Company Registration No. SC048530 (Scotland)

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2018

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

COMPANY INFORMATION

Directors	Ann Fleming Andrew Diamond Craig Forster Alan Hartley Paul Hilton Gordon Kerr Alexander Pratt Susan Calder
Secretary	B Spence
Company number	SC048530
Registered office	90a George Street Edinburgh EH2 3DF
Auditor	RSM UK Audit LLP Chartered Accountants First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present their strategic report for the year ended 31 May 2018.

Fair review of the business

ESPC's results show a 2% decrease in the number of properties coming to market for sale in comparison to the previous year. Despite fierce competition from independent, online and hybrid estate agents, ESPC's market share continues to hold steady. The reduction in volume of properties being marketed by ESPC reflects lower sale volumes in the overall market, which can be probably be attributed to the continuing uncertain political situation and the increase in LBTT rates in the last few years, which continues to deter some sellers from moving. Many homeowners are choosing to stay put and extend their existing home in preference to moving.

In recent years, to reduce an over reliance on property marketing fee income, ESPC has adopted a strategy of core-diversification. The company focusses on new products and services which are closely linked with its membership and the property market sector. Examples are ESPC Mortgages and ESPC Lettings, and they both continue to be profitable elements of the business.

We have started to see evidence of the impact of a shift to digital marketing this year with a reduction in our income from the design and print of property marketing schedules. To combat this, we are continuing to develop our online schedule software in addition to growing our design consultancy offering.

ESPC remains invested in two joint venture businesses. Altis Legal offers an e-conveyancing solution to law firms, whilst BDP Technology is an estate agency software business.

In the short term, we generate income from Altis Legal under a management services agreement and in the long term we expect to generate dividends as the business grows. The uptake of Altis has been slower than expected, resulting in that business requiring a second round of funding from ESPC and our joint venture partners. A new business plan has been produced, the team has been restructured, and we have a new strategy of initially focusing on a small group of early adopters, all of which are ESPC firms. So far, the strategy of getting closer to a small group of firms is working with Altis recording its highest ever number of transactions in April and May. We remain confident that Altis will become a successful and profitable business venture for ESPC.

BDP now has an established customer base of 42 firms and is a cash generating business. It is looking to invest in additional developer resource over the next 12 months. This investment will allow it to increase the rate of future development and continue to work on ensuring the underlying technology remains scalable and robust.

Similar to the Altis arrangement, ESPC has benefitted from income under a management services agreement and in the longer term we expect to generate dividends from the business. Post-ESPC financial year-end, ESPC acquired the 50% share of BDP Technology owned by Barcroft Digital Limited and now wholly owns the company.

We reviewed the value of our investments in the joint ventures at the year-end, considering both discounted cash flow and software value, recognising both are longer term investments. We have processed an impairment of £420k in the year to 31 May 2018. This is an area of judgement and will be reviewed annually.

2017/2018 saw ESPC's highest ever annual marketing spend, with two high profile campaigns running in the Spring and Autumn. These campaigns promoted two key sales messages; ESPC Exclusive, and "Get More with ESPC".

We continue to face stiff competition from rival portals, but our ESPC Exclusive initiative, which sees properties listed on ESPC earlier than any other portal, has ensured we continue to cement our position as the first destination for buyers looking for property in Edinburgh, the Lothians, and Fife.

Our "Get more with ESPC" campaign was designed to highlight the 3% uplift in sale price an ESPC member agent achieves against home report valuation, compared with what independent estate agents achieve. This is a significant difference, translating to over £6,000 on a property valued at £220,000.

Additionally, to assist members in a highly competitive price sensitive marketplace, ESPC has developed a deferred marketing fee product for its members. Using its cash reserves, ESPC now allows members to list properties on ESPC and pay the marketing fee on sale of the property, withdrawal, or after 6 months. Around 25% of firms have signed up for the deferred product at the time of writing.

The group results again incorporate those of Glasgow Solicitors Property Centre Limited (GSPC) due to the number of common board directors. The GSPC registration income reduced significantly year on year resulting in further restructuring of that business. Post year end, further reduction in projected income levels resulted in the company entering liquidation on 21st August 2018. The remaining goodwill balance held in relation to GSPC has been impaired to £nil in these accounts.

Principal risks and uncertainties
Due to our current pricing model being on a 'per registration' basis, the main uncertainty that we face continues to be the level of activity in the property market. We monitor the market and our performance closely to allow us to react quickly to any changes which may impact us significantly.

As noted above, a high proportion of ESPC's revenue relies on our property marketing income which leaves us open to fluctuating annual results. Through cost control, efficient working practices and our continued core diversification we aim to reduce this reliance in the coming years.

Key performance indicators
In addition to the registration volumes, a key measure of our performance is our market share in both core and non-core areas. We monitor this internally and are pleased that our market share has remained consistent over the year confirming our belief that reduced volumes are being felt across the property resale market.

The impact of our core diversification strategy is being monitored closely. This year we saw 23% growth in turnover for ESPC Lettings and ESPC Mortgages income remained consistent with the previous year. This has contributed to the percentage of turnover derived from property marketing reducing from 65% in 2016/17 to 63% in 2017/18.

Our key financial aims are to operate in surplus appropriate for a member owned organization and ensure that we have a liquidity ratio greater than 1. The reported operating loss of the ESPC group for the year ended 31 May 2018 was £239,623. This figure includes both trading results and impairment of goodwill relating to GSPC. The core ESPC and Movemachine businesses show an underlying operating profit of £107k. At the balance sheet date our liquidity ratio was 1.35. Due to the length of payment terms we extend to our firms using our 'deferred marketing fee' product we calculate the liquidity ratio as cash as a ratio of creditors.

Future plans
Over the next year we plan to continue marketing the ESPC brand to allow us to remain relevant to buyers, sellers and solicitors. As well as using high impact marketing campaigns we will improve our technology offering. Continuing with our core diversification strategy we will strive to grow the non-core areas of our business in a sustainable manner.

On behalf of the board

....
Gordon Kerr
Director

Date: 27/11/18..........

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2018

The directors present their annual report and financial statements for the year ended 31 May 2018.

Principal activities
The principal activity of the company and group continued to be the provision of any service which may assist solicitors in their business generally and, in particular, in selling residential property.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ann Fleming
Andrew Diamond
Craig Forster
Alan Hartley
Paul Hilton
Gordon Kerr
Alexander Pratt
Susan Calder

Results and dividends
The results for the year are set out on page 7.

Auditor
RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....
Gordon Kerr
Director

Date: 27/11/18

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2018

The directors are responsible for preparing the Strategic Report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

Opinion

We have audited the financial statements of Edinburgh Solicitors' Property Centre Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2018 which comprise the consolidated statement of income and retained earnings, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

RSM UK Audit LLP

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
20/12/18

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2017 £
Turnover	3	9,409,801	10,336,227
Staff costs	4	(2,865,422)	(2,960,649)
Depreciation and other amounts written off tangible and intangible fixed assets	7	(294,608)	(179,395)
Other operating expenses		(6,489,394)	(7,166,279)
Operating (loss)/profit	7	(239,623)	29,904
Share of results of associates and joint ventures		(138,273)	(136,985)
Other interest receivable and similar income	8	26,766	29,726
Other interest payable and similar expenses	9	(278)	-
Other gains and losses	10	(328,953)	-
Loss before taxation		(680,361)	(77,355)
Taxation	11	36,326	(39,599)
Loss for the financial year	25	(644,035)	(116,954)
Retained earnings brought forward		3,581,767	3,698,721
Retained earnings carried forward		2,937,732	3,581,767

Company Registration No. SC048530

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Goodwill	13		-		111,914
Other intangible assets	13		50,358		96,890
Total intangible assets			50,358		208,804
Tangible assets	14		459,834		545,782
Investments	15		41,770		600,525
			551,962		1,355,111
Current assets					
Debtors	18	1,845,579		1,062,206	
Cash at bank and in hand		2,913,101		4,004,877	
		4,758,680		5,067,083	
Creditors: amounts falling due within one year	19	(2,158,506)		(2,576,912)	
Net current assets			2,600,174		2,490,171
Total assets less current liabilities			3,152,136		3,845,282
Creditors: amounts falling due after more than one year	20		-		(7,809)
Provisions for liabilities	21		(214,404)		(255,706)
Net assets			2,937,732		3,581,767
Capital and reserves					
Profit and loss reserves	25		2,937,732		3,581,767

The financial statements were approved by the board of directors and authorised for issue on 27/11/18 and are signed on its behalf by:

....
Gordon Kerr
Director

Company Registration No. SC048530

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Investments	**15**		10,000		10,000
Capital and reserves					
Profit and loss reserves	**25**		10,000		10,000

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £nil (2017: £nil).

The financial statements were approved by the board of directors and authorised for issue on 27/11/18 and are signed on its behalf by:

....

Gordon Kerr

Director

EDINBURGH SOLICITORS' PROPERTY CENTRE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	26		(1,102,783)		112,425
Interest paid			(278)		-
Income taxes paid			(56,796)		(177,464)
Net cash outflow from operating activities			(1,159,857)		(65,039)
Investing activities					
Purchase of intangible assets		(2,552)		(35,335)	
Proceeds on disposal of intangibles		444		-	
Purchase of tangible fixed assets		(52,562)		(110,730)	
Proceeds on disposal of tangible fixed assets		4,456		30,615	
Purchase of subsidiaries		-		14,136	
Proceeds on disposal of fixed asset investments		91,529		-	
Interest received		26,766		29,726	
Net cash generated from/(used in) investing activities			68,081		(71,588)
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(1,091,776)		(136,627)
Cash and cash equivalents at beginning of year			4,004,877		4,141,504
Cash and cash equivalents at end of year			2,913,101		4,004,877

1 Accounting policies

Company information
Edinburgh Solicitors' Property Centre Limited ("the company") is a private company limited by guarantee, and is registered, domiciled and incorporated in Scotland (SC048530). The registered office is 90a George Street, Edinburgh, Midlothian, EH2 3DF.

The group consists of Edinburgh Solicitors' Property Centre Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention modified to reflect fixed asset investments held at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

Basis of consolidation
The consolidated financial statements incorporate those of Edinburgh Solicitors' Property Centre Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries are consolidated using the purchase method and their results are incorporated from the date that control passes.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group. Where subsidiaries do not adopt accounting periods that are co-terminous with the group's, results and net assets are based upon accounts drawn up to the group's accounting reference date.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1 Accounting policies (Continued)

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Going concern
At the time of approving the financial statements, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover
Property marketing revenue is recognised over the period which services are provided. The services are deemed to be being provided from the date a registration is made active to the date a property ceases to be marketed with us. The average time to sell a property is reviewed bi-annually and this is considered a key judgement in note 2.

Property report income is recognised on provision of the home report service.

Membership fees are recognised over the period which the subscription covers.

Advertising and schedule income is recognised to the extent that the work has been completed in the period.

Property letting income is recognised in the period during which the management services are provided.

Commission income is recognised when the policy is approved and released by the relevant provider.

Other income consists of a number of items including income derived from management services agreements. All revenue of this nature is recognised in the period during which the services have been provided.

Intangible fixed assets - goodwill
Goodwill represents the excess of the cost of a business combination over the fair value of the net assets over which control was assumed. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite life and is amortised on a systematic basis over its expected useful life, which was deemed to be 44 months with reference to the terms of the funding and management agreement in place with Glasgow Solicitors' Property Centre Limited. GSPC was put into administration following the year end and as a result goodwill has been fully amortised in the year to 31 May 2018.

Intangible fixed assets other than goodwill
Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

1 Accounting policies (Continued)

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	3 years

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10 years, or duration of lease if shorter
Fixtures and fittings	5 years
Computers	2 - 5 years
Motor vehicles	5 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. The group's share of the results, other comprehensive income and equity of jointly controlled entities are accounted for using the equity method.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Other financial liabilities

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Provisions
Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits
For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases
Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provisions
The directors feel it is appropriate to hold provisions in relation to onerous leases and dilapidations. The onerous lease provision is recognised for the expected future cost of meeting obligations arising from onerous leases, discounted to present value. A dilapidations provision is held for the expected costs to be incurred on the expiry of property leases.

Revenue recognition
ESPC's policy is to bi-annually review how revenue is recognised to ensure that the period it is recognised over takes into consideration the average period of time a property sale may take.

Impairment of investment
The directors assess the value of the investment in the subsidiaries at each reporting date, considering future budgets and forecasts and the value of associated software which could be sold separately. Prior impairment losses as necessary.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Registrations	3,810,196	4,168,739
Advertising & schedule income	916,976	961,806
Member fees	151,792	161,078
Property reports	3,696,726	4,211,811
Other	391,358	422,267
Letting	313,852	267,384
Commissions	128,901	143,142
	9,409,801	10,336,227

3 Turnover and other revenue (Continued)

	2018	2017
	£	£
Other revenue		
Interest income	26,766	29,726

	2018	2017
	£	£
Turnover analysed by geographical market		
United Kingdom	9,409,801	10,336,227

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2018	2017	Company 2018	2017
	Number	Number	Number	Number
Sales	3	6	-	-
Administration	87	88	-	-
	90	94	-	-

Their aggregate remuneration comprised:

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Wages and salaries	2,506,057	2,598,013	-	-
Social security costs	222,861	223,916	-	-
Pension costs	136,504	138,720	-	-
	2,865,422	2,960,649	-	-

5 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	281,486	258,108
Company pension contributions to defined contribution schemes	17,759	15,570
	299,245	273,678

5 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018	2017
	£	£
Remuneration for qualifying services	139,700	133,337
Company pension contributions to defined contribution schemes	11,350	10,800

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

6 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and its associates:	£	£
For audit services		
Audit of the financial statements of the group and company	1,820	1,750
Audit of the financial statements of the company's subsidiaries	17,320	13,450
	19,140	15,200
For other services		
All other non-audit services	11,680	10,800

7 Operating (loss)/profit

	2018	2017
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	125,268	113,433
Loss/(profit) on disposal of tangible fixed assets	8,786	(26,963)
Amortisation of intangible assets	91,961	91,694
Impairment of intangible assets	68,593	-
Operating lease charges	375,804	368,673

8 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Interest on bank deposits	26,766	29,726

Disclosed on the income statement as follows:

	2018	2017
Other interest receivable and similar income	26,766	29,726

8 Interest receivable and similar income (Continued)

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	26,766	29,726

9 Interest payable and similar expenses

	2018	2017
	£	£
Other finance costs:		
Interest on finance leases and hire purchase contracts	278	-
Disclosed on the income statement as follows:		
Other interest payable and similar expenses	278	-

10 Other gains and losses

	2018	2017
	£	£
Gain on disposal of fixed asset investments	91,529	-
Other gains and losses (note 15)	(420,482)	-
	(328,953)	-

11 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	-	55,624
Adjustments in respect of prior periods	454	(12,391)
Total current tax	454	43,233
Deferred tax		
Origination and reversal of timing differences	(35,886)	(2,152)
Changes in tax rates	-	(1,125)
Adjustment in respect of prior periods	(894)	(357)
Total deferred tax	(36,780)	(3,634)
Total tax (credit)/charge for the year	(36,326)	39,599

11 Taxation (Continued)

The total tax (credit)/charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2018	2017
	£	£
Loss before taxation	(680,361)	(77,355)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(129,269)	(15,471)
Tax effect of expenses that are not deductible in determining taxable profit	192,848	382
Tax effect of income not taxable in determining taxable profit	(156,735)	-
Tax effect of utilisation of tax losses not previously recognised	53,585	-
Adjustments in respect of prior years	465	(12,391)
Other permanent differences	82	-
Deferred tax adjustments in respect of prior years	2,856	(1,123)
Fixed asset differences	3,861	4,116
Other differences	(4,019)	64,086
Taxation (credit)/charge for the year	(36,326)	39,599

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2018	2017
		£	£
In respect of:			
Goodwill	13	68,593	-
Joint ventures	15	420,482	-
Recognised in:			
Administrative expenses		68,593	-
Other gains and losses		420,482	-

13 Intangible fixed assets

Group	Goodwill	Software	Total
	£	£	£
Cost			
At 1 June 2017	158,845	1,758,829	1,917,674
Additions	-	2,552	2,552
Disposals	-	(6,370)	(6,370)
At 31 May 2018	158,845	1,755,011	1,913,856
Amortisation and impairment			
At 1 June 2017	46,931	1,661,939	1,708,870
Amortisation charged for the year	43,321	48,640	91,961
Impairment losses	68,593	-	68,593
Disposals	-	(5,926)	(5,926)
At 31 May 2018	158,845	1,704,653	1,863,498
Carrying amount			
At 31 May 2018	-	50,358	50,358
At 31 May 2017	111,914	96,890	208,804

The company had no intangible fixed assets at 31 May 2018 or 31 May 2017.

More information on the impairment arising in the year is given in note 12.

The amortisation of goodwill and software is recognised in profit or loss for the year and is included within 'depreciation and other amounts written off tangible and intangible fixed assets'.

14 Tangible fixed assets

Group	Leasehold improvements	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2017	637,493	110,983	260,025	23,068	1,031,569
Additions	7,740	9,982	34,840	-	52,562
Disposals	32,247	(16,570)	(39,378)	-	(23,701)
At 31 May 2018	677,480	104,395	255,487	23,068	1,060,430
Depreciation and impairment					
At 1 June 2017	299,724	46,742	130,477	8,844	485,787
Depreciation charged in the year	47,673	22,675	50,306	4,614	125,268
Eliminated in respect of disposals	32,247	(3,777)	(38,929)	-	(10,459)
At 31 May 2018	379,644	65,640	141,854	13,458	600,596
Carrying amount					
At 31 May 2018	297,836	38,755	113,633	9,610	459,834
At 31 May 2017	337,769	64,241	129,548	14,224	545,782

The company had no tangible fixed assets at 31 May 2018 or 31 May 2017.

15 Fixed asset investments

		Group		Company	
		2018	2017	2018	2017
	Notes	£	£	£	£
Investments in subsidiaries	16	-	-	10,000	10,000
Investments in joint ventures	17	33,270	592,025	-	-
Unlisted investments		8,500	8,500	-	-
		41,770	600,525	10,000	10,000

15 Fixed asset investments (Continued)

Movements in fixed asset investments

Group	**Shares in group undertakings and participating interests**	**Other investments other than loans**	**Total**
	£	**£**	**£**
Cost or valuation			
At 1 June 2017	592,025	8,500	600,525
Share of losses retained by joint venture	(138,273)	-	(138,273)
At 31 May 2018	453,752	8,500	462,252
Impairment			
At 1 June 2017	-	-	-
Impairment losses	420,482	-	420,482
At 31 May 2018	420,482	-	420,482
Carrying amount			
At 31 May 2018	33,270	8,500	41,770
At 31 May 2017	592,025	8,500	600,525

Movements in fixed asset investments

Company	**Shares in group undertakings**
	£
Cost or valuation	
At 1 June 2017 and 31 May 2018	10,000
Carrying amount	
At 31 May 2018	10,000
At 31 May 2017	10,000

16 Subsidiaries

Details of the company's subsidiaries at 31 May 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
DCA Media Limited	90a George Street, Edinburgh, Midlothian, EH2 3DF	Dormant	Ordinary		100
ESPC (UK) Limited	90a George Street, Edinburgh, Midlothian, EH2 3DF	Provision of business services in respect of selling of residential property	Ordinary	100	
MoveMachine Limited	90a George Street, Edinburgh, Midlothian, EH2 3DF	Production and marketing of property information reports	Ordinary		100
Solicitors Property Shops Limited	90a George Street, Edinburgh, Midlothian, EH2 3DF	Dormant	Ordinary	100	

All of the above named subsidiaries are included in these consolidated financial statements. DCA Media Limited and MoveMachine Limited are wholly owned subsidiaries of ESPC (UK) Limited.

By virtue of common control through Board representation, Glasgow Solicitors' Property Centre Limited and Glasgow Digital Print Limited are also included in the consolidation, both of which prepare their financial statements to 31 January. Control was in place throughout the full year. This company was put into administration following the year end. See note 29.

17 Joint ventures

Details of joint ventures at 31 May 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
BDP Technology Limited	90a George Street, Edinburgh, EH2 3DF	Business and domestic software development	Ordinary		50.00
Altis Legal Limited	90a George Street, Edinburgh, EH2 3DF	Online conveyancing platform	Ordinary		50.00

Following the year end ESPC (UK) Limited acquired the remaining share capital of BDP Technology Limited. See note 29.

18 Debtors

	Group 2018	2017	Company 2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	1,118,777	529,346	-	-
Amounts owed by undertakings in which the company has a participating interest	52,755	-	-	-
Other debtors	124,861	156,604	-	-
Prepayments and accrued income	432,719	349,746	-	-
	1,729,112	1,035,696	-	-
Deferred tax asset (note 23)	53,967	26,510	-	-
	1,783,079	1,062,206	-	-
Amounts falling due after more than one year:				
Amounts owed by undertakings in which the company has a participating interest	62,500	-	-	-
Total debtors	1,845,579	1,062,206	-	-

19 Creditors: amounts falling due within one year

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Trade creditors	714,532	778,315	-	-
Amounts due to undertakings in which the group has a participating interest	-	224,685	-	-
Corporation tax payable	-	56,342	-	-
Other taxation and social security	372,074	454,956	-	-
Other creditors	5,027	136,287	-	-
Accruals and deferred income	1,066,873	926,327	-	-
	2,158,506	2,576,912	-	-

There is a bond and floating charge by ESPC (UK) Limited over the whole of the assets of that company.

20 Creditors: amounts falling due after more than one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Accruals and deferred income	-	7,809	-	-

21 Provisions for liabilities

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Provision for dilapidations		107,537	103,278	-	-
Provision for onerous leases		72,702	108,940	-	-
		180,239	212,218	-	-
Deferred tax liabilities	23	34,165	43,488	-	-
		214,404	255,706	-	-

Movements on provisions apart from deferred tax liabilities:

Group	Provision for dilapidations £	Provision for onerous leases £	Total £
At 1 June 2017	103,278	108,940	212,218
Additional provisions in the year	4,259	-	4,259
Utilisation of provision	-	(36,238)	(36,238)
At 31 May 2018	107,537	72,702	180,239

A provision has been made for the expected costs to be incurred on the expiry of property leases.

A provision is recognised for the expected future costs of meeting obligations arising from onerous leases, discounted to present value.

22 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,217,770	550,640	n/a	n/a
Equity instruments measured at cost less impairment	41,770	600,525	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	1,524,080	1,787,697	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Accelerated capital allowances	34,165	43,488	-	-
Tax losses	-	-	24,655	-
Short term timing differences	-	-	29,312	26,510
	34,165	43,488	53,967	26,510

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2018 £	Company 2018 £
Liability at 1 June 2017	16,978	-
Credit to profit or loss	(36,780)	-
Liability/(asset) at 31 May 2018	(19,802)	-

The deferred tax asset of £53,967 (2017: £26,510) is expected to reverse within 12 months. Of this amount £24,655 relates to unused tax losses and £29,312 relates to the company's pension and holiday pay accruals.

The deferred tax liability of £34,165 (2017: £43,488) relates to accelerated capital allowances, of which £9,298 is expected to reverse within 12 months.

24 Retirement benefit schemes

Defined contribution schemes	2018 £	2017 £
Charge to profit or loss in respect of defined contribution schemes	136,504	138,720

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Reserves

Profit and loss reserves
Cumulative profit and loss net of distribution to owners.

26 Cash generated from group operations

	2018 £	2017 £
Loss for the year after tax	(644,035)	(116,954)
Adjustments for:		
Share of results of associates and joint ventures	138,273	136,985
Taxation (credited)/charged	(36,326)	39,599
Finance costs	278	-
Investment income	(26,766)	(29,726)
Loss/(gain) on disposal of tangible fixed assets	8,786	(26,963)
Amortisation and impairment of intangible assets	160,554	91,694
Depreciation and impairment of tangible fixed assets	125,268	113,433
Gain on sale of investments	(91,529)	-
Other gains and losses	420,482	-
(Decrease) in provisions	(31,979)	(7,835)
Movements in working capital:		
(Increase)/decrease in stocks	-	159
(Increase)/decrease in debtors	(755,916)	55,732
(Decrease) in creditors	(369,873)	(143,699)
Cash (absorbed by)/generated from operations	(1,102,783)	112,425

27 Operating lease commitments

Lessee
The company uses operating leases for properties.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018	2017	Company 2018	2017
	£	£	£	£
Within one year	386,966	386,966	-	-
Between one and five years	1,068,582	1,025,310	-	-
In over five years	358,333	573,333	-	-
	1,813,881	1,985,609	-	-

28 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel of the group, is as follows.

	2018	2017
	£	£
Aggregate compensation	318,451	284,831

Transactions with related parties
During the year the group entered into the following transactions with related parties:

	Recharged expenses 2018	2017	Loans made to 2018	2017
	£	£	£	£
Group				
Entities over which the entity has control, joint control or significant influence	660,277	120,767	62,500	-

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2018	2017
	£	£
Group		
Entities over which the group has control, joint control or significant influence	115,255	-

28 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	**2017 Balance £**
Group	
Entities over which the group has control, joint control or significant influence	224,675

Amounts due from related parties at the year end are unsecured and interest free, other than a balance of £32,500 which attracts interest at a rate of 3.5% per annum.

29 Events after the reporting date

Following the year end Glasgow Solicitors' Property Centre Limited, a company under control of the group, entered into liquidation.

On 9th July 2018 ESPC (UK) Limited acquired the remaining 50% of the share capital of BDP Technology Limited.