

FACULTY SERVICES LIMITED

**DIRECTORS' REPORT
and
FINANCIAL STATEMENTS**

Year ended 31 October 2002



FACULTY SERVICES LIMITED

Directors' report and financial statements

Contents	Page
Notice of Meeting	1
Directors' Report	2 - 3
Statement of Directors' Responsibilities	4
Report of the Auditors to the Members of Faculty Services Limited	5
Accounting Policies	6
Profit and Loss Account	7
Balance Sheet	8
Notes	9 - 12

FACULTY SERVICES LIMITED

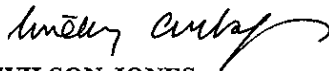
NOTICE of MEETING

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 28 April 2003 at 4.15p.m. for the following purposes.

1. To receive the directors' report and audited financial statements for the year ended 31 October 2002
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 financial statements for the year ended 31 October 2002.

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 loss for the year of £15,352 (2001: a profit of £27,600) be carried forward in the reserves.

Directors

The directors during the year were:

S N Brailsford QC

R L Martin QC (appointed 14 November 2001, resigned 28 November 2001)

G J B Moynihan QC (appointed 28 November 2001)

E W Robertson – Advocate (resigned 24 January 2002)

R Anderson QC (appointed 24 January 2002)

A Bolland QC (appointed 24 January 2002)

J R Campbell QC (appointed 24 January 2002)

P Cullen QC (appointed 24 January 2002)

D R Findlay QC (appointed 24 January 2002)

C MacAulay QC (appointed 24 January 2002)

R A McCreadie QC (appointed 24 January 2002)

J J Mitchell QC (appointed 24 January 2002)

J L Mitchell QC (appointed 24 January 2002)

W J Taylor QC (appointed 24 January 2002)

M J Bell – Advocate (appointed 24 January 2002)

K Forrest – Advocate (appointed 25 February 2002)

D O'Carroll – Advocate (appointed 25 February 2002)

J Speir – Advocate (appointed 24 January 2002)

A O Bishop (appointed 8 October 2002)

A Lister

A Longson (appointed 8 October 2002)

I J Murray (appointed 8 October 2002)

A E J Parker

K Roberston (appointed 8 October 2002)

A Telford (appointed 8 October 2002)

FACULTY SERVICES LIMITED

DIRECTORS' REPORT (Contd.)

Directors (contd.)

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

	As at 31 October 2002	As at 31 October 2001
G J B Moynihan QC	<u>1</u>	<u>-</u>

G J B Moynihan 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.

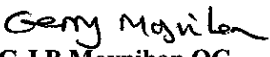
Donation

During the year the company paid charitable donations to Faculty of Advocates, the parent undertaking, amounting to Nil (2001: £90,000).

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


G J B Moynihan QC
Chairman

Edinburgh

19 December 2002

Registered Office:
Advocates Library
Parliament House
Edinburgh
EH1 1RF

FACULTY SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Year ended 31 October 2002

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 judgements 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.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

FACULTY SERVICES LIMITED

We have audited the financial statements of Faculty Services Limited for the year ended 31 October 2002 set out on pages 6 to 13. These financial statements have been prepared under the historical cost convention and 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 law and United Kingdom 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 company 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 judgements 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 the company's affairs as at 31 October 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

20.12 2002

FACULTY SERVICES LIMITED

PROFIT and LOSS ACCOUNT

For the year ended 31 October 2002

	Notes	£	2002 £	£	2001 £
Turnover			2,795,407		2,483,390
Staff costs	2	1,856,040		1,657,530	
Depreciation		118,543		114,935	
Other operating charges		912,839		766,040	
			<u>2,887,422</u>		<u>2,538,505</u>
Trading loss	1-3		(92,015)		(55,115)
Interest receivable	4		71,235		82,790
			<u>(20,780)</u>		<u>27,675</u>
Interest payable	5		-		(75)
(Loss)/profit on ordinary activities before taxation			<u>(20,780)</u>		<u>27,600</u>
Taxation	6		(5,428)		-
(Loss)/profit on ordinary activities after taxation			<u>(15,352)</u>		<u>27,600</u>
Balance on reserves brought forward			81,630		54,030
Balance on reserves carried forward			<u><u>66,278</u></u>		<u><u>81,630</u></u>

A statement of recognised gains and losses is not shown as all gains and losses are recognised in the profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.

FACULTY SERVICES LIMITED

BALANCE SHEET

As at 31 October 2002

	Notes	£	2002 £	£	2001 £
Tangible fixed assets	7		184,570		183,456
Current assets					
Debtors	8	148,582		131,445	
Cash at bank and in hand		1,101,461		1,132,015	
		<u>1,250,043</u>		<u>1,263,460</u>	
Creditors: Amounts falling due within one year	9	(1,368,235)		(1,365,186)	
Net current liabilities			(118,192)		(101,726)
Total assets less current liabilities			<u>66,378</u>		<u>81,730</u>
Capital and reserves					
Called up share capital	11		100		100
Profit and loss account			66,278		81,630
Equity shareholders' funds	12		<u>66,378</u>		<u>81,730</u>

The financial statements were approved by the Board of Directors on 19 December 2002 and signed on its behalf by

Gerry Moynihan
G J B Moynihan QC
 Chairman

The notes on pages 8 to 13 form part of these financial statements.

FACULTY SERVICES LIMITED

ACCOUNTING POLICIES

For the year ended 31 October 2002

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 that a cash flow statement is included within the consolidated financial statements of the group.

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:

Office equipment	4 years
Office furniture and fittings	10 years

Pensions

The company operates a defined benefit multi-employer 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.

Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS 19 'Deferred Tax'. Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. The company has not adopted a policy of discounting deferred tax assets and liabilities.

FACULTY SERVICES LIMITED

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 October 2002

1. Trading loss	2002	2001
	£	£
Trading loss is stated after charging:		
Depreciation of tangible fixed assets	118,543	114,935
Rent payable	188,000	188,000
Hire of equipment	937	525
Auditors' remuneration – audit	6,000	5,721
- other	4,630	5,721
Gift aid	-	90,000
	<u> </u>	<u> </u>

2. Employees

Staff costs:		
Wages, salaries and medical expenses	1,571,442	1,405,237
Social security costs	105,221	93,120
Other pension costs	179,377	159,173
	<u> </u>	<u> </u>
	1,856,040	1,657,530
	<u> </u>	<u> </u>
Average monthly number of employees	77	74
	<u> </u>	<u> </u>

3. Directors' emoluments and nature of interest in transactions with the company	£	£
Directors' emoluments	83,593	64,428
Company contributions to defined benefit pension schemes	9,917	7,820
	<u> </u>	<u> </u>
	93,510	72,248
	<u> </u>	<u> </u>

The eighteen QC and advocate directors received no emoluments from the company.

There were seven directors (2001: 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. All advocate directors were subscribers to the Scheme during the year and had the same interest in the arrangement as every other subscriber.

4. Interest receivable	2002	2001
	£	£
Interest receivable from:		
Short term deposits	71,235	82,790
	<u> </u>	<u> </u>

FACULTY SERVICES LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 October 2002

5. Interest payable	2002	2001
	£	£
Bank interest payable	-	75
	<u> </u>	<u> </u>
6. Taxation		
Analysis of charge in period		
Current tax:		
UK Corporation tax on result for the year	107	-
Deferred tax asset	(5,535)	-
	<u> </u>	<u> </u>
Total current tax	(5,428)	-
	<u> </u>	<u> </u>
Factors affecting tax charge for the year		
(Loss)/profit on ordinary activities before tax	(20,780)	27,600
	<u> </u>	<u> </u>
Expected tax charge at 4.14% (2001: 20%)	(860)	5,520
Effects of:		
Capital allowances for period in excess of depreciation	967	(5,520)
	<u> </u>	<u> </u>
	107	-
	<u> </u>	<u> </u>

7. Tangible fixed assets	Office equipment	Office furniture and fittings	Total
	£	£	£
Cost			
At 31 October 2001	961,712	185,515	1,147,227
Additions	103,433	16,224	119,657
Disposals	(1,790)	-	(1,790)
	<u> </u>	<u> </u>	<u> </u>
At 31 October 2002	1,063,355	201,739	1,265,094
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 31 October 2001	804,010	159,761	963,771
Charge for year	108,574	9,969	118,543
Disposals	(1,790)	-	(1,790)
	<u> </u>	<u> </u>	<u> </u>
At 31 October 2002	910,794	169,730	1,080,524
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 October 2002	152,561	32,009	184,570
	<u> </u>	<u> </u>	<u> </u>
At 31 October 2001	157,702	25,754	183,456
	<u> </u>	<u> </u>	<u> </u>

FACULTY SERVICES LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 October 2002

8. Debtors	2002	2001
	£	£
Trade debtors	11,593	19,292
Other debtors	3,694	7,375
Prepayments and accrued income	127,760	104,778
Deferred tax asset	5,535	-
	<u>148,582</u>	<u>131,445</u>

9. Creditors: Amounts falling due within one year

Trade creditors	1,192,228	1,185,771
Corporation tax	107	-
Due to parent undertaking	35,631	30,308
Other taxation and social security	59,341	85,130
Accruals and sundry creditors	80,928	63,977
	<u>1,368,235</u>	<u>1,365,186</u>

10. Deferred taxation

The company has included the deferred tax asset (note 8) arising from the interaction of depreciation and capital allowances. The directors are of the opinion that suitable profits will arise in the future against which this asset can be recovered.

11. Share capital

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>

12. Reconciliation of shareholders' funds

Shareholders' funds at 31 October 2001	81,730	54,130
(Loss)/profit for year	(15,352)	27,600
Shareholders' funds at 31 October 2002	<u>66,378</u>	<u>81,730</u>

FACULTY SERVICES LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 October 2002

13. Operating leases

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

	2002 £	2001 £
Plant and machinery		
Expiring within two and five years	11,140	525
Land and buildings		
Expiring after more than five years	188,000	188,000

14. Pensions

The pension cost figures used in the financial statements comply with the current pension cost accounting standard, SSAP 24. A new pension cost accounting standard, FRS 17, must be used for the figures that will be shown in the financial statements at 31 October 2003 and subsequent years. Under transitional arrangements the company is required to disclose the following information about the scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

The company participates in a funded multi-employer defined benefit pension scheme in the UK. The total of employer and employee contributions to the scheme currently equate to 17.5% of pensionable payroll. A full actuarial valuation was carried out at 31 March 2002 and updated to 31 October 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	4.00%	3.75%
Rate of increase in pensions in payment	2.50%	2.25%
Discount rate	5.50%	5.50%
Inflation assumption	2.50%	2.25%

The assets of the entire scheme and the expected rates of return were:

		Value at 31 October 2002 £'000		Value at 31 October 2001 £'000
Equities	7.0% p.a.	3,650	7.5%p.a.	3,846
Gilts	4.0% p.a.	665	4.5%p.a.	742
Corporate bonds	5.0% p.a.	645	5.5%p.a.	829
Cash	4.0% p.a.	48	4.5%p.a.	22
Total market value of assets		5,008		5,439
Present value of scheme liabilities		(7,028)		(5,680)
Net pension liability		(2,020)		(241)

FACULTY SERVICES LIMITED

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 October 2002

14. Pensions (contd.)

The actuarial valuation as at 31 October 2002 showed an increase in the deficit from £241,000 to £2,020,000.

The company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore, in accordance with FRS 17, it has accounted for the pension costs as a defined contribution scheme. The pension cost charged to profit and loss account represents the contributions payable by the company to the fund and amounted to £179,377 (2001: £159,173). There were no outstanding contributions at the year end.

Details of the effect on the net assets and reserves of the group are disclosed within the consolidated financial statements of the parent undertaking.

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.

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No. 8 from the requirement to make disclosures concerning related parties.