINUED)**

### **Property Management**

Our Property Management businesses grew from 30,418 properties under management to 36,070 in 17/18. We continue to focus on the growing Private Rented Sector, and believe this will be a core part of the house growth in the UK over the next 5 years. We continue to invest in improving the infrastructure in our Property Management business to create the best platform for growth alongside excellent customer service.

### **Auctions**

SDL Auctions increased its market share in the geographies in which it operates in 17/18, with additional investment into the growing online residential property auction channel. Property auction continues to be a resilient business model that provides a high-quality and more certain route to sale for sellers. SDL has expanded its offering in the North West of the country as it seeks to expand this business' reach into new geographies. SDL offered 1,939 lots in 17/18, an increase of 22% on 16/17 with a consistently strong sale rate around 80%.

### **Balance Sheet**

The overall balance sheet of the Group strengthened again in the year by a further £11.3m, primarily through the acquisitions made in the year, and the improvement in retained earnings. As part of our integration strategy, SDL has begun migrating its businesses onto a common SDL brand and has sold non-strategic assets in its portfolio. As a result, we have chosen to write down some items of goodwill and historic brand names associated with non-core assets.

### **Exceptional Costs**

Through the acquisitions and Group re-organisations, we have exceptional income in the year of £3.1m. This principally reflects the accounting treatment on taking control over our investment in Stonebridge, offset by our decision to write off any goodwill relating to historic brands as we look to harmonise our businesses under the SDL brand. Exceptional Finance Costs primarily relates to improvements in the forecast on which the guaranteed dividend on the A Ordinary Shares is dependent. Other exceptional costs relate to Group restructuring costs, provisions for legal claims and deal costs in relation to the acquisitions and fund raises.

### **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 stable, but remains cyclical and subject to changes in consumer confidence. The group has a focus on retaining key customer relationships through high levels of customer service, which has enabled the Group to compete successfully in a difficult market.

The Group's revenues have historically related to its surveying business, but the organic and acquisitive growth in the Auctions and Property Management businesses, as well as the Mortgage Network has continued to drive more diversified income streams in the year.

The Group has variable rate debt that exposes it to some interest rate risk on its debt.

The UK's decision to leave the European Union resulted in increased uncertainty for consumers and this has contributed to continued subdued levels of property transactions. The group expects market volumes to continue at these subdued levels until such time as more clarity around the impact of Brexit emerges.

## **DIRECTORS' REPORT (CONTINUED)**

### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

### **Disclosure of information to the auditor**

In the case of each person who was a director at the time this report was approved:

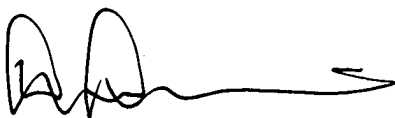
- so far as that director was aware there was no relevant audit information of which the Company and the Group's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company and the Group's auditor was aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Auditor**

A resolution to re-appoint the auditor, KPMG LLP, will be proposed at the next Annual General Meeting.

**Approved by the board of directors  
and signed on behalf of the board**



**Paul Gratton**  
23rd July 2018

Registered number 06055271  
England and Wales

## **DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 March 2018.

### **General information**

SDL Property Services Group Limited is a private company incorporated and domiciled in the United Kingdom. The company's registered number is 06055271.

### **Change of Name**

On 3 July 2017 the Company changed its name from Shepherd Direct Limited to SDL Property Services Group Limited.

### **Results for the year and dividends**

The profit for the year after taxation was £5,645k (2017: £2,076k). The directors have not recommended a dividend (2017: £Nil).

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

JW Bloomer (Chairman)  
GP Brewster  
R Clifford  
I Downing  
I Fergusson  
PR Gratton  
CC Hickling  
NV Tamplin

### **Future developments**

The Group's strategy is to continue to grow and develop its existing Surveying, Mortgage Broking, Property Management and Auction businesses through a mixture of organic growth and acquisition.

### **Financial risk management**

Details of the Group's financial instruments and its policies with regard to financial risk management are given in notes 28 and 29 to the financial statements.

### **Subsequent events**

On 25 April 2018, SDL Property Services Group Limited purchased a further 20% holding in Stonebridge Mortgage Solutions, taking the Group's holding to 100%. These acquisitions were funded through a combination of existing cash balances, and through additional debt and equity.



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDL PROPERTY SERVICES GROUP LIMITED**

### **Opinion**

We have audited the financial statements of SDL Property Services Group Limited ("the company") for the year ended 31 March 2018 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, company balance sheet, company statement of cash flows, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDL PROPERTY SERVICES GROUP LIMITED (CONTINUED)**

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**NDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDL PROPERTY SERVICES GROUP LIMITED (CONTINUED)**

**The purpose of our audit work and to whom we owe our responsibilities**

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.



25 July 2018

**Craig Parkin (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 March 2018

	Notes	2018 Result before exceptional items £'000	2018 Exceptional items (note 9) £'000	Total £'000	2017 Result before exceptional items £'000	2017 Exceptional items (note 9) £'000	Total £'000
Revenue	3	84,520	-	84,520	38,051	-	38,051
Other operating income		217	-	217	246	-	246
Other external charges		(51,757)	(1,333)	(53,090)	(17,262)	(1,524)	(18,786)
Staff costs	6	(24,918)	-	(24,918)	(17,007)	-	(17,007)
Depreciation and amortisation	12,13	(2,967)	(2,162)	(5,129)	(1,185)	-	(1,185)
Other operating charges		(239)	-	(239)	(46)	-	(46)
Operating Profit	4	4,856	(3,495)	1,361	2,797	(1,524)	1,273
Gain on acquisition of associate		-	9,834	9,834	-	-	-
Share of associates' profit/(loss)	14	164	(490)	(326)	2,067	-	2,067
Finance income	8	25	-	25	42	-	42
Finance costs	8	(2,009)	(2,756)	(4,765)	(1,932)	-	(1,932)
Profit before taxation		3,036	3,093	6,129	2,974	(1,524)	1,450
Taxation	10			(484)			626
Profit for the year				5,645			2,076
Attributable to:							
Owners of the parent				4,371			1,868
Non-controlling interest				1,274			208
				5,645			2,076

There were no recognised gains and losses for 2018 or 2017 other than those included in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1, Revenue Recognition. The impact of acquisitions; is disclosed in note 23.

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

CONSOLIDATED BALANCE SHEET as at 31 March

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Goodwill	11	37,570	27,309
Intangible assets	12	21,471	7,369
Property, plant and equipment	13	917	1,233
Investments in associates	14	460	3,574
<b>Total non-current assets</b>		<b>60,418</b>	<b>39,485</b>
<b>Current assets</b>			
Trade and other receivables	15	10,598	5,089
Cash and cash equivalents	16	6,250	3,567
<b>Total current assets</b>		<b>16,848</b>	<b>8,656</b>
<b>Current liabilities</b>			
Borrowings	17	(344)	-
Shares classed as liabilities	17	-	(500)
Trade and other payables	18	(13,662)	(8,118)
<b>Total current liabilities</b>		<b>(14,006)</b>	<b>(8,618)</b>
<b>Net current assets</b>		<b>2,842</b>	<b>38</b>
<b>Non-current liabilities</b>			
Borrowings	17	(33,637)	(26,675)
Shares classed as liabilities	17	(4,913)	(2,156)
Deferred tax liabilities	19	(2,894)	(116)
Other liabilities	18	(1,796)	(1,857)
<b>Total non-current liabilities</b>		<b>(43,240)</b>	<b>(30,804)</b>
<b>Net assets</b>		<b>20,020</b>	<b>8,719</b>
<b>Equity</b>			
Share capital	20	1,661	1,560
Share premium	22	7,979	5,135
Share based payment reserve	22	114	77
Capital redemption reserve	22	3,006	2,500
Merger reserve	22	976	976
Retained earnings	22	1,161	(1,415)
Non-controlling interest		5,123	(114)
<b>Total equity</b>		<b>20,020</b>	<b>8,719</b>

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 1, Revenue Recognition

The financial statements were approved by the Board of Directors on 23rd July 2018 and were signed on its behalf by:



**Paul Gratton**  
Registered number 06055271

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained earnings		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	1,508	3,788	37	2,000	976	(2,775)	1,441	6,975
<b>Profit for the year</b>	-	-	-	-	-	1,868	208	2,076
	1,508	3,788	37	2,000	976	(907)	1,649	9,051
Transactions with owners:								
Issue of ordinary shares	52	1,347	-	-	-	-	-	1,399
Acquisition of minority interest	-	-	-	-	-	264	(1,516)	(1,252)
Share option charge	-	-	40	-	-	-	-	40
Redemption of preference shares	-	-	-	500	-	(500)	-	-
Distributions to minority shareholders	-	-	-	-	-	(39)	(247)	(286)
Equity movement in associate	-	-	-	-	-	(233)	-	(233)
<b>Balance at 31 March 2017</b>	1,560	5,135	77	2,500	976	(1,415)	(114)	8,719

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 1, Revenue Recognition.

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2018

	Attributable to owners of the parent								
	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained earnings	Total	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	1,560	5,135	77	2,500	976	(1,415)	8,833	(114)	8,719
Impact of change in accounting policy	-	-	-	-	-	(700)	(700)	-	(700)
Balance at 1 April 2017 (as restated)	1,560	5,135	77	2,500	976	(2,115)	8,133	(114)	8,019
Profit for the year	-	-	-	-	-	4,371	4,371	1,274	5,645
	1,560	5,135	77	2,500	976	2,256	12,504	1,160	13,664
Transactions with owners:									
Issue of ordinary shares	107	2,844	-	-	-	-	2,951	-	2,951
Acquisition of minority interest	-	-	-	-	-	(114)	(114)	114	-
Share option charge	-	-	37	-	-	(37)	-	-	-
Redemption of preference shares	-	-	-	500	-	(500)	-	-	-
Subtotal	1,667	7,979	114	3,000	976	1,605	15,341	1,274	16,615



SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2018 (Continued)

	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained earnings		
Subtotal	1,667	7,979	114	3,000	976	1,605	1,274	16,615
Minority interest on acquisitions	-	-	-	-	-	-	5,152	5,152
Distributions to minority shareholders	-	-	-	-	-	(281)	(1,303)	(1,584)
Repurchase of own shares	(6)	-	-	6	-	(163)	-	(163)
<b>Balance at 31 March 2018</b>	<b>1,661</b>	<b>7,979</b>	<b>114</b>	<b>3,006</b>	<b>976</b>	<b>1,161</b>	<b>5,123</b>	<b>20,020</b>

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 1, Revenue Recognition.

**CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 March 2018**

	Notes	2018 £'000	2017 £'000
<b>Operating activities</b>			
Operating profit		1,361	1,273
Depreciation and amortisation charge		2,967	1,185
Intangible impairments		2,162	-
Loss on disposals		173	-
Increase in receivables		(3,487)	(556)
Increase/(decrease) in payables		170	(1,846)
Increase in provisions		1,166	572
Share based payments		-	40
Taxation		(1,272)	(258)
<b>Cash generated from operating activities</b>		<b>3,240</b>	<b>410</b>
<b>Investing activities</b>			
Dividends received from associates		-	1,368
Purchases of plant and equipment	13	(848)	(691)
Additions to intangible assets	12	(1,360)	(789)
Sale of intangible fixed assets		-	4
Acquisition of subsidiary(ies), net of cash acquired	23	(5,396)	(3,555)
Acquisition of trade	23	(739)	-
Interest received		24	41
<b>Net cash used in investing activities</b>		<b>(8,319)</b>	<b>(3,622)</b>
<b>Financing activities</b>			
Hire purchase agreements		(52)	(63)
Interest paid		(1,754)	(1,465)
Borrowings		9,046	3,889
Proceeds from issue of shares		2,751	-
Repurchase of own shares		(163)	-
Repayment of preference shares		(500)	(500)
Distributions to minority shareholders		(1,566)	(60)
<b>Net cash generated from financing activities</b>		<b>7,762</b>	<b>1,801</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,683</b>	<b>(1,411)</b>
Cash and cash equivalents at the beginning of the year		3,567	4,978
<b>Cash and cash equivalents at the end of the year</b>	16	<b>6,250</b>	<b>3,567</b>

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 1, Revenue Recognition.

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

COMPANY BALANCE SHEET as at 31 March 2018

	Notes	2018 £'000	2017 £'000
<b>Non-current assets</b>			
Investments	14	45,388	37,890
<b>Total non-current assets</b>		<b>45,388</b>	<b>37,890</b>
<b>Current assets</b>			
Trade and other receivables	15	11,097	8,522
Cash and cash equivalents	16	2,343	1,240
<b>Total current assets</b>		<b>13,440</b>	<b>9,762</b>
<b>Current liabilities</b>			
Borrowings	17	(344)	-
Shares classed as liabilities	17	-	(500)
Trade and other payables	18	(1,961)	(528)
<b>Total current liabilities</b>		<b>(2,305)</b>	<b>(1,028)</b>
<b>Net current assets</b>		<b>11,135</b>	<b>8,734</b>
<b>Non-current liabilities</b>			
Borrowings	17	(33,637)	(26,673)
Shares classed as liabilities	17	(4,913)	(2,156)
Other liabilities	18	(1,016)	(90)
<b>Total non-current liabilities</b>		<b>(39,566)</b>	<b>(28,919)</b>
<b>Net assets</b>		<b>16,957</b>	<b>17,705</b>
<b>Equity</b>			
Share capital	20	1,661	1,560
Share premium	22	7,979	5,135
Share based payment reserve	22	114	77
Capital redemption reserve	22	3,006	2,500
Revaluation reserve	22	993	993
Merger reserve	22	976	976
Retained earnings		2,228	6,464
		<b>16,957</b>	<b>17,705</b>

The financial statements were approved by the Board of Directors on 23rd July 2018 and were signed on its behalf by:



**Paul Gratton**  
Registered number 06055271

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. This has had no impact on the Company financial statements.

**COMPANY STATEMENT OF CASH FLOWS for the year ended 31 March 2018**

	Notes	2018 £'000	2017 £'000
<b>Net cash used in operating activities</b>			
Operating loss		(3,793)	(1,136)
Increase in receivables		(2,575)	(359)
Increase in payables		1,433	16
Share based payments		37	37
Cash generated from/(used) in operating activities		<u>(4,898)</u>	<u>(1,442)</u>
<b>Investing activities</b>			
Investment in subsidiary	14	(7,986)	(1,146)
Dividends received		4,944	1,176
<b>Net cash (used)/generated in investing activities</b>		<u>(3,042)</u>	<u>30</u>
<b>Financing activities</b>			
Interest paid		(2,060)	(1,440)
Interest received		584	469
Borrowings		8,236	3,888
Proceeds from issue of shares		2,945	-
Repurchase of own shares		(162)	-
Repayment of preference shares		(500)	(500)
<b>Net cash generated from financing activities</b>		<u>9,043</u>	<u>2,417</u>
<b>Net increase in cash and cash equivalents</b>		1,103	1,005
Cash and cash equivalents at the beginning of the year		1,240	235
<b>Cash and cash equivalents at the end of the year</b>	16	<u>2,343</u>	<u>1,240</u>

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. This has had no impact on the Company financial statements.

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

	Share capital	Share premium	Share based payment reserve £'000	Capital redemption reserve	Revaluation reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2016</b>	1,508	3,788	37	2,000	993	976	8,359	17,661
Loss for the year	-	-	-	-	-	-	(1,395)	(1,395)
	<u>1,508</u>	<u>3,788</u>	<u>37</u>	<u>2,000</u>	<u>993</u>	<u>976</u>	<u>6,964</u>	<u>16,266</u>
Transactions with owners:								
Issue of ordinary shares	52	1,347	-	-	-	-	-	1,399
Share option charge	-	-	40	-	-	-	-	40
Redemption of preference shares	-	-	-	500	-	-	(500)	-
<b>Balance at 31 March 2017</b>	<u>1,560</u>	<u>5,135</u>	<u>77</u>	<u>2,500</u>	<u>993</u>	<u>976</u>	<u>6,464</u>	<u>17,705</u>

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. This has had no impact on the Company financial statements.

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2018

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Revaluation reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>	1,560	5,135	77	2,500	993	976	6,464	17,705
Loss for the year							(3,536)	(3,536)
	1,560	5,135	77	2,500	993	976	2,928	14,169
Transactions with owners:								
Issue of ordinary shares	107	2,844						2,951
Purchase of own shares	(6)			6			(163)	(163)
Share option charge			37				(37)	-
Redemption of preference shares				500			(500)	-
<b>Balance at 31 March 2018</b>	<b>1,661</b>	<b>7,979</b>	<b>114</b>	<b>3,006</b>	<b>993</b>	<b>976</b>	<b>2,228</b>	<b>16,957</b>

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. This has had no impact on the Company financial statements.

**Notes (forming part of the financial statements)**

**1 Accounting policies**

SDL Property Services Group Limited (the “Company”) is a company incorporated, domiciled and registered in the UK. The registered number is 06055271 and the registered address is 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

**Basis of preparation**

The financial statements have been prepared in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost accounting rules.

These consolidated financial statements are presented in GBP, which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of profit and loss and other comprehensive income and related notes.

**Going concern**

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future, based on the continued support of its fellow group undertakings, shareholders and the company’s bankers. The directors have prepared projections for the period to 31 March 2021. These projections have been prepared using assumptions which the directors consider to be appropriate to the current financial position of the company as regards to current expected revenues and its cost base.

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 adequate funding was not made available.

**Changes in accounting policies and disclosures**

At the date of authorisation of these financial statements, the following new and amended Standards and Interpretations are in issue but not yet mandatorily effective and are expected to have a material effect on the financial statements of the Group and the Company when they are adopted:

**IFRS 16 Leases**

The Directors are currently assessing the impact of IFRS 16 on the Group.

The effect of all other new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

Notes (continued)

**1 Accounting policies (continued)**

Management will continue to assess the impact of new and amended Standards and Interpretations on an ongoing basis.

**Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 March each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or convertible.

The results of subsidiaries acquired or disposed of during the year are included in the statement of profit and loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

*Change in subsidiary ownership and loss of control*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

*Application of the equity method to associates*

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. At the point a business ceases to be an associate it is derecognised from the balance sheet at fair value with any difference recognised in profit and loss.



Notes (continued)

**1 Accounting policies (continued)**

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. In the event of the acquisition of a business previously recognised as an associate the interest in the associate is derecognised as disclosed above with the fair value included in the consideration transferred. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

**Revenue recognition**

The Group has applied IFRS 15, Revenue from Contracts with Customers, using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18. The details of accounting policies under IAS 18 are disclosed separately if they are different from those under IFRS 15 and the impact of the changes is disclosed in note 32.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The following policies have changed as a result of the adoption of IFRS 15:

- revenue recognised by the Group when a valuation report is supplied to the customer, exclusive of value added tax;
- franchise fees, exclusive of value added tax, are recognised as revenue over the period of their respective franchise agreements, in line with the timing of services provided. Fifty percent of initial franchise fees are recognised as revenue at the point the franchise is provided to a new

Notes (continued)

**1 Accounting policies (continued)**

- franchisee, and the remaining fifty percent is deferred over the life of the franchise agreement;
- property management fees are recognised over the month to which they relate on a daily basis, exclusive of value added tax;
- annual professional fees are recognised over the year of the service that they relate to, on a monthly basis.

In the comparative period revenue was recognised as follows:

- revenue recognised by the Group when a valuation has been organised for retail customers and when the valuation was completed and the report provided to the customer for business customers, exclusive of value added tax;
- revenue recognised by the Group when a franchise is sold to a franchisee and when continuation fees and royalties become due, exclusive of value added tax;
- property management fees in respect of services provided to our customers become due when the rent has been collected from the tenant, net of VAT.
- annual professional fees are recognised at the inception of the service that they relate to, net of VAT.

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

- auction revenue is recognised at point of sale of the auction lot;
- lettings management commissions are recognised on a daily basis upon the receipt of the rent payment from tenant;
- commercial and professional fees are recognised at stages of completion. Revenue not invoiced at the balance sheet date is recognised as work in progress;
- residential service charge and estates management fees are recognised on a straight line basis over the period they relate to;
- commercial management fees are recognised on a straight line basis over the period they relate to;
- commission on property sales is recognised when the sale of the property completes;
- commission on the arrangement of financial services products is recognised when the mortgage completes or the insurance product starts, net of a provision for clawback
- software licences are recognised over the month that they relate to
- the value of other goods and services supplied to customers in the year.

**Share based payments**

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the statement of profit and loss and other comprehensive income.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant.

At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the statement of profit and loss and other comprehensive income, with a corresponding adjustment to equity. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes (continued)

**1 Accounting policies (continued)**

When share options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

**Taxation**

The tax expense represents the sum of the tax currently payable and any deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis. 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 probably that amounts will be payable and these amounts can be reliably estimated.

**Exceptional items**

Certain items are presented separately in the statement of profit and loss and other comprehensive income as exceptional where, in the judgement of the directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Further details of material, non-recurring items the directors have disclosed as exceptional items, are provided in note 9.

Notes (continued)

**1 Accounting policies (continued)**

**Intangible assets**

*Goodwill*

Goodwill has been recognised on acquisitions of subsidiaries. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net identifiable assets of the acquiree at the date of acquisition and the value of the non-controlling interest in the acquiree. Acquisition costs are written off to the statement of profit and loss and other comprehensive income.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate potential impairment.

The allocation is made to those cash generating units or groups of units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

*Other intangible assets*

Intangible assets other than goodwill that are acquired by the Group, principally acquired brands, customer contracts and relationships, computer software, pipeline and other intangibles are stated at cost less accumulated amortisation, where charged, and impairment losses.

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

Franchise agreements	25 years
Software	4/12 years
Customer relationships	12 years
Trade name	12 years

**Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets to their residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold Property	- 2% straight line
Fixtures, fittings & equipment	- 25% straight line
Motor Vehicles	- 25% straight line

Freehold land is not depreciated

At the beginning of the year a review of depreciation policies was undertaken to align these across the Group. In the prior year the depreciation policies were as follows:

Fixtures, fittings & equipment	- 10% - 33% straight line and 10% - 33% reducing balance
Motor Vehicles	- 25% straight line and 25% reducing balance

In line with IAS 8 this is considered to be a change in accounting estimate and therefore has been accounted for prospectively from the point of change.

Notes (continued)

**1 Accounting policies (continued)**

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provision for impairment.

**Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

*Financial assets*

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the statement of profit and loss and other comprehensive income.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

*Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

*Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial asset or liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes (continued)

**1 Accounting policies (continued)**

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The asset is capitalised in the balance sheet as a non-current 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 payables. Rentals payable are apportioned between the finance element, which is charged to the statement of profit and loss and other comprehensive income on a straight line basis over the term of the lease, and the capital element which reduces the outstanding obligation for future instalments.

Assets held under hire purchase agreements are capitalised and disclosed under Property, Plant and Equipment at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the statement of profit and loss and other comprehensive income on a straight line basis over the term of the agreement.

All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

**Pension costs**

Contributions to defined contribution schemes are charged to the statement of profit and loss and other comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**2 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period.

**Critical accounting judgements**

*Other creditors*

Other creditors include the estimated cost to the Group of settling Professional Indemnity claims against previous property valuations undertaken by the Group. The estimate of the provisions is by their nature judgmental. Three key inputs: claim rate, claim rate liability and average loss are very sensitive to changes in trends.

*Intangible assets*

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Where appropriate professional valuations are sought.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are

Notes (continued)

**2 Critical accounting judgements and key sources of estimation uncertainty (continued)**

not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

*Discount rate*

The shares classed as liabilities represents the estimated future dividend obligations discounted to current value, using a rate of 18% which is estimated to be the market rate of interest for a similar, pure, debt instrument. The estimated cash flows which represent those contractual dividend obligations involve subjective judgements of the anticipated future profits. In subsequent periods, the debt will be carried at amortised cost. Due to its perpetual nature, and in order to update the debt for changes in expectations of the future cash flows, the amortised cost will be maintained at the present value of the expected future cash flows discounted by the original effective rate of 18%.

The same market rate of interest has been used in valuing warrants issued in respect of share options during the year.

**Key sources of estimation uncertainty**

*Business valuation*

The fair value of the warrants issued in the year included within shares classed as liabilities is dependent upon the expected value of the business at the point of exercise. This valuation has been completed using a methodology which is consistent with those used historically for issues of equity. As with any forecast there is a risk that estimated future values could be incorrect leading to an adjustment to the accounts.

*Bad debt provisions*

The trade receivables balances recorded in the Group's balance sheet comprise a relatively small number of large balances. A full line by line review of trade receivables is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Notes (continued)

**3 Analysis of turnover**

IFRS 15, Revenue from Contracts with Customers, has been implemented using the cumulative effect method and therefore the comparative information has not been restated and continues to be prepared under IAS 18. The details of accounting policies under IAS 18 are disclosed separately if they are different from those under IFRS 15 and the impact of changes is disclosed in note 32.

The following is a description of the principal activities from which the Company generates its revenue in line with IFRS 15. For further detail on the accounting policy for the current year please see note 1, Revenue Recognition.

- Fees for the undertaking and organisation of surveys are recognised when the survey is complete and the survey report has been provided to the customer. Cash is received in advance from retail customers, and on 30 day terms from commercial customers.
- Initial Franchise fees are recognised in line with the services provided. Fifty percent of initial franchisee fees are recognised as revenue at the point a franchise is provided to a new franchisee, and the remaining fifty percent is deferred over the life of the franchise agreement in line with the services provided. Cash is receivable on branch opening, with an element being deferred over the life of the franchise agreement. Franchise royalty and continuation fees are recognised as revenue monthly as they become due in line with the franchise agreement.
- Property management fees and lettings management commissions are spread evenly over the month to which they relate, with any unrecognised amounts at the end of the year included in deferred income. Cash is received in advance at the start of each month.
- Annual professional fees are spread evenly over the year which the service relates to. Cash is received in advance on arrangement of the service.
- Auction commissions on the sale of property are recognised at the point the property is sold, usually the day of the auction. Cash is received in the following two weeks.
- Residential service charge fees and commercial management fees are recognised evenly over the period to which they relate, usually either a month or a quarter. Cash is received at the start of the relevant period.
- Commission on property sales is recognised at the point the sale completes. Cash is received in the month following completion.
- Commission on financial services products is recognised at the point the mortgage completes, or the inception of the organised policy, less a provision for potential clawback. Cash is received in the week following completion or inception.
- Software licences are recognised evenly over the month which the licence relates to. They are invoiced at the start of the relevant month, with cash received the following week.
- Commercial and professional fees are recognised in line with progress of the relevant service, primarily at the point of completion. Cash is received within 30 days of completion of the service.

An analysis of turnover by class of business is as follows:

	2018 £'000	2017 £'000
Surveying	24,921	22,578
Property Management	12,983	11,899
Auctions	5,695	3,574
Mortgage Services	40,921	-
	<u>84,520</u>	<u>38,051</u>

All turnover arose within the United Kingdom.



Notes (continued)

**3 Analysis of turnover (continued)**

Significant changes in the deferred income balance are as follows:

	Deferred income £'000
Brought forward, as restated	832
Revenue recognised that was included in deferred income at the beginning of the year	(713)
Increases due to cash received, excluding amounts recognised as revenue during the period	736
Carried forward	<u>855</u>

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date

2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000
701	64	46	33	11

<b>4</b>	<b>Operating profit for the period is stated after charging:</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
	Depreciation of plant and equipment (note 13)	529	308
	Amortisation (note 12)	2,444	877
	Intangibles impairment (note 12)	2,073	-
	Loss on disposals (note 12/13)	752	-
	Staff costs (note 6)	24,918	17,007
	Operating lease rentals (note 24)	1,256	470
	Share option charge (note 21)	<u>37</u>	<u>40</u>
<b>5</b>	<b>Auditor's remuneration</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
	Fees payable to the Company's auditor for the audit of the Group annual financial statements	25	20
	Fees payable to the Company's auditor and its associates for other services to the Group:		
	• The audit of financial statements of the company's subsidiaries	169	160
	• Tax compliance services	42	35
	• Other services	<u>26</u>	<u>-</u>

Fees payable to the company's auditor for non-audit services to the company itself are not disclosed in the individual financial statements of SDL Property Services Group Limited because the company's consolidated financial statements are required to disclose such fees on a consolidated basis.

Notes (continued)

**6 Staff costs**

The average number of employees, including executive directors, was:

	2018 Number	2017 Number
Surveying services	167	146
Property and related services	222	189
Auction services	32	63
Mortgage services	78	-
Group and administrative functions	108	84
	<u>607</u>	<u>482</u>
	<b>£'000</b>	<b>£'000</b>
Staff costs for the above persons were:		
Wages and salaries	21,988	14,682
Social security costs	2,361	1,970
Pension costs (note 25)	569	355
	<u>24,918</u>	<u>17,007</u>

All key management personnel are directors. Directors' remuneration is disclosed in note 7.

**7 Directors' remuneration**

	2018 £'000	2017 £'000
Directors' remuneration comprised:		
Aggregate remuneration	713	793
Pension contributions	-	10
	<u>713</u>	<u>803</u>

The highest paid director received remuneration of £402,001 (2017: £434,616).

Retirement benefits are accruing to no (2017: 1) directors under the Company's money purchase pension scheme.

No directors exercised share options during the year.

Notes (continued)

**8 Finance costs and finance income**

	2018 £'000	2017 £'000
Bank interest receivable	25	42
Less:		
Finance cost on bank loans and overdrafts	(837)	(788)
Other similar charges payable	(1,172)	(677)
Increase in shares classed as liabilities	(2,756)	(467)
	<u>(4,765)</u>	<u>(1,932)</u>
Net finance cost	<u>(4,740)</u>	<u>(1,890)</u>

The increase in shares classed as liabilities relates to the unwinding of the discount on dividends committed to be paid to the holders of the Ordinary A shares from 2021, and changes in the forecast on which the dividend is dependent.

**9 Exceptional items**

	2018 £'000	2017 £'000
Increase in claims provision in respect of historic valuations	-	1,200
Provision for legal costs	250	200
Deal costs	719	124
Restructuring costs	364	-
Gain on acquisition of associate	(9,834)	-
Impairment of intangible assets and goodwill	2,162	-
Loss on transfer of Moneyquest	490	-
Increase in shares classed as liabilities	2,756	-
Exceptional items	<u>(3,093)</u>	<u>1,524</u>

In the year, the group acquired an additional 31% of Stonebridge, taking its holding up to a controlling stake. As a result of this acquisition, the associate investment was revalued to fair value, creating a gain on disposal of £9.8m. More detail is available in note 23. In addition, the group has looked to integrate its brands underneath the 'SDL' banner, and as such has taken a decision to write-off the intangibles relating to some historic brand names and customer relationships in businesses disposed of post year end. The growth of the business, and therefore its forecast profits, have resulted in a £2.8m increase in Shares Classed As Liabilities which reflects the discounted future value of minimum dividends payable on the A Ordinary Shares.

Other exceptional items in the year reflect costs in relation to acquisitions or as part of integrating and restructuring the wider group.

In the prior year, the group increased the provision for the estimated expected future cost of settling claims against property valuations undertaken historically. Other exceptional costs in 2017 related to expected legal costs and deal costs in relation to the acquisitions.

**SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)**

Notes (continued)

<b>10 Taxation</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Current tax</b>		
In respect of the current year	391	(6)
Adjustment in respect of prior years	(9)	(198)
	<u>382</u>	<u>(204)</u>
<b>Deferred tax</b>		
In respect of the current year		
Origination and reversal of timing differences	(82)	(184)
Change in tax rate	(47)	(84)
Adjustments in respect of prior years	231	(154)
	<u>102</u>	<u>(422)</u>
<b>Total tax expense/(income) for the year</b>	<u><b>484</b></u>	<u><b>(626)</b></u>

Tax has been calculated using an estimated annual effective tax rate of 19% (2017: 20%) on profit before tax.

The difference between the total tax expense/(income) shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2018 £'000</b>	<b>2017 £'000</b>
Profit before taxation	<u>6,129</u>	<u>1,450</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	1,165	290
Effects of:		
Non-taxable income	(1,537)	2
Expenses not allowable for taxation	1,001	120
Adjustment in respect of prior years - deferred tax	231	(154)
Tax losses utilised not previously recognised	(216)	68
Rate differences	(47)	(82)
Associate accounting	(31)	(414)
Adjustment in respect of prior years - current tax	(9)	(198)
Profits not eligible to UK tax	(16)	(8)
Additional deduction for research and development	-	(250)
Impact of transition to IFRS 15	(57)	-
	<u><b>484</b></u>	<u><b>(626)</b></u>
<b>Total tax expense/(income) for the year</b>	<u><b>484</b></u>	<u><b>(626)</b></u>

**Factors that may affect future tax charges**

Reductions in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 March 2017 has been calculated based on these rates. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 16 September 2016. This will reduce the company's future current tax charge accordingly and has been used in the calculation of the deferred tax liability at 31 March 2018.

There are net tax losses of £3.1M (2017: £7.9m) which have not been recognised at 31 March 2018.

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

Notes (continued)

11	Goodwill	2018 £'000	2017 £'000
	<b>Cost and net book amount</b>		
	Balance at beginning of year	27,309	24,191
	Acquisition through business combination	10,331	3,118
	Impairment recognised	(70)	-
	Balance at end of year	<u>37,570</u>	<u>27,309</u>

The subsidiaries acquired are Stonebridge Mortgage Solutions Limited, Stonebridge Genus Limited, Revolution Company (Essex) Limited and Moneyquest Mortgage Brokers Limited, as well as the trade of Alexander Faulkner Partnership Limited and SJ Higgins; see note 23 for detail on the acquisitions.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The impairment relates to the trade of Central Scotland West Limited.

12	Intangible assets - Group	Franchise Agreements £'000	Software £'000	Customer relationships £'000	Trade name £'000	Total £'000
	<b>Cost</b>					
	At 1 April 2016	806	1,600	4,149	1,046	7,601
	Additions through business combinations	-	-	191	812	1,003
	Additions	-	789	-	-	789
	Disposals	-	(229)	-	-	(229)
	<b>At 1 April 2017</b>	<b>806</b>	<b>2,160</b>	<b>4,340</b>	<b>1,858</b>	<b>9,164</b>
	Additions through business combinations	-	630	15,954	100	16,684
	Additions	-	1,360	-	-	1,360
	Transferred from Property Plant and Equipment	-	577	-	-	577
	Disposals	-	(236)	-	-	(236)
	Impairment	-	-	(672)	(1,858)	(2,530)
	<b>At 31 March 2018</b>	<b>806</b>	<b>4,491</b>	<b>19,622</b>	<b>100</b>	<b>25,019</b>
	<b>Amortisation</b>					
	At 1 April 2016	331	698	86	22	1,137
	Charge for the period	30	329	365	153	877
	Disposals	-	(219)	-	-	(219)
	<b>At 1 April 2017</b>	<b>361</b>	<b>808</b>	<b>451</b>	<b>175</b>	<b>1,795</b>
	Charge for the period	30	551	1,694	169	2,444
	Disposals	-	(234)	-	-	(234)
	Impairment	-	-	(126)	(331)	(457)
	<b>At 31 March 2018</b>	<b>391</b>	<b>1,125</b>	<b>2,019</b>	<b>13</b>	<b>3,548</b>
	<b>Net book value</b>					
	<b>At 31 March 2018</b>	<b>415</b>	<b>3,366</b>	<b>17,603</b>	<b>87</b>	<b>21,471</b>
	<b>At 31 March 2017</b>	<b>445</b>	<b>1,352</b>	<b>3,889</b>	<b>1,683</b>	<b>7,369</b>

**SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)**

**Notes (continued)**

<b>13</b>	<b>Property, plant and equipment</b>	<b>Freehold Property</b>	<b>Fixtures, Fittings &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Cost</b>				
	At 1 April 2016	20	1,500	459	1,979
	Additions	6	8	-	14
	Disposals	5	686	-	691
	Additions through business combination	-	(3)	(30)	(33)
	At 1 April 2017	31	2,191	429	2,651
	Additions through business combination	40	78	-	118
	Additions	8	840	-	848
	Disposals	(40)	(1,137)	(98)	(1,275)
	Transferred to intangible assets	-	(754)	-	(754)
	At 31 March 2018	39	1,218	331	1,588
	<b>Depreciation</b>				
	At 1 April 2016	9	1,037	97	1,143
	Charge for the period	9	194	103	306
	Disposals	-	(3)	(28)	(31)
	At 1 April 2017	18	1,228	172	1,418
	Charge for the period	23	421	85	529
	Disposals	(15)	(1,043)	(41)	(1,099)
	Transferred to intangible assets	-	(177)	-	(177)
	At 31 March 2018	26	429	216	671
	<b>Net book value</b>				
	At 31 March 2018	13	789	115	917
	At 31 March 2017	13	963	257	1,233

The property, plant and equipment is held as security over the £21m loan with Clydesdale Bank Plc. Further detail is provided in note 17.

<b>14</b>	<b>Investments</b>	<b>£'000</b>
	<b>Share of net assets of associates</b>	
	At 1 April 2016	3,108
	Share of associates' profit	2,067
	Dividends	(1,368)
	Equity movement in associate	(233)
	At 31 March 2017	3,574
	Share of associates' profit	164
	Impairment (note 9)	(490)
	Acquisition of associate	(2,788)
	At 31 March 2018	460

**SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)**

**Notes (continued)**

**14 Investments (continued)**

<b>Company</b>	<b>Associates £'000</b>	<b>Subsidiaries £'000</b>	<b>Total £'000</b>
<b>Cost and net book amount</b>			
At 1 April 2016	<b>3,028</b>	<b>32,316</b>	<b>35,344</b>
Additions	-	2,546	2,546
At 1 April 2017	<b>3,028</b>	<b>34,862</b>	<b>37,890</b>
Additions	-	7,988	7,988
Transferred on step acquisition	(2,048)	2,048	-
Impairment	(490)	-	(490)
At 31 March 2018	<b>490</b>	<b>44,898</b>	<b>45,388</b>

The investment at 1 April 2016 represents the entire ordinary share capital of Direct Valuations Limited, JV Limited, Central Lettings Solutions Limited, Direct Lettings GP Limited and Maurice MacNeill Iona Limited as well as 60% of the ordinary share capital of Central Scotland West Limited, 92.3% of the ordinary share capital of SDL Bigwood Limited, which has seven subsidiaries, 25% of the share capital of Sesame Bankhall Valuation Services Limited, 49% of the ordinary share capital of Pure Financial Advisory Limited and 49% of the ordinary share capital of Stonebridge Mortgage Solutions Limited. Pure Financial Advisory Limited owns 100% of the ordinary share capital of If I Were You Limited, Moneyquest Mortgage Brokers Limited and Pure Protect Limited. Stonebridge Mortgage Solutions Limited owns 100% of the share capital of Stonebridge Genus Limited and Revolution Company (Essex) Limited.

The remaining 7.7% of SDL Bigwood Limited was acquired on 4 January 2017.

On 1 April 2016 the Group acquired 85% of the ordinary share capital of SDL Graham Penny Limited, a newly incorporated holding company which has two subsidiaries. A further 5% was acquired on 4 January 2017. The remaining 10% of SDL Graham Penny Limited was acquired on 2 May 2017.

On 24 November 2016 a new wholly owned subsidiary was incorporated in Jersey, Central Lettings Solutions UK PRS GP Limited.

On 30 September 2016 the Group acquired all of the ordinary share capital of Humphreys of Chester Limited.

On 10 March 2017 two new wholly owned subsidiaries were incorporated, SDL Estate Management Limited and SDL Group Services Limited, formerly SDL Shared Services Limited. On 3 April 2017 SDL Estate Management Limited acquired the trade and fixed assets of Alexander Faulkner Partnership Limited and S J Higgins.

On 25 April 2017 the Group acquired a further 31% of the Ordinary share capital of Stonebridge Mortgage Solutions Limited, resulting in it having a controlling stake and so the company becoming a subsidiary of the Group, along with Stonebridge Genus Limited and Revolution Company (Essex) Limited. On the same date the Stonebridge Mortgage Solutions acquired 100% of the Ordinary share capital of Moneyquest Mortgage Brokers Limited.

**SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)**

**Notes (continued)**

**14 Investments (continued)**

Details of the Group's subsidiaries, which are all included in the consolidated financial statements of the Group, are as follows:

<b>Name of company</b>	<b>Principal place of business and country of incorporation</b>	<b>Nature of business</b>	<b>% voting rights and shares held</b>
SDL Surveying Limited	UK	Panel management	100% of ordinary shares
JV Limited	UK	Surveying	100% of ordinary shares
SDL Lettings Management Limited	UK	Lettings management	100% of ordinary shares
Direct Lettings GP Limited	UK	Lettings management consultancy	100% of ordinary shares
Central Lettings UK PRS GP Limited	UK	Lettings management consultancy	100% of ordinary shares
Maurice Macneill Iona Limited	UK	Franchisor of estate agencies	100% of ordinary shares
Central Scotland West Limited	UK	Estate agent	100% of ordinary shares
SDL Estate Agency Corporate Limited	UK	Estate agent	100% of ordinary shares
SDL Bigwood Limited	UK	Holding company	100% of ordinary shares
Bigwood Holdings Limited	UK	Holding company	100% of ordinary shares
Bigwood Group Limited	UK	Holding company	100% of ordinary shares
CP Bigwood Limited	UK	Property auctions	100% of ordinary shares
CP Bigwood Management LLP	UK	Estate management services	100% of ordinary shares
CP Bigwood Properties Limited	UK	Estate management services	100% of ordinary shares
Downside Managing Agents Limited	UK	Dormant	100% of ordinary shares
SDL Graham Penny Limited	UK	Holding company	100% of ordinary shares
Graham Penny Auctions Limited	UK	Property auctions	100% of ordinary shares
SDL Auctions Limited	UK	Property auctions	100% of ordinary shares
Humphreys of Chester Limited	UK	Estate agency	100% of ordinary shares
SDL Estate Management Limited	UK	Estate management services	100% of ordinary shares
SDL Group Services Limited	UK	Group shared services centre	100% of ordinary shares



**SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)**

**Notes (continued)**

**14 Investments (continued)**

<b>Name of company</b>	<b>Principal place of business and country of incorporation</b>	<b>Nature of business</b>	<b>% voting rights and shares held</b>
Stonebridge Mortgage Solutions Limited	UK	Mortgage network	80% of ordinary shares and 49% of voting rights
Stonebridge Genus Limited	UK	Mortgage network	80% of ordinary shares and 49% of voting rights
Revolution Company (Essex) Limited	UK	Software development	80% of ordinary shares and 49% of voting rights
Moneyquest Mortgage Brokers Limited	UK	Mortgage brokers	80% of ordinary shares and 49% of voting rights

All of these subsidiaries have their registered office at 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ apart from; Central Scotland West Limited, which is registered at 1<sup>st</sup> Floor Elmbank Gardens, Glasgow, G2 4NQ; Stonebridge Mortgage Solutions Limited, which is registered at Turnpike House, 1208-1210 London Road, Leigh-on-sea, Essex, SS9 2UA; Stonebridge Genus Limited and Revolution Company (Essex) Limited, which are registered at 9 Lords Court, Basildon, SS13 1SS.

In respect of those companies in which the Group holds 80% of the ordinary share capital but only has 49% voting rights, the Group is deemed to have control in accordance with IFRS 10 and has therefore included these companies in the consolidation. The Group has acquired the remaining 20% subsequent to the year end, and now controls 100% of the voting rights.

Details of the Group's material associates at the end of the reporting period are as follows:

<b>Name of company</b>	<b>Principal place of business and country of incorporation</b>	<b>Nature of business</b>	<b>% voting rights and shares held</b>
Sesame Bankhall Valuation Services Limited	UK	Panel management	25% of ordinary shares

The Group's equity accounted associate, Sesame Bankhall Valuation Services Limited, is a panel management company based in Nottingham. It is a significant customer of the surveying business, as well as sharing resources with the Group's own panel management business.

Summarised financial information in respect of the Group's material associates is set out below.

<b>Sesame Bankhall Valuation Services Limited</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Current assets	3,889	4,209
Non-current assets	-	-
Current liabilities	(2,985)	(3,299)
Non-current liabilities	-	-
Net assets of associate at 31 March	<u>904</u>	<u>910</u>

Notes (continued)

14 Investments (continued)

	2018 £'000	2017 £'000
Revenue	19,373	16,465
(Loss)/Profit for the year	(6)	796
Dividends received from the associate during the year	-	188

Reconciliation of the above summarised financial information to the carrying amount of the interest in Sesame Bankhall Valuation Services Limited recognised in the consolidated financial statements:

	2018 £'000	2017 £'000
Net assets of the associate	904	910
Proportion of the Group's ownership interest in Sesame Bankhall Valuation Services Limited	25%	25%
Carrying amount of the Group's interest in Sesame Bankhall Valuation Services Limited	226	228

Details of the Group's other associates are shown below:

Name of company	Registered address	Nature of business	% voting rights and shares held
Pure Financial Advisory Limited	UK	Holding company	49% of ordinary shares
Pure Protect Limited	UK	Insurance broker	49% of ordinary shares
If I Were You Limited	UK	Mortgage broker	49% of ordinary shares

All of these companies have their registered office at 3&4 Regan Way, Chilwell, Nottingham, NG9 6RZ.

All of the above associates are accounted for using the equity method in these consolidated financial statements. The aggregate share of losses (2017: profits) recognised in the statement of profit and loss and other comprehensive income in respect of the immaterial associates was £431k (2017: £92k). The carrying amount of the Group's interest in respect of these associates was £234k (2017: £665k).

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

Notes (continued)

15 Trade and other receivables	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Receivables &lt; 1 year</b>				
Trade receivables	5,277	3,818	-	-
Amounts owed by group undertakings	-	-	11,016	8,283
Prepayments	2,759	909	45	7
Financial assets	36	37	36	37
Other receivables	2,431	325	-	195
Corporation tax	95	-	-	-
	<b>10,598</b>	<b>5,089</b>	<b>11,097</b>	<b>8,522</b>

Trade receivables are non-interest bearing and generally have a 30 - 90 day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will be unable to collect all amounts due according to the original terms. The Group considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired.

**Provision for impairment of trade receivables**

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
As at 1 April	143	78	-	-
Charge for the period	137	65	-	-
As at 31 March	<b>280</b>	<b>143</b>	<b>-</b>	<b>-</b>

As at 31 March 2018 trade receivables of £1,660k (2017: £1,664k) were past due but not impaired. The ageing analysis of trade receivables that are past due but not impaired is as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Up to 3 months past due	852	1,021	-	-
3 to 6 months past due	344	161	-	-
6 to 12 months past due	301	199	-	-
12 months plus past due	163	283	-	-

Amounts that are past due but not impaired have not been provided for because there has not been a significant change in credit quality and the amounts are still considered recoverable.

## Notes (continued)

16	Cash and cash equivalents	Group		Company	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
	Cash at bank and in hand	6,250	2,967	2,343	940
	Short term bank deposits	-	600	-	300
		<u>6,250</u>	<u>3,567</u>	<u>2,343</u>	<u>1,240</u>
The directors consider that the carrying amount of these assets is a reasonable approximation of their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.					
17	Financial Liabilities	Group		Company	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
	<b>Borrowings</b>				
	Current	344	-	344	-
	Non-current	<u>33,637</u>	<u>26,675</u>	<u>33,637</u>	<u>26,673</u>
		33,981	26,675	33,981	26,673
	<b>Shares classed as liabilities</b>				
	Current	-	500	-	500
	Non-current	<u>4,913</u>	<u>2,156</u>	<u>4,913</u>	<u>2,156</u>
		4,913	2,656	4,913	2,656
		<u>38,894</u>	<u>29,331</u>	<u>38,894</u>	<u>29,329</u>

On 5 February 2015 the Group entered into a loan note instrument for £5m with the Business Growth Fund ("BGF"). The loan notes are fixed, unsecured notes with a 10% interest rate and are redeemable in 6 monthly tranches of £833k from 30 September 2020 with the final repayment on 31 March 2023. On 18 December 2015, BGF entered into a further loan note instrument for £1.9m on the same terms, with 6 monthly repayments of £322k from 30 September 2020 with the final repayment on 31 March 2023. On 25 April 2017, BGF entered into a further loan note instrument for £2.75m on the same terms, with 6 monthly repayments of £458k from 30 September 2020 with the final repayment on 31 March 2023.

On 20 February 2018 BGF entered into a further loan note instrument for £3m with an 8% interest rate redeemable in full on 31 March 2025. As part of this instrument the Group issued warrants equal to 1.5% of the issued share capital of the Company at the point of exercise. The value of the warrants has been treated as a separate liability as disclosed in note 18.

On 18 December 2015 the Group took out a loan of £15m with Clydesdale Bank Plc. The bank borrowings are secured by way of a fixed and floating charge over the Group's current and future assets and are repayable by 6 monthly instalments of £833,333 from 30 September 2020 with the final repayment on 31 March 2023. Interest is charged at 3.25% above the Bank of England 3 month LIBOR rate. On 1 April 2016 the Group took out a further loan of £2m with Clydesdale Bank Plc. This additional loan is on the same terms as the original agreement. On 25 April 2017 this loan was amended to make available an additional £4m of funding on the same terms as the original agreement.

Notes (continued)

**17 Financial Liabilities (continued)**

Borrowings in the prior year included medium term loans of £1,343k which were due for repayment on 30 April 2018 bearing interest at 10%. Of this amount £1,000k were refinanced with new instruments, bearing interest at 8%, redeemable on 31 March 2025 or upon exit.

Shares classed as liabilities include the element of the preference shares classified as liabilities and the debt element of ordinary A shares as set out below.

On 5 February 2015 the Group entered into an arrangement with the Business Growth Fund entitling BGF to a cumulative preferential net cash dividend in respect of each financial year from and including the financial year commencing or current on 31 March 2021. The dividend is calculated as the higher of an agreed minimum fixed return and 9.3% of net profits.

The liability recognised in the financial statements represents the estimated future dividend obligations discounted to current value, using a rate of 18% which is estimated to be the market rate of a similar debt instrument. The estimated cash flows which represent those contractual dividend obligations involve subjective judgements of the anticipated future profits. In subsequent periods, the debt will be carried at amortised cost. Due to its perpetual nature, and in order to update the debt for changes in expectations of the future cash flows, the amortised cost will be maintained at the present value of the expected future cash flows discounted by the original effective rate of 18%.

A further investment was made under the same terms on 18 December 2015 and 25 April 2017.

The Directors consider that the carrying amount of short and long term liabilities approximates to their fair value.

<b>18 Trade and other payables</b>	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts due in &lt; 1 year</b>				
Trade payables	2,313	1,630	119	-
Corporation tax	-	180	-	-
Other tax and social security	1,277	1,618	-	-
Accruals and deferred income	3,827	1,587	456	171
Hire purchase agreements	-	76	-	-
Other payables	6,244	2,711	90	-
Intercompany creditors	-	-	1,295	341
Financial liabilities	1	316	1	16
	<b>13,662</b>	<b>8,118</b>	<b>1,961</b>	<b>528</b>
<b>Amounts due in &gt; 1 year</b>				
Other liabilities	1,796	1,857	1,016	90
Deferred tax (note 19)	2,894	116	-	-
	<b>4,690</b>	<b>1,973</b>	<b>1,016</b>	<b>90</b>
	<b>18,352</b>	<b>10,091</b>	<b>2,977</b>	<b>618</b>

Trade payables comprise amounts outstanding for trade purchases and on-going costs.

The directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

Notes (continued)

**18 Trade and other payables (continued)**

Hire purchase agreements are secured against the asset to which they relate.

Other liabilities includes amounts provided in respect of the estimated cost to the Group of settling claims against previous property valuations undertaken by the Group, the value of share warrants issued during the year and a provision for repayment of indemnity commission, more detail of which is provided below.

Provision is made for repayment of indemnity commission to the product provider in the event that a policy may lapse within the indemnity period. Given the nature of these policies it is uncertain what the number and monetary value will be of any such lapses.

Movement in the provision is shown below:

	£'000
At 1 April 2017	-
Acquired on business combination	1,627
Movement in the year	<u>1,409</u>
At 31 March 2018	<u>3,036</u>

An asset held for the amount recoverable from advisors for any liability caused by the above is included within other debtors. As at 31 March 2018 this stood at £2,318k (2017: £Nil) making the net liability £717k (2017: £Nil).

**19 Deferred Tax**

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	(116)	(365)	-	-
Charged to the statement of profit and loss and other comprehensive income	(102)	422	-	-
Arising on business combination	<u>(2,676)</u>	<u>(173)</u>	<u>-</u>	<u>-</u>
At 31 March 2018	<u>(2,894)</u>	<u>(116)</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(59)	(166)	-	-
Tax losses available	479	1,012	-	-
Intangible assets	<u>(3,314)</u>	<u>(962)</u>	<u>-</u>	<u>-</u>
At 31 March 2018	<u>(2,894)</u>	<u>(116)</u>	<u>-</u>	<u>-</u>

Notes (continued)

**20 Called up share capital**

	<b>2018</b>	<b>2017</b>
	<b>'000</b>	<b>'000</b>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	1,145	1,151
A ordinary shares of £1 each	516	409
	<u>1,661</u>	<u>1,560</u>
<b>Shares classed as liabilities</b>		
A ordinary shares of £1 each	4,913	2,156
Preference shares of £1 each	-	500
	<u>4,913</u>	<u>2,656</u>

The Ordinary and A ordinary shares entitle each holder for one vote for each share held, save that the A ordinary shares carry enhanced voting rights equal to 51% or 49.9% of the votes in the event of and subject to various provisions applying.

The shares rank equally and pro-rata in respect of any dividends declared. The A ordinary shares also carry a right to a long term dividend in respect of each financial year from and including the financial year commencing or current on 31 March 2021 each to the higher of 9.3% of net profits and 10% of the amount credited as paid up on the A ordinary shares. The A ordinary shares rank first as between the Ordinary and A ordinary shares. None of the shares carry a right to be redeemed.

On 12 December 2016 the Company issued 52,873 Ordinary shares. These shares were settled in shares in SDL Bigwood Limited and SDL Graham Penny Limited.

On 3 April 2017 the Company issued 106,424 A Ordinary shares in return for £2.75m in cash. On the same date the Company issued 7,740 C Ordinary shares of £0.01 as part of the consideration for Alexander Faulkner Partnership Limited. Details of the acquisition can be found in note 23.

On 23 May 2017 the Company repurchased 6,290 Ordinary shares which were cancelled upon receipt.

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.

During 2018 the final 500,000 (2017: 500,000) preference shares were redeemed.

The preference shares are presented in liabilities in the prior year as they are redeemable by the Company for a fixed sum.

During the year, the Company issued 730 G Growth Shares and 1,100 H Growth Shares of £0.01 each. At the end of the year, there were 630 G Shares and 1,100 H Shares in issue. The G and H shares carry no voting rights.

Notes (continued)

**21 Share based payments**

In the year ended 31 March 2016 37,944 HMRC approved EMI options were issued to six employees.

Details of the equity settled share options outstanding during the period are as follows:

	Number of share options	Weighted average exercise price
Outstanding as at 31 March 2018	37,944	£3.21
Exercisable as at 31 March 2018	-	-

The options outstanding as at 31 March 2018 had a weighted average remaining contractual life of 7 years.

The options and warrants outstanding as at 31 March 2018 had exercise prices between £1.00 and £14.23.

The vesting rights are determined by the rules of the Shepherd Direct Limited EMI Share Option Scheme 2015 and comprise exercise rights on sale exit, on listing exit or on refinancing exit under the conditions specified in the scheme.

The fair value of the awards was determined using the following information:

Black-Scholes pricing model	
Expected dividend yield	0%
Risk-free interest rate	3%
Volatility	1%

The total expenses recognised for the year arising from share-based payments are as follows:

	2018 £'000	2017 £'000
Equity settled share based payment expense	37	40



## 22 Reserves

Details of the movements in reserves are set out in the Statement of Changes in Equity. A description of each reserve is set out below.

### **Share premium**

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

### **Share based payment reserve**

The shares to be issued account records shares issued under share based payment awards to employees.

### **Capital redemption reserve**

The capital redemption reserve records the amounts redeemed in respect of preference shares.

### **Merger reserve**

The merger reserve records the excess of consideration over the net book value of assets acquired in business combination settled via share for share exchange.

### **Retained earnings**

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

## 23 Acquisition of subsidiary companies

On 25 April 2017 the Group obtained control of Stonebridge Mortgage Solutions Limited through the acquisition of a further 31% of the ordinary shares in that company, in addition to the 49% already owned. Stonebridge Mortgage Solutions principal activity is as a mortgage network. This acquisition was undertaken to diversify the core group's revenue streams.

Cash consideration of £8.0m was paid for the 31% shareholding, in addition to the associate interest which was revalued before acquisition to a fair value of £11.1m, resulting in a gain on disposal being recognised of £9.8m. Non-controlling interest of £5.2m was recognised at the point of acquisition based on the fair value method.

Goodwill on the purchase of Stonebridge Mortgage Solutions Limited is attributable to management expertise and future operating synergies as well as strengthening of existing commercial relationships within the Group.

Notes (continued)

23 Acquisition of subsidiary (continued)

	Amounts recognised at acquisition date £'000
Net assets acquired:	
Plant and equipment	44
Intangible asset (brand)	100
Intangible asset (customer relationships)	15,816
Intangible asset (software)	630
Cash	2,515
Trade and other receivables	1,707
Trade and other payables	(3,336)
Deferred tax on intangibles	(2,782)
Fair value of net assets acquired	14,694
Goodwill	9,565
	<u>24,259</u>
Consideration	
Cash consideration	7,986
Deemed consideration (associate fair value)	11,121
Non-controlling interest	5,152
	<u>24,259</u>
Net cash outflow arising on acquisition:	
Cash consideration	(7,986)
Cash and cash equivalents acquired	2,515
	<u>(5,471)</u>

The amounts recognised at acquisition date in respect of trade receivables acquired in the business combination approximate their fair value. The trade receivables are short-term in nature and therefore the amounts recognised at acquisition date equal the gross contractual amounts receivable. All other book amounts are considered to approximate their fair values.

Transaction costs of £674k relating to the acquisition of Stonebridge Mortgage Solutions Limited have been treated as an expense and included within administrative expenses in the statement of profit and loss and other comprehensive income.

Stonebridge Mortgage Solutions Limited and its subsidiaries contributed £40.9m to the Group's revenue and £7.0m to the Group's profit before tax for the period from the date of acquisition to the year-end date.

Notes (continued)

23 Acquisition of subsidiary (continued)

On 3 April 2017 the Group acquired the trade and fixed assets of Alexander Faulkner Partnership Limited and SJ Higgins. Both businesses' principal activity is that of estate management. This acquisition was undertaken to strengthen the property management division leadership team and to explore new revenue opportunities.

Cash consideration of £739k was paid along with the issuing of 7,740 C Ordinary shares, valued at £200k.

Goodwill on the purchase of Alexander Faulkner Partnership Limited and SJ Higgins is attributable to management expertise and future operating synergies as well as potential new revenue opportunities.

	Amounts recognised at acquisition date £'000
Net assets acquired:	
Plant and equipment	34
Intangible asset (customer relationships)	139
	<hr/>
Fair value of net assets acquired	173
Goodwill	766
	<hr/>
	939
	<hr/>
Consideration	
Cash consideration	739
Share consideration	200
	<hr/>
	939
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration	(739)
Cash and cash equivalents acquired	-
	<hr/>
	(739)
	<hr/>

All book amounts are considered to approximate their fair values. Transaction costs of £45k relating to the acquisition of Alexander Faulkner Partnership Limited and SJ Higgins have been treated as an expense and included within administrative expenses in the statement of profit and loss and other comprehensive income.

Alexander Faulkner Partnership Limited and SJ Higgins contributed £1.2m to the Group's revenue and (£869k) to the Group's profit before tax for the period from the date of acquisition to the year-end date.

Notes (continued)

23 Acquisition of subsidiary (continued)

On 25 April 2017 the Group acquired 100% of the Ordinary share capital of Moneyquest Mortgage Brokers Limited for cash consideration of £1 from Pure Financial Advisory Limited, an associate of the Group. The Company's principal activity is that of mortgage brokerage. This acquisition was undertaken to take advantage of operational synergies with other subsidiaries of the group.

Goodwill on the purchase of Moneyquest Mortgage Brokers Limited is not considered significant.

	Amounts recognised at acquisition date £'000
Net assets acquired:	
Liabilities acquired	(108)
Deferred tax asset	108
	<hr/>
Fair value of net assets acquired	-
Goodwill	-
	<hr/>
	<hr/>
Consideration	
Cash consideration	-
Cash acquired	(75)
	<hr/>
	<hr/>
	(75)

All book amounts are considered to approximate their fair values. No transaction costs have been incurred in relation to the acquisition.

Moneyquest Mortgage Brokers Limited contributed £1.6m to the Group's revenue and £284k to the Group's profit before tax for the period from the date of acquisition to the year-end date.

Notes (continued)

**24 Operating lease commitments**

At the year-end date the Group has lease agreements in respect of properties and equipment for which the payments extend over a number of years. The future minimum lease payments under non-cancellable leases are as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Land &amp; Buildings</b>				
<b>Due:</b>				
Within one year	586	328	-	-
Within one to five years	2,068	873	-	-
After five years	2,221	55	-	-
	<u>4,875</u>	<u>1,256</u>	<u>-</u>	<u>-</u>
	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Other</b>				
<b>Due:</b>				
Within one year	350	365	-	-
Within one to five years	349	400	-	-
After five years	-	-	-	-
	<u>699</u>	<u>765</u>	<u>-</u>	<u>-</u>

During the year £1,256k (2017: £470k) was recognised in the profit and loss in respect of operating leases.

**25 Pension commitments**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund.

	2018 £'000	2017 £'000
Pension costs recognised in the year:		
Defined contribution scheme	569	355

**26 Related party transactions**

The Group has taken advantage of the exemption not to disclose details of transactions and balances to wholly owned subsidiaries.

Included within borrowings are amounts due to P R Gratton of £500,000 (2017: £500,000), to E Gratton of £500,000 (2017: £500,000). These carried forward balances were the maximum outstanding during the year and carry rates of interest up to 10%.

**Notes (continued)**

P R Gratton, is a director and shareholder in the company. E Gratton is a shareholder in the company and a director of one of its subsidiaries.

At 31 March 2018, the Group had no outstanding balance with its subsidiary, Stonebridge Mortgage Solutions Limited (2017: £1,500,000), bearing interest at a rate of 3.25% above the base rate.

Also within other creditors is an amount due to R M Clifford of £25,000 (2017: £25,000). These carried forward balances were the maximum outstanding during the year and carry 10% interest. R Clifford is a director of the company.

During the year interest on preference dividends of £Nil (2017: £6,250) was paid to C C Hickling, and £Nil (2017: £250,000) of preference shares were redeemed by him. During the year interest on preference dividends of £12,500 (2017: £18,750) was paid to J Hickling, and £500,000 (2017: £250,000) of preference shares were redeemed by her.

Included within other creditors is a loan due to P Staley of £90,000 (2017: £90,000). This carried forward balance was the maximum outstanding during the year and from 5th February 2018 carries 4% interest. P Staley is a director of Central Lettings Solutions Limited, a subsidiary company.

During the year the Group invoiced management charges and other recharges of £10,123,798 (2017: £8,734,273) to Sesame Bankhall Valuation Services Limited, a company in which SDL Surveying Limited has an investment and in which P R Gratton and G Brewster are directors. At the year end the Group was owed £792,477 (2017: £762,291) 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 SDL Property Services Group Limited. During the year the Group invoiced management charges and other recharges of £59,580 (2017: £260,304) to J & E Shepherd partnership. At the year end the Group was owed £Nil (2017: £17,500) by J & E Shepherd partnership in respect of these management charges. In addition the Group purchased services totalling £626,861 (2017: £56,000) from the J & E Shepherd partnership. At the year-end £161,736 (2017: £138,487) was owed to the J & E Shepherd partnership. In the current year SDL Surveying Limited has paid £120,000 (2017: £120,000) to J&E Nominees Ltd for the lease on 3&4 and 17 Regan Way. All transactions with J & E Shepherd were at market value.

**27 Subsequent events**

On 25 April 2018, the Group acquired the remaining 20% of the ordinary share capital of Stonebridge Mortgage Solutions Limited. This acquisition was funded through a combination of existing cash balances, and through additional debt and equity. As an acquisition of shares in an existing subsidiary this will be accounted for as a transaction through equity.

Notes (continued)

**28 Financial instruments - Group**

The Group's financial instruments comprise cash and cash equivalents, borrowings and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

*Credit risk*

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

The carrying amount of financial assets represents the maximum credit exposure.

*Interest rate risk*

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate.

To reduce the Group's exposure to movements in interest rates, the Group entered into an interest rate hedge in the year covering £8.5m of the variable rate bank borrowings. This instrument contains a floor (with reference to 3 month LIBOR) at 0.25%, and a cap at 1.5%, effectively protecting £8.5m of exposure against any rises in 3 month LIBOR above 1.5%.

The Group's cash and cash equivalents earned interest at a variable rate of 0.15% during the year (2017: 0.15%).

As at 31 March 2018, if LIBOR has increased by 0.5% with all other variables held constant, the post-tax profit and equity would have been lower by £105k (2017: £85k). Conversely if LIBOR had fallen by 0.5% with all other variables held constant, the post-tax profit and equity would have been higher by £21k (2017: £17k).

Details of the terms of the Group's borrowings are disclosed in note 17.

*Liquidity risk*

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

## Notes (continued)

**28 Financial instruments - Group (continued)**

The following table shows the contractual maturities of the Group's financial liabilities (none of which are derivative financial liabilities), all of which are measured at amortised cost:

	Trade payables £'000	Bank borrowings* £'000	Total £'000
<b>At 31 March 2018</b>			
6 months or less	2,313	1,343	3,656
6 - 12 months	-	1,000	1,000
1 - 2 years	-	2,000	2,000
2 - 5 years	-	25,638	25,638
More than 5 years	-	4,000	4,000
Total contractual cash flows	<u>2,313</u>	<u>33,981</u>	<u>36,294</u>
Carrying amount of financial liabilities measured at amortised cost	<u>2,313</u>	<u>33,981</u>	<u>36,294</u>
	Trade payables £'000	Bank borrowings £'000	Total £'000
<b>At 31 March 2017</b>			
6 months or less	1,630	-	1,630
6 - 12 months	-	-	-
1 - 2 years	-	4,818	4,818
2 - 5 years	-	21,857	21,857
More than 5 years	-	-	-
Total contractual cash flows	<u>1,630</u>	<u>26,675</u>	<u>28,305</u>
Carrying amount of financial liabilities measured at amortised cost	<u>1,630</u>	<u>26,675</u>	<u>28,305</u>

The Company's financial liabilities, which are all non-derivatives, comprise trade payables and amounts owed to group undertakings which are recorded at amortised cost. The carrying amount of these liabilities is equal to the gross contractual cash flows, all of which are payable within 6 months.

The Company's exposure to equity price risk is the same as the Group's exposure, as disclosed above.

\*These payments are conditional on the Group meeting certain ratios. The Group does not expect to make these payments and as such all bank borrowings have been disclosed as greater than one year.



Notes (continued)

**29 Capital risk management**

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern.
- To ensure that capital is maintained at all times to ensure that financial resource requirements set by the Financial Conduct Authority are exceeded at all times.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's long term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders.

**30 Contingent liabilities**

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.

**31 Controlling party**

In the opinion of the directors of SDL Property Services Group Limited there is no ultimate controlling party.

**32 Change in accounting policy**

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these financial statements.

The Group has early adopted IFRS15 Revenue from Contracts with Customers with a date of initial application of 1 April 2017. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied IFRS15 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS15 as an adjustment to the opening balance of equity at 1 April 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18. The details of the significant changes and quantitative impact of the changes are set out below.

**Initial franchise fees**

The Group previously recognised initial franchise fees as revenue at the point a franchise was provided to a new franchisee. Under IFRS15, the Group recognises fifty percent of the initial franchise fee as revenue at the point a franchise is provided to a new franchisee, the remaining fifty percent is deferred over the length of the franchise agreement. This revenue recognition profile is in line with the timing of services provided to new franchisees.

**Panel management fees**

The Group previously recognised panel management fees charged to retail customers as revenue at the point the job was scheduled. Under IFRS15, the Group recognises revenue when the job has been completed and the survey report is provided to the customer as this is the key performance obligation.

Notes (continued)

**32 Change in accounting policy (continued)**

Property management fees

The Group previously recognised property management fees as revenue at the point that rent was collected from the tenant. Under IFRS15 the Group recognises revenue over the month that the management fee relates to. This revenue recognition profile is in line with the timing of services provided to landlords.

Impact on financial statements

The following tables summarise the impacts of adopting IFRS 15 on the financial statements for the year ending 31 March 2018.

	Year ended 31 March 2018 £'000	Transitional impact £'000	Following adoption of IFRS 15 £'000
<b>Revenue</b>	<b>84,543</b>	<b>(23)</b>	<b>84,520</b>
Other operating income	217	-	217
Other external charges	(52,951)	(139)	(53,090)
Staff costs	(24,918)	-	(24,918)
Depreciation and amortisation	(5,129)	-	(5,129)
Other operating charges	(239)	-	(239)
<b>Operating Profit</b>	<b>1,523</b>	<b>(162)</b>	<b>1,361</b>
Gain on acquisition	9,834	-	9,834
Share of associates profit	(326)	-	(326)
Finance income	25	-	25
Finance costs	(4,765)	-	(4,765)
<b>Profit before taxation</b>	<b>6,291</b>	<b>(162)</b>	<b>6,129</b>
Taxation	(484)	-	(484)
<b>Profit for the year</b>	<b>5,807</b>	<b>(162)</b>	<b>5,645</b>

SDL PROPERTY SERVICES GROUP LIMITED (FORMERLY SHEPHERD DIRECT LIMITED)

Notes (continued)

	At 31 March 2018 £'000	Transitional impact £'000	Following adoption of IFRS 15 £'000
<b>Non-current assets</b>			
Goodwill	37,570	-	37,570
Intangible assets	21,471	-	21,471
Property, plant and equipment	917	-	917
Investments in associates	460	-	460
<b>Total non-current assets</b>	<b>60,418</b>	<b>-</b>	<b>60,418</b>
<b>Current assets</b>			
Trade and other receivables	10,598	-	10,598
Cash and cash equivalents	6,250	-	6,250
<b>Total current assets</b>	<b>16,848</b>	<b>-</b>	<b>16,848</b>
<b>Current liabilities</b>			
Shares classed as liabilities	-	-	-
Trade and other payables	(12,807)	(855)	(13,662)
<b>Total current liabilities</b>	<b>(12,807)</b>	<b>(855)</b>	<b>(13,662)</b>
<b>Net current assets</b>	<b>4,041</b>	<b>(855)</b>	<b>3,186</b>
<b>Non-current liabilities</b>			
Borrowings	(33,981)	-	(33,981)
Shares classed as liabilities	(4,913)	-	(4,913)
Deferred tax liabilities	(2,894)	-	(2,894)
Other liabilities	(1,796)	-	(1,796)
<b>Total non-current liabilities</b>	<b>(43,584)</b>	<b>-</b>	<b>(43,584)</b>
<b>Net assets</b>	<b>20,875</b>	<b>(855)</b>	<b>20,020</b>
<b>Equity</b>			
Share capital	1,661	-	1,661
Share premium	7,979	-	7,979
Share based payment reserve	114	-	114
Capital redemption reserve	3,006	-	3,006
Merger reserve	976	-	976
Retained earnings	2,016	(855)	1,161
Non-controlling interest	5,123	-	5,123
<b>Total equity</b>	<b>20,875</b>	<b>(855)</b>	<b>20,020</b>