

SHARMAN QUINNEY HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004

(Registered Number 4174227)



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SHARMAN QUINNEY HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2004.

Principal activities and future developments

The principal activity of the company is the provision of residential estate agency and associated services, and will continue to be so for the foreseeable future.

Business review

The residential housing market was buoyant during the year under review and the financial results, set out in the profit and loss account on page 5, show that the company has taken full advantage of these conditions and achieved excellent profitability.

During the year no dividends have been paid (2003: £13,000). The directors do not recommend payment of a final dividend (2003: £nil).

Directors and directors' interests

The directors who served during the year were:

R Shipperley (Chairman)
D Livesey
A Gill
M Sharman
S Quinney

R Shipperley, A Gill and D Livesey 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.

The other directors who held office at 31 December 2004 had the following interests in the ordinary shares of the Company, as recorded in the register of directors' share and debenture interests:

	At 31 December 2004 "B" Ordinary £0.01 shares	At 31 December 2003 "B" Ordinary £1 shares
M Sharman	2,425	2,425
S Quinney	2,425	2,425

SHARMAN QUINNEY HOLDINGS LIMITED

DIRECTORS' REPORT

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 pay according to those agreed terms and any other legal obligations. At the year end, there was an average of 24 days purchases outstanding (2003: 24 days).

Charitable and political donations

During the year the company made no donations to charities (2003: £nil). No contributions were made for political purposes (2003: £nil).

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.

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.

Auditors

A resolution to reappoint KPMG Audit Plc as auditors of the Company will be proposed at the next Annual General Meeting.

By Order of the Board



A Gill
Secretary

1 February 2005

SHARMAN QUINNEY HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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 SHARMAN QUINNEY HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 17.

This 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc *KPMG Audit Plc* /
Chartered Accountants
Registered Auditor
Leeds

1 February 2005

SHARMAN QUINNEY HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
Turnover	2	4,585	2,403
Staff costs	4	(2,229)	(1,168)
Other operating charges		(1,235)	(706)
Operating profit		1,121	529
Other interest receivable and similar income	5	42	3
Income from fixed asset investments		-	245
Profit on ordinary activities before taxation	3	1,163	777
Tax on profit on ordinary activities	6	(400)	(166)
Profit on ordinary activities after taxation		763	611
Dividends	7	-	(13)
Retained profit for the financial year	15	763	598

The profit for the year was derived wholly from continuing activities.

There were no recognised gains or losses in the current year (2003: £nil) other than those reflected in the above profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

SHARMAN QUINNEY HOLDINGS LIMITED

BALANCE SHEET

AT 31 DECEMBER 2004

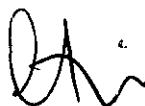
	Notes	2004		2003	
		£000	£000	£000	£000
Fixed assets					
Intangible fixed assets	8		16		33
Tangible fixed assets	9		149		138
			<hr/>		<hr/>
			165		171
Current assets					
Debtors	11	621		393	
Cash at bank and in hand		1,516		1,021	
		<hr/>		<hr/>	
		2,137		1,414	
Creditors: amounts falling due within one year	12	(781)		(827)	
		<hr/>		<hr/>	
Net current assets			1,356		587
			<hr/>		<hr/>
Net assets			1,521		758
			<hr/>		<hr/>
Capital and reserves					
Called up Equity Share Capital	14	-		-	
Profit and loss account	15	1,521		758	
		<hr/>		<hr/>	
Equity shareholders' funds	15	1,521		758	
		<hr/>		<hr/>	

A reconciliation of the movement in shareholders' funds is given in note 15.

These financial statements were approved by the board of directors on 1 February 2005, and signed on its behalf by:



M Sharman
Director



A Gill
Director

The notes on pages 8 to 17 form part of these financial statements.

SHARMAN QUINNEY HOLDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £000	2003 £000
Net cash inflow from operating activities	880	1,141
Returns on investments and servicing of financial investment		
Interest received	42	3
Income from subsidiary undertakings	-	245
Taxation Paid	(373)	-
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(61)	(73)
Acquisitions and disposals		
Proceeds of Disposals of Fixed Assets	7	(140)
Purchase of fixed assets and goodwill from subsidiary undertakings	-	(102)
Purchase of business assets of Peacock Christmas	-	(40)
Equity Dividends Paid	-	(13)
Movement in cash in the year	495	1,021
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	1,121	529
Depreciation and amortisation	58	13
Loss on disposal of tangible fixed assets	2	2
Permanent diminution in value of investments	-	140
Permanent diminution in value of goodwill	-	29
(Increase) in debtors	(228)	(169)
(Decrease)/Increase in creditors	(73)	597
Net cash inflow from operating activities	880	1,141
Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	495	1,021
Movement in net funds in the year	495	1,021
Net funds at 1 January 2004	1,021	-
Net funds at 31 December 2004	1,516	1,021

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE 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 financial statements.

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives as follows:

Computer Equipment	- 5 years
Furniture	- 5 years
Office equipment	- 4 years
Motor vehicles	- 25% of net book value
Photocopiers	- 3 years

(c) Taxation

The charge for taxation is based on the profit for the year and takes into account tax deferred because of tax timing differences between the treatment of certain items for taxation and accounting purposes as required by FRS 19, Deferred tax.

(d) Operating leases

Operating lease rentals for land and buildings, motor vehicles and office machinery due in each accounting period are charged to the profit and loss account on an accruals basis.

(e) Pensions

The company operates a stakeholder scheme. Contributions are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

(f) Goodwill

Purchased goodwill, representing the excess of the consideration paid over the fair value of assets acquired, is written off over its useful economic life.

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Turnover

Turnover comprises commissions and fees receivable, exclusive of value added tax. Commissions on sales of properties are recognised as earned on exchange of contract if thereafter the contract is, or is expected to be, completed.

Commission income from financial services products is recognised upon fulfilment of contractual obligations, that is, when policies go on risk or on completion of a mortgage, with a provision for future clawbacks as required by the Application Note to FRS5, Reporting the Substance of Transactions. Commission income received monthly over the life of the policy is recognised on a straight line basis over the life of the policy.

All income arose within the United Kingdom.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	2004 £000	2003 £000
Auditors and its associates' remuneration		
For audit work	12	10
Non-audit work	-	-
Depreciation of tangible fixed assets	41	11
Amortisation of goodwill	17	2
Loss on sale of tangible fixed assets	(2)	2
Permanent diminution in value of investments	-	140
Permanent diminution in value of goodwill	-	29
	<hr/>	<hr/>

4. Staff numbers and costs

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

	2004 No	2003 No
Directors	2	2
Sales and administration	108	101
	<hr/>	<hr/>
	110	103
	<hr/>	<hr/>

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	1,961	1,070
Social security costs	262	95
Other pension costs	6	3
	<hr/>	<hr/>
	2,229	1,168
	<hr/>	<hr/>
Directors emoluments:		
	2004	2003
	£000	£000
Remuneration as directors	146	79
	<hr/>	<hr/>

The aggregate emoluments of the highest paid director were £75,999 (2003 : £47,709).

5. Other interest receivable and similar income

	2004	2003
	£000	£000
Bank Interest	42	3
	<hr/>	<hr/>
	42	3
	<hr/>	<hr/>

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. Taxation on profit on ordinary activities

	2004 £000	2003 £000
(a) The taxation charge for the year comprises:		
UK Corporation tax calculated at 30% (2003: 30%) on the profit for the year:	354	164
Under provision of tax in prior years in respect of non taxable income	47	-
Total Current Tax	<u>401</u>	<u>164</u>
Deferred taxation charge for the year (note 13)	(1)	2
Tax on profit on ordinary activities	<u>400</u>	<u>166</u>
(b) Reconciliation of current tax charge		
Profit on ordinary activities before taxation	<u>1,163</u>	<u>777</u>
Tax on profit on ordinary activities at UK standard rate of corporation tax of 30%	349	233
Factors affecting charge for the year:		
Depreciation in excess of capital allowances and other timing differences	1	(2)
Expenses not deductible for tax purposes	4	7
Tax on dividends received	-	(74)
Adjustment to tax charge in respect of previous periods	47	
Other	-	-
Current tax charge	<u>401</u>	<u>164</u>

7. Dividend

	2004 £000	2003 £000
Ordinary dividend paid	-	13
Dividends	<u>-</u>	<u>13</u>

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Intangible fixed assets

The intangible fixed assets comprise goodwill arising on the purchase of business assets:

	£000
Cost	
1 January 2004	35
	<hr/>
At 31 December 2004	35
	<hr/>
Amortisation	
1 January 2004	2
Charge for the financial year	17
	<hr/>
At 31 December 2004	19
	<hr/>
Net book value	
At 31 December 2004	16
	<hr/>
At 31 December 2003	33
	<hr/>

Goodwill is being amortised on a straight line basis over 2 years.

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Tangible fixed assets

	Fixtures, fittings, equipment & motor vehicles £000
Cost	
At 1 January 2004	149
Additions	61
Disposals	(11)
	<hr/>
At 31 December 2004	199
	<hr/>
Depreciation	
At 1 January 2004	11
Charge for the financial year	41
Disposals	(2)
	<hr/>
At 31 December 2004	50
	<hr/>
Net book value	
At 31 December 2004	149
	<hr/>
At 31 December 2003	138
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SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. Fixed Asset Investments

The Company owns 100% of the equity share capital of £1 in Inhoco 2847 Limited, a dormant Company registered in England and Wales.

11. Debtors

	2004 £000	2003 £000
Trade debtors	228	160
Other debtors	327	140
Prepayments and accrued income	66	93
	<hr/>	<hr/>
	621	393
	<hr/>	<hr/>

12. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	102	81
Amounts owed by parent undertaking and fellow subsidiary undertakings	86	127
Other taxation and social security	146	147
Corporation tax	191	164
Accruals and deferred income	255	306
Deferred tax (note 13)	1	2
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	781	827
	<hr/>	<hr/>

13. Deferred taxation

The analysis of amounts provided for deferred taxation at 30% (2003: 30%) is set out below:

	2004 £000	2003 £000
Accelerated capital allowances	1	2
	<hr/>	<hr/>
Provision at 1 January	2	-
Charge for the year	(1)	2
	<hr/>	<hr/>
Provision at 31 December	1	2
	<hr/>	<hr/>

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. Called up equity share capital

	2004 Number	2003 Number
Authorised		
£1 Ordinary Shares	-	-
£0.01 Ordinary shares	9,980,600	9,980,600
£0.01 Ordinary A shares	14,550	14,550
£0.01 Ordinary B shares	4,850	4,850
	<hr/>	<hr/>
	10,000,000	10,000,000
	<hr/>	<hr/>
	£	£
Allotted, called up and fully paid		
£1 Ordinary Shares	-	-
£0.01 Ordinary A shares	146	146
£0.01 Ordinary B shares	48	48
	<hr/>	<hr/>
	194	194
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On 9th June 2003 M Sharman and S Quinney, current directors of the Company, entered into a shareholders' agreement with the parent Company, Connells Limited. At that date Messrs Sharman and Quinney each held 2,425 ordinary "B" 1p shares in Sharman Quinney Holdings Limited.

The shareholders' agreement includes an option entitling the ordinary "B" shareholders to require Connells Limited to purchase their shares at a price to be determined by an independent valuation of the company. This option can be exercised at various dates after 8 June 2006.

15. Reserves and movement in shareholders funds

	Profit and Loss £'000
At 1 January 2004	758
Retained profit for the financial year	763
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At 31 December 2004	1,521
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SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16. Financial commitments

(a) Capital commitments

Capital commitments at 31 December 2004 for which no provision has been made were as follows:

	2004 £000	2003 £000
Contracted but not provided for	-	-

(b) Contingent liabilities:

There were no known material contingent liabilities at 31 December 2004 (2003: £nil).

17. Operating leases

At 31 December 2004, the company has annual commitments under non cancellable operating leases as follows:

	2004 Land and buildings £000	2003 Land and buildings £000
Expiring within one year	28	7
Expiring in two to five years	85	51
Expiring after five years	84	99
	<hr/>	<hr/>
	197	157

The majority of leases of land and buildings are subject to periodic rent reviews.

SHARMAN QUINNEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. Pensions

Defined contribution schemes

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 profit and loss account in respect of the stakeholder pension schemes is the contribution payable in the year and amounted to £5,544 (2003: £2,907). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19. Related party transactions

During the year, expenses of £63,117 (2003: £13,000) have been borne by Connells Residential, a fellow subsidiary of Connells Limited, and recharged to Sharman Quinney Holdings Limited. There are no other related party transactions.

20. Parent undertakings

The company's immediate parent company is Connells Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking is Skipton Building Society, registered in the United Kingdom.

A copy of the group annual report and accounts is available from:

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