

SC48530

Edinburgh Solicitors' Property Centre Limited

(A Company Limited by Guarantee and Not Having a Share Capital)

Report and Financial statements

31 May 2006

 ERNST & YOUNG



Directors' report

Directors

R M Stimpson (Chairman)
D E Paterson
A Cubie
R Loudon
L H Urquhart (appointed 01/10/05)
S A Brown (appointed 20/03/06)

Secretary

Bruce Spence

Registered no.

48530

Registered office

85 George Street
Edinburgh
EH2 3ES

The directors present their report for the year ended 31 May 2006

Results

The directors submit the audited financial statements of the group for the year ended 31 May 2006. The loss for the year, after taxation, amounted to £311,246 (2005 £494,852 profit)

Activities and review of business developments

The principal activity of the company is the provision of any service which may assist solicitors in their business generally and, in particular, in the selling of residential property. This is accomplished by display of particulars for sale of such properties, the supply of such particulars to the public and the publication of "Homepages" and through the ESPC website "espc.com"

Due to a change in the Company's operating model in Fife and Central, the Falkirk and Kirkcaldy showrooms were deemed to be surplus to requirement and were closed. The property in Kirkcaldy has been sold during the year. Property services continue to be offered by member firms in partnership with the Company in the Falkirk and Kirkcaldy area.

The Group has started to construct a new property marketing platform to reflect anticipated structural changes in our core market.

The Corporate Communication department was disbanded in May 2006 and the functions provided by that department have been reallocated to the remaining departments or outsourced as appropriate.

Directors

The current directors of the company are those listed above. Ms L Urquhart and Mr S A Brown were appointed directors on 1 October 2005 and 20 March 2006 respectively.

Financial risk management policy

The Group's principal financial instruments comprise cash, cash equivalents and member firm loans. Other financial assets and liabilities, such as trade creditors and group balances, arise directly from the Group's operating activities. The main risks associated with the Group's financial assets and liabilities are set out below.

Directors' report (continued)

Interest Rate Risk

The Group invests surplus cash in a floating rate interest yielding bank deposit account. No interest is charged on member firm loans. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. However, the exposure is reduced as these cash flows largely offset each other.

Price Risk

There is no significant exposure to changes in the carrying value of financial liabilities.

Credit Risk

The Group aims to minimise credit risk by constant monitoring to ensure that credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy credit check procedures.

Liquidity Risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations. Capital expenditure is approved at board level. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts.

Foreign Currency Risk

The Group currently has no foreign currency transactions. It is therefore not currently exposed to movements in foreign currency rates.

Directors' statement as to disclosure of information to Auditors

The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Bruce Spence
Secretary

20/10/2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Edinburgh Solicitors' Property Centre Limited

We have audited the group and parent company financial statements (the "financial statements") of Edinburgh Solicitors' Property Centre Limited for the year ended 31 May 2006 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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 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 are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with the financial statements.

We also 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2006 and of the group's loss for the year then ended,

Independent auditors' report

to the members of Edinburgh Solicitors' Property Centre Limited

- 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

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Edinburgh

23 October 2006

Group profit and loss account

for the year ended 31 May 2006

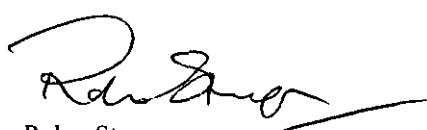
	Notes	2006 £	2005 £
Turnover	2	9,082,772	8,840,036
Operating charges	3(a)	9,401,416	8,232,388
Operating (loss)/profit	4	(318,644)	607,648
Gain on sale of tangible fixed assets		13,137	
Restructuring costs		(148,485)	
Interest payable	5	(79)	(1,409)
Interest receivable	6	34,056	50,091
(Loss)/profit on ordinary activities before taxation		(420,015)	656,330
Tax on (loss)/profit on ordinary activities	7	108,769	(161,478)
(Loss)/profit for the year		(311,246)	494,852

There are no recognised gains or losses other than the loss for the year

Group balance sheet

at 31 May 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	9		33,055
Tangible assets	10	1,173,646	1,286,225
		<u>1,173,646</u>	<u>1,319,280</u>
Current assets			
Debtors	11	1,324,674	1,108,407
Cash at bank and in hand		329,568	1,134,780
		<u>1,654,242</u>	<u>2,243,187</u>
Creditors amounts falling due within one year	12	1,150,609	1,534,021
Net current assets		<u>503,633</u>	<u>709,166</u>
Total assets less current liabilities		<u>1,677,279</u>	<u>2,028,446</u>
Creditors: amounts falling due after more than one year	13	111,451	140,602
Provisions for liabilities and charges	14	151,291	162,061
		<u>1,414,537</u>	<u>1,725,783</u>
Reserves			
Profit and loss account	15	<u>1,414,537</u>	<u>1,725,783</u>



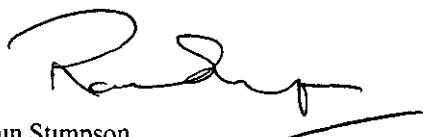
Robin Stimpson
Director

20/10/2006

Company balance sheet

at 31 May 2006

	Notes	2006 £	2005 £
Current assets			
Debtors	11	597,767	597,767
Total assets less current liabilities		<u>597,767</u>	<u>597,767</u>
Reserves			
Profit and loss account	15	<u>597,767</u>	<u>597,767</u>



Robin Stimpson
Director

20/10/2006

Group cash flow statement

for the year ended 31 May 2006

	Notes	2006 £	2005 £
Net cash (outflow)/inflow from operating activities	3(b)	(213,421)	951,930
Returns on investment and servicing of finance			
Interest paid		(79)	(1,409)
Interest received		34,056	50,091
Net cash inflow from returns on investments and servicing of finance		33,977	48,682
Taxation		(216,347)	(190,195)
Capital expenditure			
Payments to acquire intangible assets			(27,000)
Payments to acquire tangible fixed assets		(492,909)	(650,364)
Receipts from sales of tangible fixed assets		94,300	794
Net cash outflow for capital expenditure		(398,609)	(676,570)
Net cash (outflow)/inflow before financing		(794,400)	133,847
Financing	16	(10,812)	(42,621)
(Decrease)/Increase in cash		(805,212)	91,226

Reconciliation of net cash flow to movement in net funds

	£	£
(Decrease)/Increase in cash	(805,212)	91,226
Cash outflow from financing	10,812	42,621
Change in net funds resulting from cash flows	(794,400)	133,847
Net funds at 31 May 2005	972,827	838,980
Net funds at 31 May 2006	178,427	972,827

Notes to the financial statements

at 31 May 2006

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Basis of consolidation

The group profit and loss account includes the results of the company and its subsidiary undertakings

No company profit and loss account is presented for Edinburgh Solicitors' Property Centre Limited as provided for in Section 230 of the Companies Act 1985

Depreciation

The cost of fixed assets is written off by equal annual instalments over their expected useful lives as follows

Computer software	3 years
Motor vehicles	4 years
Computer equipment	5 years
Office fittings, equipment and improvements	5 years
Tenants' improvements	10 years, or duration of lease if shorter
Heritable property	50 years

Intangible assets

Intangible assets are stated at cost. Amortisation is being provided at rates calculated to write off the cost of the assets over their estimated useful life as follows

Goodwill	3 years
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Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets (with no likely subsequent roll over and/or available capital losses)
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 May 2006

1 Accounting policies

(continued)

Leasing and hire purchase

Assets held under finance leases, which are leases where substantially all of the rewards and risks of ownership have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Lease premiums

Lease premiums received are credited to the profit and loss account over the period of the lease.

Pensions

The group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover represents the value, excluding VAT, of subscriptions, registrations, other fees and advertising income received by the group.

3. Operating charges

(a)	2006 £	2005 £
Wages and salaries	3,517,561	3,023,617
Social security costs	337,633	290,064
Other pension costs	207,242	172,647
Depreciation of owned fixed assets	519,320	404,254
Depreciation of fixed assets on hire purchase	5,005	20,986
Amortisation	33,055	39,667
Printing and distribution	642,218	642,411
Other operating charges	4,139,382	3,638,742
	<u>9,401,416</u>	<u>8,232,388</u>
Average number of employees during the year	173	175
(b) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities		
	2006 £	2005 £
Operating (loss)/profit	(318,644)	607,648
Depreciation	524,325	425,240
Amortisation	33,055	39,667
(Increase) in debtors	(117,598)	(372,349)
(Decrease)/Increase in creditors	(186,074)	251,724
Restructuring Costs	(148,485)	
Net cash (outflow)/inflow from operating activities	<u>(213,421)</u>	<u>951,930</u>

Notes to the financial statements

at 31 May 2006

4. Operating (loss)/profit

This is stated after charging

	2006 £	2005 £
Auditors' remuneration	14,200	14,200
Management fee	103,600	101,057
Directors' fees		22,050
	<u>117,800</u>	<u>137,307</u>

The management fee is paid to firms of which the directors are partners. The directors do not consider that these transactions fall within Schedule 6 of the Companies Act 1985.

5. Interest payable

	2006 £	2005 £
Bank interest	79	289
HP interest		1,120
	<u>79</u>	<u>1,409</u>

6. Interest receivable

	2006 £	2005 £
Bank interest	34,056	50,091
	<u>34,056</u>	<u>50,091</u>

7. Tax on (loss)/profit on ordinary activities

a) The credit based on the (loss)/profit for the year comprises

	2006 £	2005 £
UK corporation tax @ 30% (2005 30%)	82,705	(226,489)
Adjustments relating to prior years	68,286	22,715
	<u>150,991</u>	<u>(203,774)</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences	(42,222)	42,296
	<u>108,769</u>	<u>(161,478)</u>

Notes to the financial statements

at 31 May 2006

7. Tax on (loss)/profit on ordinary activities

(continued)

b) Factors affecting the tax credit/charge for the year

The tax credited for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

	£	£
(Loss)/profit on ordinary activities before tax	(420,015)	656,330
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	126,004	(196,899)
Effect		
Disallowed expenses and non taxable income	(37,214)	(29,873)
Capital allowances in excess of depreciation	(20,732)	8,695
Short term timing differences	3,963	(21,090)
Adjustments in respect of previous periods	68,286	22,715
Marginal rate relief		12,678
Unrelieved tax losses carried forward	(3,743)	
Difference in tax rates on losses carried forward	6,944	
Capital gains (effects of indexation, rebasing, etc)	7,483	
Current tax credit/(charge) for the year	150,991	(203,774)

c) Factors that may affect future tax charges

Deferred tax assets of £34,263 (2005 £59,813) have not been recognised in the financial statements £24,425 (2005 £6,549) of the asset arises in respect of accelerated capital allowances £6,065 (2005 £nil) relates to other timing differences and is recoverable against future taxable profits. The remaining £3,773 (2005 £53,264) asset arises from trading losses and is only recoverable against future trading profits arising from the Solicitors Property Shops division.

8. Investments

The company has invested in two subsidiary undertakings, ESPC (UK) Limited and Solicitors Property Shops Limited, both companies being registered in Scotland. No payment has yet been made for share capital issued of £1,000 and £2 respectively. ESPC (UK) Limited owns a subsidiary undertaking called David Carson Associates Limited, a company registered in Scotland.

On 22 May 2006, ESPC (UK) Limited purchased 100% of the 1,000 £1 authorised shares in a newly incorporated entity, MoveMachine Limited.

Notes to the financial statements

at 31 May 2006

9. Intangible fixed assets

	<i>Goodwill</i> £
Cost	
At 31 May 2005	119,000
Acquired during the year	
At 31 May 2006	119,000
Amortisation	
At 31 May 2005	85,945
Charge for year	33,055
	119,000
Net book value	
At 31 May 2006	
	33,055

Notes to the financial statements

at 31 May 2006

10. Tangible fixed assets

Group	Land and buildings £	Tenants improvements £	Office equipment £	Fixtures & fittings £	Computer equipment £	Computer software £	Motor vehicles £	Total £
Cost								
At 31 May 2005	106 141	1 229 996	223,640	195 821	607 764	1,075 250	13 915	3,452 527
Additions	-	-	59,942	12 103	58,024	362,840	-	492 909
Disposals	(106,141)	-	(416)	-	(4 801)	(7 349)	-	(118,707)
At 31 May 2006	-	1 229 996	283,166	207 924	660 987	1 430,741	13 915	3,826 729
Depreciation								
At 31 May 2005	24,944	615,115	187 305	154 454	455 453	715 116	13 915	2,166 302
Charge for year	-	89 731	24,332	15 632	60,186	334,444	-	524 325
Disposals	(24,944)	-	(405)	-	(4 801)	(7 394)	-	(37,544)
At 31 May 2006	-	704,846	211,232	170 086	510,838	1,042 166	13 915	2 653 083
Net book amounts								
31 May 2006	-	525,150	71 934	37 838	150 149	388 575	-	1,173,646
31 May 2005	81 197	614 881	36,335	41 367	152,311	360 134	-	1,286 225

Included within motor vehicles are assets acquired under hire purchase contracts with a cost of £13,915 and a written down value of £Nil
Included within computer systems are assets acquired under hire purchase contracts with a cost of £133 603 and a written down value of £Nil

Notes to the financial statements

at 31 May 2006

11. Debtors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£	£	£	£
Amount due from subsidiary undertaking			597,767	597,767
Trade debtors	909,183	688,106		
Prepayments	251,754	258,243		-
Other debtors	22,888	119,878		
Deferred tax		42,180		-
Corporation tax	140,849			
	<u>1,324,674</u>	<u>1,108,407</u>	<u>597,767</u>	<u>597,767</u>

The amount due from the subsidiary undertaking is due after more than one year

12. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	244,596	397,917		
Social security and other taxation	301,101	349,683		
Corporation tax		226,489		
Accruals	526,281	452,537		
Other creditors	15,414	28,296		
Accrued income	63,218	79,099		
	<u>1,150,609</u>	<u>1,534,021</u>	<u></u>	<u></u>

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

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£	£	£	£
Accruals	<u>111,451</u>	<u>140,602</u>	<u></u>	<u></u>

Notes to the financial statements

at 31 May 2006

14. Provisions for liabilities and charges

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£	£	£	£
Payments in advance	140,641	140,953		
Subscriptions in advance	10,500	21,000		
Deferred tax in relation to accelerated capital allowances	150	108		
	<u>151,291</u>	<u>162,061</u>		

15. Movements in reserves

	<i>Group</i>		<i>Company</i>	
	2006	2005	2006	2005
	£	£	£	£
Balance at 31 May 2005	1,725,783	1,230,931	597,767	597,767
(Loss)/profit for the year	(311,246)	494,852		
	<u>1,414,537</u>	<u>1,725,783</u>	<u>597,767</u>	<u>597,767</u>

16. Analysis of changes in net Funds

	31 May 2005	Cashflow	31 May 2006
	£	£	£
Cash at bank and in hand	1,134,780	(805,212)	329,568
Payments in advance	(140,953)	312	(140,641)
Subscriptions in advance	(21,000)	10,500	(10,500)
	<u>972,827</u>	<u>(794,400)</u>	<u>178,427</u>