

FACULTY SERVICES LIMITED

**DIRECTORS' REPORT
and
FINANCIAL STATEMENTS**

Year ended 31 October 2000

8



FACULTY SERVICES LIMITED

Directors' report and financial statements

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FACULTY SERVICES LIMITED

NOTICE of MEETING

NOTICE is hereby given that the Annual General Meeting of Faculty Services Limited ("the company") will be held at The Advocates Library, Parliament Square, Edinburgh on 30 April 2001 at 4.15 p.m. for the following purposes.

1. To receive the directors' report and audited accounts for the year ended 31 October 2000
2. To appoint directors
3. To reappoint Chiene & Tait CA, as auditors and to authorise the directors to fix their remuneration.
4. To transact any other competent business of the company.

A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote. A proxy need not be a member of the company.

BY ORDER OF THE BOARD



L WILSON-JONES
Company Secretary

Edinburgh

FACULTY SERVICES LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and audited accounts for the year ended 31 October 2000

Activities

The principal activities of the company are the provision of clerical services for Counsel and the collection of fees due to them.

Review of the business

The results for the year are considered to be satisfactory by the directors. The company is expected to make further progress next year.

The directors recommend that no dividend be proposed and the retained profit for the year of £21,929 (1999: a profit of £7,216) be carried forward in the reserves.

Directors

The directors during the year were:

S N Brailford QC – appointed 16 February 2000

C J M Sutherland QC – resigned 1 February 2000

C M Campbell QC - Chairman

Andrina Lister

Susan Hastie – resigned 7 September 2000

E W Robertson - Advocate

On 29 November 2000 Antony Parker was appointed as a director of the company.

The directors' interest in the shares of the company were:

	As at 31 October 2000	As at 31 October 1999
C M Campbell	<u>1</u>	<u>1</u>

C M Campbell QC holds this share as trustee for the Faculty of Advocates.

As noted above, the principal activity of the company is to collect fees due to Counsel including those who are directors of the company.

Donation

During the year the company paid charitable donations to Faculty of Advocates, the parent undertaking, amounting to £120,000 (1999: £100,000).

FACULTY SERVICES LIMITED

DIRECTORS' REPORT (Contd.)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Chiene & Tait CA as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



C M Campbell QC
Chairman

Edinburgh

21 December 2000

Registered Office:
Advocates Library
Parliament House
Edinburgh
EH1 1RF

FACULTY SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 October 2000

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**REPORT OF THE AUDITORS TO THE MEMBERS OF
FACULTY SERVICES LIMITED**

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 October 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chiene & Tait

CHIENE & TAIT CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

21 December 2000

FACULTY SERVICES LIMITED

ACCOUNTING POLICIES

For the year ended 31 October 2000

Basis of financial statements

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

Cash flow statement

The company is exempt from preparing a cash flow statement on the grounds of its size.

Turnover

Turnover represents commissions received, excluding value added tax, in respect of the company's principal activities.

Depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Accounting and office machinery	4 years
Office furniture and fittings	10 years

Taxation

Provision for deferred taxation is made, using the liability method, where timing differences are expected to reverse in the foreseeable future between the treatment of certain items for taxation and accounting purposes.

Pensions

The company operates a defined benefit pension scheme. Pension costs, which have been determined in accordance with actuarial advice, are charged to profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

Leases

Operating lease charges are charged to the profit and loss account based on the terms in the lease agreements.

Government grants

Income from Government revenue grants is recognised when receipt of the grant is certain and matched to the relevant expenditure.

FACULTY SERVICES LIMITED**PROFIT and LOSS ACCOUNT****For the year ended 31 October 2000**

	Notes	£	2000 £	£	1999 £
Turnover			2,392,774		2,238,266
Staff costs	2	1,541,248		1,462,137	
Depreciation		112,568		124,801	
Other operating charges		804,539		723,756	
			<u>2,458,355</u>		<u>(2,310,694)</u>
Trading loss	1-3		(65,581)		(72,428)
Interest receivable	4		88,232		80,132
			<u>22,651</u>		<u>7,704</u>
Interest payable	5		(90)		(1)
Profit on ordinary activities before taxation			<u>22,561</u>		<u>7,703</u>
Taxation	6		(632)		(487)
Profit on ordinary activities after taxation			<u>21,929</u>		<u>7,216</u>
Balance on reserves brought forward			32,101		24,885
Balance on reserves carried forward			<u>54,030</u>		<u>32,101</u>

All disclosures relate only to continuing operations.

Other than the profit or loss for the financial year and the preceding year, there have been no recognised gains or losses.

FACULTY SERVICES LIMITED

BALANCE SHEET

As at 31 October 2000

	Notes	£	2000 £	£	1999 £
Tangible fixed assets	7		195,945		195,270
Current assets					
Debtors	8	213,101		179,564	
Cash at bank and in hand		1,089,787		1,461,545	
		<u>1,302,888</u>		<u>1,641,109</u>	
Creditors: Amounts falling due within one year	9	(1,423,471)		(1,782,722)	
Net current liabilities			(120,583)		(141,613)
Total assets less current liabilities			<u>75,362</u>		<u>53,657</u>
Provisions for liabilities and charges	10		(21,232)		(21,456)
Net assets			<u>54,130</u>		<u>32,201</u>
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account			54,030		32,101
Shareholders' funds	12		<u>54,130</u>		<u>32,201</u>

The financial statements were approved by the Board of Directors on 21 December 2000 and signed on its behalf by



CM Campbell QC
Director



FACULTY SERVICES LIMITED

Notes forming part of the financial statements

1. Trading loss	2000	1999
	£	£
Trading loss is stated after charging:		
Depreciation of tangible fixed assets	112,568	124,801
Rent payable	188,000	188,000
Hire of equipment	325	4,249
Auditors' remuneration – audit	5,125	5,125
- other	5,125	5,125
Gift aid	120,000	100,000
	<u>1,541,248</u>	<u>1,462,137</u>
2. Employees	2000	1999
	£	£
Staff costs:		
Wages, salaries and medical expenses	1,301,497	1,226,259
Social security costs	85,528	72,481
Other pension costs	154,223	163,397
	<u>1,541,248</u>	<u>1,462,137</u>
 Average monthly number of employees	 72	 69
	<u>72</u>	<u>69</u>
3. Directors' emoluments and nature of interest in transactions with the company	2000	1999
	£	£
Directors' emoluments	56,774	56,399
Company contributions to defined benefit pension schemes	7,848	8,291
	<u>64,622</u>	<u>64,690</u>

The four advocate directors received no emoluments from the company.

There were two directors (1999: two) with accrued pension benefits under defined benefits pension schemes.

In terms of the Scheme annexed to the Minute of Agreement between the company and The Faculty of Advocates dated 12 February 1971, the company undertakes, inter alia, the rendering of accounts for work done by practising advocates and the in gathering of fees payable for such work on an agency basis. Four advocate directors were subscribers to the Scheme during the year and had the same interest in the arrangement as every other subscriber.

FACULTY SERVICES LIMITED

Notes (continued)

4. Interest receivable

	2000 £	1999 £
Interest receivable from:		
Short term deposits	88,232	80,132

5. Interest payable

	2000 £	1999 £
Bank interest payable	90	1

6. Taxation

	2000 £	1999 £
UK corporation tax	632	487

7. Tangible fixed assets

	Accounting and office machinery £	Office furniture and fittings £	Total £
Cost			
At 31 October 1999	852,166	169,533	1,021,699
Additions	99,496	13,747	113,243
Disposals	(61,739)	-	(61,739)
At 31 October 2000	889,923	183,280	1,073,203
Depreciation			
At 31 October 1999	691,506	134,923	826,429
Charge for year	99,908	12,660	112,568
Disposals	(61,739)	-	(61,739)
At 31 October 2000	729,675	147,583	877,258
Net book value			
At 31 October 2000	160,248	35,697	195,945
At 31 October 1999	160,660	34,610	195,270

FACULTY SERVICES LIMITED

Notes (continued)

8. Debtors

	2000	1999
	£	£
Other debtors	11,347	17,627
Prepayments and accrued income	194,889	149,507
Pension costs prepaid	-	12,430
Due from parent undertaking	6,865	-
	<u>213,101</u>	<u>179,564</u>

9. Creditors: Amounts falling due within one year

	2000	1999
	£	£
Trade creditors	1,247,525	1,574,163
Corporation tax	632	487
Due to parent undertaking	35,447	57,251
Other taxation and social security	82,003	97,602
Accruals and sundry creditors	57,864	53,219
	<u>1,423,471</u>	<u>1,782,722</u>

10. Provisions

	2000	1999
	£	£
Bad debt provision	<u>21,232</u>	<u>21,456</u>

11. Share capital

	2000	1999
	£	£
Authorised		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

FACULTY SERVICES LIMITED

Notes (continued)

12. Reconciliation of shareholders' funds

	2000 £	1999 £
Shareholders' funds at 31 October 1999	32,201	24,985
Profit for year	21,929	7,216
Shareholders' funds at 31 October 2000	<u>54,130</u>	<u>32,201</u>

13. Operating leases

Commitments under operating leases to pay rentals analysed according to the period in which each lease expires, are as follows:

	2000 £	1999 £
Plant and machinery		
Expiring within one year	-	975
Expiring within two and five years	-	-
	<u>-</u>	<u>975</u>
Land and buildings		
Expiring after more than five years	188,000	188,000
	<u>188,000</u>	<u>188,000</u>

14. Pensions

The company operates a defined benefit pension scheme. Contributions are assessed by independent actuaries and employer and employee contributions currently equate to 17.5% of pensionable payroll. The funds are administered by trustees and invested in pooled funds with the Standard Life Assurance Company. The most recent actuarial valuation was on 6 April 1999 by an independent actuary.

The most recent actuarial valuation showed that the value of the scheme's assets was £5,387,000 and that the actuarial value of those assets represented 108% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The assets of the scheme have been valued using the discounted income approach and the liabilities have been valued using the Projected Unit Method. The main actuarial assumptions used were as follows:

Assumed rate of interest per annum earned on future investments	5.5%
Assumed rate of increase per annum in future salaries	4.0%
Assumed rate of retail price inflation	3.0%
Assumed rate of increase in post-retirement pensions	2.75%

The pension cost charged to profit and loss account represents the contributions payable by the company to the fund and amounted to £154,223 (1999: £163,397). There were no outstanding contributions at the year end.

15. Ultimate parent undertaking

The company is wholly owned by The Faculty of Advocates. The Faculty of Advocates is a charitable trust and its principal place of business is Parliament House, Parliament Square, Edinburgh.