

Conveyancing Direct Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2006

(Registered Number 04152278)

THURSDAY



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Conveyancing Direct Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity is the provision of conveyancing and associated services, and will continue to be so for the foreseeable future

Conveyancing Direct is a private limited company incorporated in England & Wales registered number 4152278. The Council for Licensed Conveyancers regulates the business.

BUSINESS REVIEW

The residential housing market was fairly buoyant during the period under review, this is shown by the increase in revenue and profit as shown in the financial results, set out in the income statement on page 6, which show the company has taken advantage of these opportunities. Turnover has shown a 22% increase on 2005 and profit has increased by 16%. There has been a steady growth in the transactional opportunities, instructions increased 11% on 2005 resulting in increased turnover of 12% plus the impact this has had on CHAPS, Interest and other income.

As part of the company's plans for growth the business has invested in its IT infrastructure.

DIVIDENDS

No interim dividend has been paid during the year (2005: £nil). The directors do not recommend payment of a final dividend (2005: nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

D Sugden
SE Ambler (Director and Chairman)
RS Shipperley
AS Gill

No Director holding office at 31 December 2006 held a beneficial interest in the company at the year end.

RS Shipperley and AS Gill are also Directors of the immediate parent company, Connells Limited and their interests in shares of group companies are disclosed in the Directors report of that company.

Other directors of the company at 31 December 2006 had no other interests in the shares of any other group undertaking at any time during the year.

CREDITOR PAYMENT POLICY

The company's policy concerning the payment of suppliers for the next financial year is to agree terms of payment in advance and to make the payment in accordance with agreed terms and any other legal obligations.

As at 31 December 2006 creditor days were 36 days (2005: 37 days).

CHARITABLE AND POLITICAL DONATIONS

During the period the company made donations to charities totalling £500 (2005: £nil). No contributions were made for political purposes.

EMPLOYEES

It is company policy to provide employees with information concerning their roles and responsibilities and the trading performance of the company. This policy is to ensure opportunities are available at every level to improve employees' and corporate performance. Regular meetings are held which involve directors, managers and staff.

Conveyancing Direct Limited

Directors' Report

DISABLED PERSONS

The company continues to recognise its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility

Full consideration will be given to the recruitment of disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job

If an employee becomes disabled he or she will continue wherever possible to be employed in the same job. If this action is not practicable or possible, then every effort will be made to find suitable alternative employment

DISCLOSURE OF INFORMATION TO AUDITORS

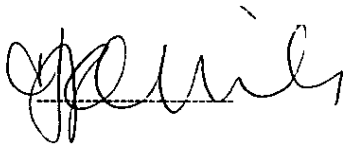
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

A resolution to re-appoint KPMG Audit Plc as auditors of the company will be proposed at the next Annual General Meeting

By order of the board

K S Smith
Secretary



The Bailey
Skipton
North Yorkshire
BD23 1DN

Conveyancing Direct Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position of the company and performance for that period. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONVEYANCING DIRECT LIMITED

We have audited the financial statements of Conveyancing Direct Limited for the year ended 31 December 2006 which comprise the Income Statement, Balance Sheet, Cash Flow Statement and Related Notes. These financial statements have been prepared under the accounting policies set out therein.

Their report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition we report to you if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

5 February, 2007.

Conveyancing Direct Limited

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year ended 2006 £000	Year ended 2005 £000
Revenue	1	2,890	2,368
Administrative expenses		(1,144)	(918)
Other operating expenses		(1,370)	(1,092)
Profit from operations		376	358
Financial income	3	193	158
Finance costs	4	(13)	(36)
Profit before tax		556	480
Tax expense	6	(167)	(140)
Profit for the year		389	340
Attributable to			
Equity holders of the parent		389	340
		389	340

There were no recognised income and expense items in the current year (2005 £nil) other than those reflected in the above Income Statement

The income statement is prepared on an unmodified historical cost basis

The notes on pages 9 to 16 form part of these financial statements

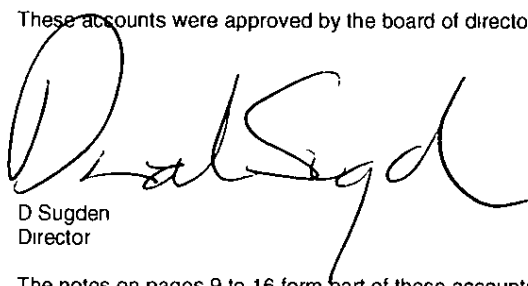
Conveyancing Direct Limited

Balance Sheet

AS AT 31 DECEMBER 2006

	Notes	£000	31 December 2006 £000	£000	31 December 2005 £000
Current assets					
Trade and other receivables	7	273		277	
Cash and cash equivalents		<u>105</u>		<u>29</u>	
Total current assets			378		306
Non-current assets					
Intangible assets	8	216		216	
Property, plant and equipment	9	229		107	
Deferred tax assets	10	<u>3</u>		<u>2</u>	
Total non-current assets			<u>448</u>		<u>325</u>
Total assets			<u>826</u>		<u>631</u>
Current liabilities					
Trade and other payables	11	294		525	
Current tax payable		<u>78</u>		<u>41</u>	
Total current liabilities			372		566
Non-current liabilities					
Interest bearing loans and borrowings		-		-	
Deferred tax liabilities	10	<u>-</u>		<u>-</u>	
Total liabilities			<u>372</u>		<u>566</u>
Equity					
Share capital	12	-		-	
Reserves					
Retained earnings	13	<u>454</u>		<u>65</u>	
Total equity attributable to holders of the parent and liabilities			<u>454</u>		<u>65</u>
			<u>826</u>		<u>631</u>

These accounts were approved by the board of directors on 25 January 2007 and signed on its behalf by



D Sugden
Director

The notes on pages 9 to 16 form part of these accounts

Conveyancing Direct Limited

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Year ended 2006 £000	Year ended 2005 £000
Cash flows from operating activities			
Profit for the year		389	340
Adjustments for			
Depreciation charges		83	62
Loss on disposal of tangible assets		4	-
Financial income		(193)	(158)
Finance costs		13	36
Tax expense		167	140
Operating profit before changes in working capital		<u>463</u>	<u>420</u>
Decrease/(increase) in trade receivables		27	(150)
(Increase)/decrease in prepayments		(21)	17
(Decrease)/increase in trade and other payables		(2)	46
Cash generated from operations		<u>467</u>	<u>333</u>
Income taxes (paid)/received		(213)	(53)
Interest paid		(13)	(36)
Net cash from operating activities		<u>241</u>	<u>244</u>
Cash flows from investing activities			
Interest received		193	158
Proceeds on disposal of property, plant and equipment		-	17
Purchases of property, plant and equipment	9	(209)	(12)
Net cash from investing activities		<u>(16)</u>	<u>163</u>
Cash flows from financing activities			
Repayment of borrowings		(149)	(389)
Net cash from financing activities		<u>(149)</u>	<u>(389)</u>
Net increase in cash and cash equivalents		76	18
Cash and cash equivalents at 1 January		<u>29</u>	<u>11</u>
Cash and cash equivalents at 31 December		<u>105</u>	<u>29</u>

Conveyancing Direct Limited

NOTES TO FINANCIAL STATEMENTS

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts

a) Basis of accounting

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and those parts of the Companies Act 1985 applicable to companies reporting under IFRS

The financial statements are presented in accordance with International Financial Reporting Standards and its interpretations as endorsed by the EU and effective from 31 December 2006. The directors have not adopted IFRS 7 *Financial Instruments Disclosures* and IAS 1 (amended) *Presentation of Financial Statements (capital disclosures)* which although endorsed by the EU, are currently not mandatory

Measurement convention

The financial statements are prepared on the historical cost basis except for investment property. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell

b) Revenue recognition

Revenue, which excludes value added tax, represents total invoiced sales of the company. Conveyancing income is recognised on the completion of contracts. Interest income is recognised on an accrued basis

c) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives on the following bases

Plant & equipment	-	3 to 5 years
Fixtures and fittings	-	5 to 10 years
Motor vehicles	-	25% of net book value

All depreciation is charged on a straight-line basis, except motor vehicles which is reducing balance

d) Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses

e) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed costs, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition amortisation of goodwill has ceased as required by IFRS 1

f) Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset, is treated as a finance lease. The asset is recorded in the Balance Sheet as an item of property, plant and equipment at an amount equal to the lower of its fair value and the present value of the minimum lease payments less accumulated depreciation and impairment losses. Rentals payable are apportioned between the finance element, which is charged to the Income Statement, and the capital element, which reduces the outstanding obligation

All other leases are accounted for as operating leases. Costs of operating leases are charged to the Income Statement on a straight-line basis over the lease term

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies (continued)

g) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes, in accordance with IAS 12, Income Taxes

h) Employee benefits

The company operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable and are included in staff costs and in accordance with the rules of the scheme

i) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand, and cash and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less

The cash flow statement has been prepared using the indirect method

2 Expenses and auditors' remuneration

	Year ended 2006 £000	Year ended 2005 £000
Included in profit is the following		
Depreciation of property, plant and equipment	83	62
Staff costs (see note 5)	1,143	918
Rentals payable under operating leases	56	46
Auditor's remuneration and expenses		
Audit services	8	9

3 Financial Income

	Year ended 2006 £000	Year ended 2005 £000
Interest on bank deposits	193	158
	193	158

4 Finance Costs

	Year ended 2006 £000	Year ended 2005 £000
Interest on bank overdrafts and loans	4	8
Interest payable to group undertakings	6	28
Interest payable to clients	3	-
	13	36

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

5 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year was as follows

	Year ended 2006	Year ended 2005
Directors	2	2
Other	71	55
	<u>73</u>	<u>57</u>

The aggregate payroll costs of these persons was as follows

	£000	£000
Wages and salaries	1,046	834
Social security costs	91	77
Other pension costs	6	7
	<u>1,143</u>	<u>918</u>

Directors Emoluments

	Year ended 2006 £000	Year ended 2005 £000
Remuneration as directors	53	120
Directors fees	46	17
	<u>99</u>	<u>137</u>

Retirement benefits are accruing to the following directors under

	Year ended 2006 £000	Year ended 2005 £000
Defined contribution schemes	1	1
	<u>1</u>	<u>1</u>

6 Tax expense

A reconciliation of current tax on the profit at the standard UK corporation tax rate to the actual current tax expense is as follows

	Year ended 2006 £000	Year ended 2005 £000
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a) Analysis of expense in the year at 30%

Current tax expense

Current tax at 30%	168	150
Adjustment for prior years	-	(3)
Total current tax	<u>168</u>	<u>147</u>

Deferred tax expense

Origination and reversal of temporary differences	(1)	(7)
Adjustment in respect of prior years	-	-
Total deferred tax	<u>(1)</u>	<u>(7)</u>

Income tax expense

	<u>167</u>	<u>140</u>
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b) Factors affecting income tax expense in the period/year

The charge for the period/year can be reconciled to the profit per the income statement as follows

Profit before tax	556	480
Tax on profit at UK standard rate of 30% (2005 30%)	167	144
Effects of		
• Adjustment to tax expense/(income) in respect of prior periods	-	(1)
• Expenses not deductible for tax	1	
• Other	(1)	(3)
Income tax expense	<u>167</u>	<u>140</u>

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

7 Trade and other receivables

	Year ended 2006 £000	Year ended 2005 £000
Trade debtors	164	191
Prepayments and accrued income	109	86
	<u>273</u>	<u>277</u>

8 Intangible assets

	Goodwill £000
Cost	
At 1 January 2006	216
At 31 December 2006	<u>216</u>

Amortisation and impairment losses

At 1 January 2006	-
At 31 December 2006	<u>-</u>

Carrying amounts

At 1 January 2006	<u>216</u>
At 31 December 2006	<u>216</u>

	Goodwill £000
Cost	
At 1 January 2005	216
At 31 December 2005	<u>216</u>

Amortisation and impairment losses

At 1 January 2005	-
At 31 December 2005	<u>-</u>

Carrying amounts

At 1 January 2005	<u>216</u>
At 31 December 2005	<u>216</u>

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

9 Property, plant and equipment

	Office Equipment £000	Total £000
Cost		
At 1 January 2006	285	285
Additions	209	209
Disposals	(17)	(17)
At 31 December 2006	<u>477</u>	<u>477</u>
Accumulated depreciation and impairment		
At 1 January 2006	178	178
Depreciation charge for the year	83	83
Eliminated on disposals	(13)	(13)
At 31 December 2006	<u>248</u>	<u>248</u>
Carrying amounts		
At 1 January 2006	<u>107</u>	<u>107</u>
At 31 December 2006	<u>229</u>	<u>229</u>

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2005	273	24	297
Additions	12	-	12
Disposals	-	(24)	(24)
At 31 December 2005	<u>285</u>	<u>-</u>	<u>285</u>
Accumulated depreciation and impairment			
At 1 January 2005	118	5	123
Depreciation charge for the year	60	2	62
Eliminated on disposals	-	(7)	(7)
At 31 December 2005	<u>178</u>	<u>-</u>	<u>178</u>
Carrying amounts			
At 1 January 2005	<u>155</u>	<u>19</u>	<u>174</u>
At 31 December 2005	<u>107</u>	<u>-</u>	<u>107</u>

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

10 Deferred tax

The movement on the deferred tax account is as shown below

	Year ended 2006 £000	Year ended 2005 £000
At 1 January	(2)	5
Income statement credit	(1)	(7)
At 31 December	(3)	(2)
Deferred tax liabilities	Other £000	Total £000
At 1 January 2006	-	-
Charged to income statement	-	-
At 31 December 2006	-	-
Deferred tax assets	Other £000	Total £000
At 1 January 2006	(2)	(2)
Charged to income statement	(1)	2
At 31 December 2006	(3)	-
Net deferred tax liability/(asset)		
At 31 December 2006	(3)	(3)
At 31 December 2005	(2)	(2)

11 Trade and other payables

	Year ended 2006 £000	Year ended 2005 £000
Other creditors	112	210
Amounts owed to parent undertakings	4	146
VAT	65	57
PAYE/NI	28	22
Accruals and deferred income	85	90
	294	525

12 Share Capital

	Year ended 2006 £	Year ended 2005 £
Authorised		
Ordinary shares of £1 each	2	2
Issued and fully paid		
Ordinary shares of £1 each	2	2

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

13 Reconciliation of movement in capital and reserves

	Retained Earnings £000
Balance at 1 January 2006	65
Profit for the year	389
Balance at 31 December 2006	454
Balance at 1 January 2005	(275)
Profit for the period	340
Balance at 31 December 2005	65

14 Defined contribution pension scheme

The company operates a stakeholder pension scheme, the assets of which are held separately from those of the company, as independently administered funds. The amount charged to the income statement in respect of the stakeholder pension schemes is the contribution payable in the year and amounted to £6,005 (2005 £6,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

15 Related Party Transactions

The Company has a related party relationship with Connells Residential and Sequence (UK) Limited and Skipton Building Society.

During the year to 31 December 2006, the following related party transactions were entered into:

	Note	Amount		Outstanding Balance	
		Year ended 2006 £000	Year ended 2005 £000	31 December 2006 £000	31 December 2005 £000
Sale of services					
Skipton Building Society	(a)	528	249		
Sequence (UK) Limited	(b)	3	-		
Connells Residential	(d)	18	-		
TMG Ltd	(c)	60	29		
		<u>549</u>	<u>278</u>		
Purchase of services					
Connells Residential	(d)	476	241		
Sequence (UK) Limited	(d)	262	230		
		<u>738</u>	<u>471</u>		
Year-end balances					
Payables to related parties					
Connells Residential				4	146
				<u>4</u>	<u>146</u>

Notes to related party transactions

- (a) The company provides Skipton Building Society with legal services on their remortgage cases and panel management services.
- (b) The company provided Sequence (UK) Limited with MI staff assistance.
- (c) TMG Ltd provide property related search services.
- (d) Both Connells Residential and Sequence (UK) Limited introduce conveyancing services to the company.

All transactions are dealt with on normal credit terms.

Conveyancing Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

16 Capital Commitments

There were no capital commitments at the balance sheet date (2005 £nil)

17 Operating lease commitments

The company has annual commitments due under operating leases. At the balance sheet date these were as follows

	Year ended 2006 £000	Year ended 2005 £000
On leases expiring		
Less than once year	56	45
Between one and five years	224	-
More than five years	-	-
	<u>280</u>	<u>45</u>

18 Ultimate Parent Undertaking

The company is a 100% owned subsidiary of Connells Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. The largest group in which the results are consolidated is that headed by Skipton Building Society. The smallest group is that headed by Connells Limited, those financial statements are not available to the public. A copy of the Skipton Building Society annual report and accounts into which the results of this company are consolidated is available from -

The Secretary
Skipton Building Society
The Bailey
Skipton
North Yorkshire
BD23 1DN