

SC48530

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

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

Report and Accounts

31 May 2002

 **ERNST & YOUNG**



Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

DIRECTORS' REPORT

DIRECTORS

R M Stimpson (Chairman)
P D Aiken
P J J Valente
J G Clark
D E Paterson
A Cubie

SECRETARIES

Morton Fraser
Solicitors

REGISTERED NO.

48530

REGISTERED OFFICE

85 George Street
Edinburgh
EH2 3ES

The directors present their report for the year ended 31 May 2002.

RESULTS

The directors submit the audited accounts of the group for the year ended 31 May 2002. The profit for the year, after taxation, amounted to £147,374 (2001: loss £458,535).

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".

On 1 June 2001 the trade and assets of Edinburgh Solicitors' Property Centre Limited and Solicitors' Property Shops Limited were transferred to ESPC (UK) Limited.

DIRECTORS

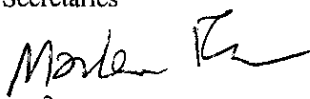
The directors of the company during the year ended 31 May 2002 were those listed above and Mr G B Clark who resigned on 31 December 2001. Mr J G Clark and Ms D E Paterson were appointed on 1 October 2001. Mr A Cubie was appointed on 1 January 2002.

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

Secretaries


9 October 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 accounts 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 2002 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

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.

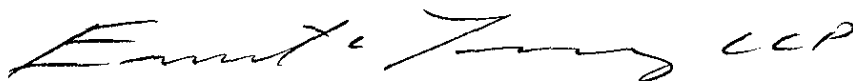
Basis of audit opinion

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 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Edinburgh

9 October 2002

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 May 2002

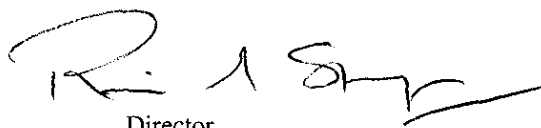
	Notes	2002 £	2001 £
TURNOVER	2	5,377,275	4,688,799
Operating charges	3(a)	5,182,437	5,200,740
OPERATING PROFIT/(LOSS)	4	194,838	(511,941)
Interest payable	5	(9,781)	(11,781)
Interest receivable	6	7,332	29,541
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		192,389	(494,181)
Tax on profit/(loss) on ordinary activities	7	45,015	(35,646)
PROFIT/(LOSS) FOR THE YEAR		147,374	(458,535)

There are no recognised gains or losses other than the profit/(loss) for the year.

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

GROUP BALANCE SHEET
at 31 May 2002

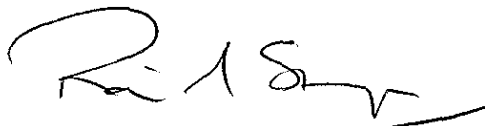
	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	638,247	665,516
CURRENT ASSETS			
Debtors	10	545,974	510,563
Cash at bank and in hand		308,690	284,738
		<u>854,664</u>	<u>795,301</u>
CREDITORS: amounts falling due within one year	11	821,733	847,776
NET CURRENT ASSETS/(LIABILITIES)		<u>32,931</u>	<u>(52,475)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>671,178</u>	<u>613,041</u>
CREDITORS: amounts falling due after more than one year	12	32,231	57,705
PROVISIONS FOR LIABILITIES AND CHARGES	13	171,356	235,119
		<u>467,591</u>	<u>320,217</u>
RESERVES			
Profit and loss account	14	<u>467,591</u>	<u>320,217</u>


Director
9 October 2002

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

COMPANY BALANCE SHEET
at 31 May 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	-	621,881
Investments	9	-	-
CURRENT ASSETS			
Debtors	10	597,767	471,783
Cash at bank and in hand		-	406,434
		<u>597,767</u>	<u>878,217</u>
CREDITORS: amounts falling due within one year	11	-	832,170
NET CURRENT ASSETS		<u>597,767</u>	<u>46,047</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>597,767</u>	<u>667,928</u>
CREDITORS: amounts falling due after more than one year	12	-	49,675
PROVISIONS FOR LIABILITIES AND CHARGES	13	-	20,486
		<u>597,767</u>	<u>597,767</u>
RESERVES			
Profit and loss account	14	<u>597,767</u>	<u>597,767</u>


Director
9 October 2002

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

GROUP CASH FLOW STATEMENT
for the year ended 31 May 2002

	Notes	2002 £	2001 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	3(b)	341,096	(215,798)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(9,781)	(11,781)
Interest received		7,332	29,526
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,449)	17,745
TAXATION		(14,437)	(53,068)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(214,113)	(192,972)
Receipts from sales of tangible fixed assets		2,385	18,502
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		(211,728)	(174,470)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING FINANCING	15	112,482 (88,530)	(425,591) (149,652)
INCREASE/(DECREASE) IN CASH		23,952	(575,243)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS			
		£	£
Increase/(decrease) in cash		23,952	(575,243)
Cash outflow from decrease in debt		-	94,189
Cash outflow from financing		88,530	55,463
Change in net funds resulting from cash flows		112,482	(425,591)
New hire purchase contracts		-	(121,750)
Net (debt)/funds at 31 May 2001		(61,157)	486,184
Net funds/(debt) at 31 May 2002		51,325	(61,157)

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

NOTES TO THE ACCOUNTS
at 31 May 2002

1. ACCOUNTING POLICIES

Accounting convention

The accounts 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

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.

FRS 19 'Deferred Taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. FRS 19 has been adopted in these accounts, and has not had a material impact on the company's results for the period.

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.

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.

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

NOTES TO THE ACCOUNTS
at 31 May 2002

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)	2002	2001
	£	£
Wages and salaries	1,740,855	1,500,094
Social security costs	151,187	133,654
Other pension costs	108,279	192,012
Depreciation of owned fixed assets	164,994	188,725
Depreciation of fixed assets on hire purchase	76,306	83,108
Printing and distribution	583,420	786,124
Other operating charges	2,357,396	2,031,295
Impairment of fixed assets	-	285,728
	<u>5,182,437</u>	<u>5,200,740</u>
Average number of employees during the year	<u>123</u>	<u>120</u>

(b) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	2002	2001
	£	£
Operating profit/(loss)	194,838	(511,941)
Depreciation	241,300	271,833
Impairment of fixed assets	-	285,728
Lease premium release	-	(58,537)
(Gain)/loss on sale of tangible fixed assets	(2,303)	74,833
Decrease in stock	-	1,117
(Increase) in debtors	(30,740)	(176,247)
(Decrease)/increase in creditors	(61,999)	(102,584)
Net cash inflow/(outflow) from operating activities	<u>341,096</u>	<u>(215,798)</u>

4. **OPERATING PROFIT/(LOSS)**

This is stated after charging:

	2002	2001
	£	£
Auditors' remuneration	11,950	10,000
Operating lease charges	-	6,334
Management fee	77,626	36,500
Secretarial fee	1,132	10,000

The management fee and the secretarial fee are 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.

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

NOTES TO THE ACCOUNTS
at 31 May 2002

5. INTEREST PAYABLE

	2002	2001
	£	£
Bank interest	1,632	1,966
HP interest	8,149	9,815
	<u>9,781</u>	<u>11,781</u>

6. INTEREST RECEIVABLE

	2002	2001
	£	£
Bank interest	7,332	29,513
Other interest	-	28
	<u>7,332</u>	<u>29,541</u>

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

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

	2002	2001
	£	£
UK corporation tax @ 30% (2001: 20%)	60,214	14,184
Adjustments relating to prior years	(4,418)	-
Total current tax	<u>55,796</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	(10,781)	(49,830)
	<u>45,015</u>	<u>(35,646)</u>

b) Factors affecting the tax charge for the year

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

	£	£
Profit/(loss) on ordinary activities before tax	194,838	(494,181)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	58,451	(148,254)
Effect:		
Disallowed expenses and non-taxable income	22,586	84,070
Capital allowances in excess of depreciation	(1,891)	36,003
Short term timing differences	10,781	49,457
Adjustments in respect of previous periods	(4,418)	-
Marginal rate relief	(29,983)	(7,092)
Current tax charge for the period	<u>55,796</u>	<u>14,184</u>

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

NOTES TO THE ACCOUNTS
at 31 May 2002

7. **TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**
(continued)

c) Factors that may affect future tax charges

Based on current plans the group expects to continue to benefit from marginal rate relief in the foreseeable future.

Deferred tax assets of £79,019 have not been recognised in the accounts as there is insufficient evidence as to their recoverability in the foreseeable future. £25,755 of the asset arises in respect of accelerated capital allowances and is recoverable against future taxable profits. The remaining £53,264 asset arises from trading losses and is only recoverable against future trading profits arising from the Solicitors Property Shops division.

Edinburgh Solicitors' Property Centre Limited **ERNST & YOUNG**
(A company limited by guarantee and not having a share capital)

NOTES TO THE ACCOUNTS
at 31 May 2002

8. TANGIBLE FIXED ASSETS

Group	Land and buildings	Tenants' improvements	Office equipment	Fixtures & fittings	Computer equipment	Computer software	Motor vehicles	Total
Cost	£	£	£	£	£	£	£	£
At 1 June 2001	106,141	1,608,369	286,298	-	781,651	-	98,985	2,881,444
Additions	-	24,011	6,297	3,273	36,017	144,515	-	214,113
Disposals	-	(381,151)	(9,214)	-	(97,104)	-	-	(487,469)
Transfers	-	-	-	-	(48,100)	48,100	-	-
At 31 May 2002	106,141	1,251,229	283,381	3,273	672,464	192,615	98,985	2,608,088
Depreciation								
At 1 June 2001	16,452	1,344,393	229,214	-	555,673	-	70,196	2,215,928
Charge for year	2,123	59,840	23,172	655	67,328	64,205	23,977	241,300
Disposals	-	(381,151)	(9,214)	-	(97,022)	-	-	(487,387)
Transfers	-	-	(752)	-	752	-	-	-
At 31 May 2002	18,575	1,023,082	242,420	655	526,731	64,205	94,173	1,969,841
Net book amounts								
31 May 2002	87,566	228,147	40,961	2,618	145,733	128,410	4,812	638,247
1 June 2001	89,689	263,976	57,084	-	225,978	-	28,789	665,516

NOTES TO THE ACCOUNTS
at 31 May 2002

8. TANGIBLE FIXED ASSETS
(continued)

Company	Heritable property	Tenants' improvements	Office furniture & equipment	Motor vehicles	Computer systems	Total
	£	£	£	£	£	£
Cost						
At 1 June 2001	106,141	1,226,630	251,784	34,178	746,198	2,364,931
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer to subsidiary undertaking	(106,141)	(1,226,630)	(251,784)	(34,178)	(746,198)	(2,364,931)
At 31 May 2002	-	-	-	-	-	-
Depreciation						
At 1 June 2001	16,452	963,183	205,928	22,786	534,701	1,743,050
Charge for year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfer to subsidiary undertaking	(16,452)	(963,183)	(205,928)	(22,786)	(534,701)	(1,743,050)
At 31 May 2002	-	-	-	-	-	-
Net book amounts						
31 May 2002	-	-	-	-	-	-
1 June 2001	89,689	263,447	45,856	11,392	211,497	621,881

Included within group motor vehicles are assets acquired under hire purchase contracts with a cost of £98,985 and a written down value of £4,812.

Included within group computer systems are assets acquired under hire purchase contracts with a cost of £156,984 and a written down value of £65,730.

Edinburgh Solicitors' Property Centre Limited
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NOTES TO THE ACCOUNTS
at 31 May 2002

9. **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.

10. **DEBTORS:** amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Amount due from subsidiary undertaking	-	-	597,767	-
Trade debtors	275,057	223,573	-	203,203
Prepayments	186,164	199,607	-	189,582
Other debtors	80,057	87,358	-	78,998
Taxation recoverable	4,696	25	-	-
	<u>545,974</u>	<u>510,563</u>	<u>597,767</u>	<u>471,783</u>

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

11. **CREDITORS:** amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Bank overdraft	-	-	-	98,599
Trade creditors	251,830	349,187	-	316,388
Social security and other taxation	224,340	137,219	-	128,611
Corporation tax	60,214	14,184	-	14,184
Accruals	157,126	174,538	-	149,499
Other creditors	11,737	44,131	-	40,087
Hire purchase obligations	53,778	63,852	-	39,008
Accrued income	62,708	64,665	-	45,794
	<u>821,733</u>	<u>847,776</u>	<u>-</u>	<u>832,170</u>

12. **CREDITORS:** amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Hire purchase obligations	<u>32,231</u>	<u>57,705</u>	<u>-</u>	<u>49,675</u>

Edinburgh Solicitors' Property Centre Limited
(A company limited by guarantee and not having a share capital)

NOTES TO THE ACCOUNTS
at 31 May 2002

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Payments in advance	171,356	224,338	-	-
Deferred taxation	-	10,781	-	20,486
	<u>171,356</u>	<u>235,119</u>	<u>-</u>	<u>20,486</u>

The components of the provision for deferred taxation are as follows:

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Accelerated capital Allowances	6,709	-	-	9,705
Other timing differences	(6,709)	-	-	-
Corporation tax on chargeable gain arising from relief under Section 154 of Capital Gains Tax Act 1992	-	10,781	-	10,781
	<u>-</u>	<u>10,781</u>	<u>-</u>	<u>20,486</u>

14. MOVEMENTS IN RESERVES

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Balance at 31 May 2000	320,217	778,752	597,767	818,499
Profit/(loss) for the year	147,374	(458,535)	-	(220,732)
	<u>467,591</u>	<u>320,217</u>	<u>597,767</u>	<u>597,767</u>

15. ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	<i>31 May 2001</i>	<i>New obligation</i>	<i>Cashflow</i>	<i>31 May 2002</i>
	£	£	£	£
Cash at bank and in hand	284,738	-	23,952	308,690
Payments in advance	(224,338)	-	52,982	(171,350)
Hire purchase obligation	(121,557)	-	35,548	(86,009)
	<u>(61,157)</u>	<u>-</u>	<u>112,482</u>	<u>51,325</u>