

# **Edinburgh Solicitors' Property Centre Limited**

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

## **Report and Financial statements**

31 May 2005



## Directors' report

### Directors

R M Stimpson (Chairman)  
D E Paterson  
A Cubie  
R Loudon  
L Urquhart

### 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 2005.

### Results

The directors submit the audited financial statements of the group for the year ended 31 May 2005. The profit for the year, after taxation, amounted to £494,852 (2004: £374,564).

### 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 Stirling showroom was deemed to be surplus to requirements and was closed. Property services continue to be offered by member firms in partnership with the Company in the Stirling area.

### Directors

The current directors of the company are those listed above. Mr J G Clark was a director until his resignation on 1 May 2005. Mr K Peddie was a director until his resignation on 27 September 2005. Ms L Urquhart was appointed as a director on 1 October 2005.

### 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



Secretary

10 October 2005

## Statement of directors' responsibilities in respect of the financial statements

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's financial statements for the year ended 31 May 2005 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 16. These financial statements have been prepared on the basis of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group 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 United Kingdom 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the company and of the group as at 31 May 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Edinburgh

*10 October 2005*

## Group profit and loss account

for the year ended 31 May 2005

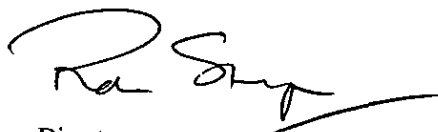
	Notes	2005 £	2004 £
<b>Turnover</b>	2	8,840,036	7,396,415
Operating charges	3(a)	8,232,388	6,834,201
<b>Operating profit</b>	4	607,648	562,214
Interest payable	5	(1,409)	(4,187)
Interest receivable	6	50,091	24,671
<b>Profit on ordinary activities before taxation</b>		656,330	582,698
Tax on profit on ordinary activities	7	161,478	208,134
<b>Profit for the year</b>		494,852	374,564

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

## Group balance sheet

at 31 May 2005

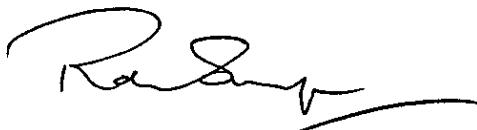
	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Intangible assets	9	33,055	72,722
Tangible assets	10	1,286,225	1,061,895
		<u>1,319,280</u>	<u>1,134,617</u>
<b>Current assets</b>			
Debtors	11	1,108,407	693,878
Cash at bank and in hand		1,134,780	1,043,554
		<u>2,243,187</u>	<u>1,737,432</u>
<b>Creditors:</b> amounts falling due within one year	12	1,534,021	1,375,277
<b>Net current assets</b>		<u>709,166</u>	<u>362,155</u>
<b>Total assets less current liabilities</b>		<u>2,028,446</u>	<u>1,496,772</u>
<b>Creditors:</b> amounts falling due after more than one year	13	140,602	70,301
<b>Provisions for liabilities and charges</b>	14	162,061	195,540
		<u>1,725,783</u>	<u>1,230,931</u>
<b>Reserves</b>			
Profit and loss account	15	<u>1,725,783</u>	<u>1,230,931</u>

  
Director  
10 October 2005

## Company balance sheet

at 31 May 2005

	Notes	2005 £	2004 £
<b>Current assets</b>			
Debtors	11	597,767	597,767
Total assets less current liabilities		<u>597,767</u>	<u>597,767</u>
<b>Reserves</b>			
Profit and loss account	15	<u>597,767</u>	<u>597,767</u>



Director

10 October 2005

## Group cash flow statement

for the year ended 31 May 2005

	Notes	2005 £	2004 £
<b>Net cash inflow from operating activities</b>	3(b)	951,930	1,355,544
<b>Returns on investment and servicing of finance</b>			
Interest paid		(1,409)	(4,187)
Interest received		50,091	24,671
<b>Net cash inflow from returns on investments and servicing of finance</b>		48,682	20,484
<b>Taxation</b>		(190,195)	(234,366)
<b>Capital expenditure</b>			
Payments to acquire intangible assets		(27,000)	(44,000)
Payments to acquire tangible fixed assets		(650,364)	(451,555)
Receipts from sales of tangible fixed assets		794	8,360
<b>Net cash outflow for capital expenditure</b>		(676,570)	(487,195)
<b>Net cash inflow before financing</b>		133,847	654,467
<b>Financing</b>	16	(42,621)	(60,216)
<b>Increase in cash</b>		91,226	594,251

### Reconciliation of net cash flow to movement in net funds

	£	£
Increase in cash	91,226	594,251
Cash outflow from financing	42,621	60,216
Change in net funds resulting from cash flows	133,847	654,467
Net funds at 31 May 2004	838,980	184,513
Net funds at 31 May 2005	972,827	838,980



## Notes to the financial statements

at 31 May 2005

### 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
----------	---------

#### *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 2005

### 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)	2005 £	2004 £
Wages and salaries	3,023,617	2,663,840
Social security costs	290,064	233,852
Other pension costs	172,647	143,453
Depreciation of owned fixed assets	404,254	304,526
Depreciation of fixed assets on hire purchase	20,986	25,568
Amortisation	39,667	42,388
Printing and distribution	642,411	548,069
Other operating charges	3,638,742	2,872,505
	<u>8,232,388</u>	<u>6,834,201</u>
Average number of employees during the year	<u>175</u>	<u>151</u>
(b) Reconciliation of operating profit to net cash inflow from operating activities		
	2004 £	2003 £
Operating profit	607,648	562,214
Depreciation	425,240	330,094
Amortisation	39,667	42,388
(Gain)/loss on sale of tangible fixed assets	-	(2,313)
(Increase)/Decrease in debtors	(372,349)	48,828
Increase in creditors	251,724	374,333
Net cash inflow from operating activities	<u>951,930</u>	<u>1,355,544</u>

## Notes to the financial statements

at 31 May 2005

### 4. Operating profit

This is stated after charging:

	2005	2004
	£	£
Auditors' remuneration	14,200	14,200
Management fee	79,007	80,833
(Profit)/loss on disposal of fixed assets	-	(2,313)
Directors' fees	22,050	17,167
	<u>22,050</u>	<u>17,167</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. Directors' emoluments £Nil.

### 5. Interest payable

	2005	2004
	£	£
Bank interest	289	17
HP interest	1,120	4,170
	<u>1,409</u>	<u>4,187</u>

### 6. Interest receivable

	2005	2004
	£	£
Bank interest	50,091	24,671
	<u>50,091</u>	<u>24,671</u>

### 7. Tax on profit on ordinary activities

a) The charge based on the profit for the year comprises:

	2005	2004
	£	£
UK corporation tax @ 30 % (2004: 30%)	226,489	229,775
Adjustments relating to prior years	(22,715)	(21,865)
Total current tax	<u>203,774</u>	<u>207,910</u>
Deferred tax:		
Origination and reversal of timing differences	(42,296)	224
	<u>161,478</u>	<u>208,134</u>

## Notes to the financial statements

at 31 May 2005

### 7. Tax on profit on ordinary activities

(continued)

#### b) Factors affecting the tax charge for the year

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

	£	£
Profit on ordinary activities before tax	656,330	582,698
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	196,899	174,809
Effect:		
Disallowed expenses and non-taxable income	29,873	25,442
Capital allowances in excess of depreciation	(8,695)	(1,376)
Short term timing differences	21,090	28,620
Adjustments in respect of previous periods	(22,715)	(21,865)
Marginal rate relief	(12,678)	2,280
Current tax charge for the year	<u>203,774</u>	<u>207,910</u>

#### c) Factors that may affect future tax charges

The deferred tax asset of £42,180 recognised in the financial statements is in relation to other timing differences.

Deferred tax assets of £59,813 (2004: £101,546) have not been recognised in the financial statements as there is insufficient evidence as to their recoverability in the foreseeable future. £6,549 (2004: £18,174) of the asset arises in respect of accelerated capital allowances. £nil (2004: £30,108) relates to other timing differences and is recoverable against future taxable profits. The remaining £53,264 (2004: £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.

## Notes to the financial statements

at 31 May 2005

### 9. Intangible fixed assets

	<i>Goodwill</i> £
Cost:	
At 1 June 2004	119,000
Acquired during the year	-
	<hr/>
At 31 May 2005	119,000
Amortisation:	
At 1 June 2004	46,278
Charge for year	39,667
	<hr/>
Net book value:	85,945
At 31 May 2005	33,055
	<hr/> <hr/>
At 1 June 2004	72,722
	<hr/> <hr/>

## Notes to the financial statements

at 31 May 2005

### 10. Tangible fixed assets

Group	Land and buildings £	Tenants' improvements £	Office equipment £	Fixtures & fittings £	Computer equipment £	Computer software £	Motor vehicles £	Total £
Cost								
At 1 June 2004	106,141	1,197,734	206,636	171,896	502,117	635,053	13,915	2,833,492
Additions	-	32,262	20,700	23,925	133,280	440,197	-	650,364
Disposals	-	-	(3,696)	-	(27,633)	-	-	(31,329)
At 31 May 2005	106,141	1,229,996	223,640	195,821	607,764	1,075,250	13,915	3,452,527
Depreciation								
At 1 June 2003	22,821	519,371	173,088	139,535	416,165	486,702	13,915	1,771,597
Charge for year	2,123	95,744	17,601	14,919	66,439	228,414	-	425,240
Disposals	-	-	(3,384)	-	(27,151)	-	-	(30,535)
At 31 May 2005	24,944	615,115	187,305	154,454	455,453	715,116	13,915	2,166,302
Net book amounts								
31 May 2005	81,197	614,881	36,335	41,367	152,311	360,134	-	1,286,225
1 June 2004	83,320	678,363	33,548	32,361	85,952	148,351	-	1,061,895

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 £5,005.

## Notes to the financial statements

at 31 May 2005

### 11. Debtors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£	£	£	£
Amount due from subsidiary undertaking	-	-	597,767	597,767
Trade debtors	688,106	431,508	-	-
Prepayments	258,243	174,046	-	-
Other debtors	119,878	88,324	-	-
Deferred tax	42,180	-	-	-
	<u>1,108,407</u>	<u>693,878</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>	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	397,917	336,969	-	-
Social security and other taxation	349,683	374,264	-	-
Corporation tax	226,489	212,910	-	-
Accruals	452,537	321,264	-	-
Other creditors	28,296	54,738	-	-
Hire purchase obligations	-	9,258	-	-
Accrued income	79,099	65,874	-	-
	<u>1,534,021</u>	<u>1,375,277</u>	<u>-</u>	<u>-</u>

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

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£	£	£	£
Accruals	<u>140,602</u>	<u>70,301</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

at 31 May 2005

### 14. Provisions for liabilities and charges

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£	£	£	£
Payments in advance	140,953	146,400	-	-
Subscriptions in advance	21,000	48,916	-	-
Deferred tax in relation to accelerated capital allowances	108	224	-	-
	<u>162,061</u>	<u>195,540</u>	<u>-</u>	<u>-</u>

### 15. Movements in reserves

	<i>Group</i>		<i>Company</i>	
	2005	2004	2005	2004
	£	£	£	£
Balance at 31 May 2004	1,230,931	856,367	597,767	597,767
Profit for the year	494,852	374,564	-	-
	<u>1,725,783</u>	<u>1,230,931</u>	<u>597,767</u>	<u>597,767</u>

### 16. Analysis of changes in net Funds

	<i>31 May 2004</i>	<i>Cashflow</i>	<i>31 May 2005</i>
	£	£	£
Cash at bank and in hand	1,043,554	91,226	1,134,780
Payments in advance	(146,400)	5,447	(140,953)
Subscriptions in advance	(48,916)	27,916	(21,000)
Hire purchase obligation	(9,258)	9,258	-
	<u>838,980</u>	<u>133,847</u>	<u>972,827</u>