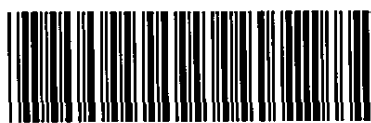


Company Registration Number SC048261

FACULTY SERVICES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 OCTOBER 2012

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FACULTY SERVICES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

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FACULTY SERVICES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

G J B Moynihan QC
A A Summers QC
A J Carmichael QC
A M Clark QC
N Ellis QC
P Gray QC
A W D McLean QC
N D Murray QC
G S Primrose QC
N E Beynon
A J Graham
E W Robertson
A O Bishop
P Black
I Cumming
A Longson
B McKain

Company Secretary

B Mowat

Registered Office

Faculty of Advocates
Advocates Library
Parliament House
Edinburgh
EH1 1RF

Auditor

Chiene + Tait
Chartered Accountants
& Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

Bank of Scotland
300 Lawnmarket
Edinburgh
EH1 2PH

FACULTY SERVICES LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the company will be held at The Mackenzie Building, Old Assembly Close, Edinburgh on 12 June 2013 at 4:30 pm for the following purposes.

1. To receive and adopt the directors' report and financial statements for the year ended 31 October 2012.
2. To re-appoint Chiene + Tait as auditor and to authorise the directors to fix their remuneration.
3. To appoint directors
4. To transact any other competent business of the company

Registered office:

Faculty of Advocates
Advocates Library
Parliament House
Edinburgh
EH1 1RF

By order of the board



Chairman

Notes:

- a. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the company.
- b. A form of proxy is enclosed with this notice for your use in respect of the business set out above. To be effective, the form of proxy together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified or an office copy of such power of authority) must be lodged at the company's registered office at least forty-eight hours before the time appointed for the meeting.

FACULTY SERVICES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 OCTOBER 2012

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 October 2012.

Principal activities and business review

The principal activity of the company during the year was the provision of clerical services for Counsel and the collection of fees due to them.

Operationally, the business again achieved a very robust performance in economic conditions which continued to be challenging. Turnover rose by 2% to just over £4m. The increase in the cost base primarily reflects exceptional contributions to the pension scheme, totalling £433k (2011 £50k). After stripping these distorting factors out, staff costs were held to a year-on-year increase of less than 0.5%, resulting in a pre-exceptional operating profit of £170k. The company has amalgamated the feeing and credit control functions to streamline operations, continues to develop its IT systems to improve security, reliability and processing efficiency, and invests in the selective upgrade and maintenance of its properties.

Results and dividends

The loss for the year, after taxation, amounted to £210,682 (2011: a profit of £51,928). The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

G J B Moynihan QC	(Appointed 07 March 2012)
A A Summers QC	
A J Carmichael QC	
A M Clark QC	(Appointed 23 December 2011)
A R Dewar QC	(Resigned 11 January 2012)
N Ellis QC	
P Gray QC	
B McConnachie QC	(Resigned 12 February 2013)
A W D McLean QC	
N D Murray QC	
G S Primrose QC	
W J Wolffe QC	(Resigned 23 December 2011)
N E Beynon	
A J Graham	
E W Robertson	
A O Bishop	
P Black	
I Cumming	
T Duncan	(Resigned 08 January 2013)
A Longson	
B McKain	

FACULTY SERVICES LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 OCTOBER 2012

Directors' responsibilities

The directors are responsible for preparing 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 company and of the profit or loss of the company for that year.

In preparing those 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

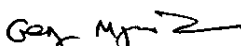
In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that ought to have been taken to ensure they are aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Chiene + Tait are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors


G J B Moynihan QC
Chairman

Approved by the directors on 6 March 2013

FACULTY SERVICES LIMITED



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF FACULTY SERVICES LIMITED

YEAR ENDED 31 OCTOBER 2012

We have audited the financial statements of Faculty Services Limited for the year ended 31 October 2012 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2012 and of its 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

FACULTY SERVICES LIMITED

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF FACULTY SERVICES LIMITED *(continued)*

YEAR ENDED 31 OCTOBER 2012

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Malcolm A Beveridge

MALCOLM BEVERIDGE BA CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT

Chartered Accountants & Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

26 April 2013

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FACULTY SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2012

	Note	2012 £	2011 £
Turnover		4,051,410	3,977,381
Staff costs	2	3,133,159	2,742,360
Depreciation written off fixed assets	3	84,046	115,688
Other operating charges		<u>1,097,701</u>	<u>1,052,920</u>
Operating (loss)/profit	3	(263,496)	66,413
Interest receivable and similar income	5	7	7
(Loss)/profit on ordinary activities before taxation		<u>(263,489)</u>	<u>66,420</u>
Tax on profit on ordinary activities	6	52,807	(14,492)
(Loss)/profit for the financial year		<u>(210,682)</u>	<u>51,928</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

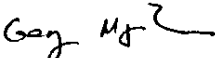
FACULTY SERVICES LIMITED

BALANCE SHEET

31 OCTOBER 2012

	Note	£	2012 £	2011 £
Fixed assets				
Tangible assets	7		<u>199,588</u>	<u>214,707</u>
Current assets				
Stocks	8	412,804		418,849
Debtors	9	274,676		270,718
Cash at bank		334,764		997,265
		<u>1,022,244</u>		<u>1,686,832</u>
Creditors: amounts falling due within one year	11	<u>1,034,799</u>		<u>1,503,824</u>
Net current (liabilities)/assets			<u>(12,555)</u>	<u>183,008</u>
Total assets less current liabilities			<u>187,033</u>	<u>397,715</u>
Capital and reserves				
Called-up equity share capital	14		100	100
Profit and loss account	15		<u>186,933</u>	<u>397,615</u>
Shareholder's funds	15		<u>187,033</u>	<u>397,715</u>

These financial statements were approved by the directors and authorised for issue on 6 March 2013, and are signed on their behalf by:


G J B Moynihan QC
Chairman

Company Registration Number: SC048261

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

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.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office furniture and fittings	- 10 years
Office equipment	- 4 years

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

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

The company also operates a stakeholder (defined contribution) scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets.

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. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

2. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2012	2011
	No	No
Average monthly number of employees	<u>78</u>	<u>78</u>

The aggregate payroll costs of the above were:

	2012	2011
	£	£
Wages and salaries	2,337,679	2,328,903
Social security costs	221,129	224,313
Other pension costs	574,351	189,144
	<u>3,133,159</u>	<u>2,742,360</u>

3. Operating profit

Operating profit is stated after charging:

	2012	2011
	£	£
Depreciation of owned fixed assets	84,046	115,688
Auditor's remuneration		
- as auditor	14,850	14,350
- for other services	4,090	4,425
Operating lease costs:		
- Other	<u>233,000</u>	<u>233,000</u>

4. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2012	2011
	£	£
Aggregate remuneration	30,197	84,981
Value of company pension contributions to money purchase schemes	2,497	5,940
	<u>32,694</u>	<u>90,921</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2012	2011
	No	No
Money purchase schemes	2	4
Defined benefit schemes	<u>5</u>	<u>4</u>

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

4. Directors' remuneration (continued)

The fifteen QC and advocate directors who served during the year received no emoluments from the company.

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 praising 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.

5. Interest receivable and similar income

	2012 £	2011 £
Bank interest receivable	7	7
	<u>7</u>	<u>7</u>

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2012 £	2011 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 20.00% (2011 – 20.41%)	(5,379)	5,379
Total current tax	(5,379)	5,379
Deferred tax:		
Origination and reversal of timing differences (note 10)	(47,428)	9,113
Tax on profit on ordinary activities	<u>(52,807)</u>	<u>14,492</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20.00% (2011 – 20.41%).

	2012 £	2011 £
(Loss)/profit on ordinary activities before taxation	(263,489)	66,420
(Loss)/profit on ordinary activities by rate of tax	(52,698)	13,559
Losses carried back	5,270	-
Capital allowances in excess of depreciation for period	(205)	(8,180)
Unrelieved tax losses and other deductions in the period	47,633	-
Adjustments to tax charge in respect of previous periods	(5,379)	-
Total current tax (note 6(a))	<u>(5,379)</u>	<u>5,379</u>

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

7. Tangible fixed assets

	Office furniture and fittings £	Office equipment £	Total £
Cost			
At 1 November 2011	260,439	1,379,279	1,639,718
Additions	2,161	66,766	68,927
Disposals	(6,159)	(56,747)	(62,906)
At 31 October 2012	256,441	1,389,298	1,645,739
Depreciation			
At 1 November 2011	150,696	1,274,315	1,425,011
Charge for the year	21,284	62,762	84,046
On disposals	(6,159)	(56,747)	(62,906)
At 31 October 2012	165,821	1,280,330	1,446,151
Net book value			
At 31 October 2012	90,620	108,968	199,588
At 31 October 2011	109,743	104,964	214,707

8. Stocks

	2012 £	2011 £
Work in progress	412,804	418,849

9. Debtors

	2012 £	2011 £
Trade debtors	19,951	32,253
Amounts owed by group undertakings	43,325	45,078
Corporation tax repayable	5,379	—
Other debtors	3,342	13,460
Prepayments and accrued income	141,293	165,969
Deferred taxation (note 10)	61,386	13,958
	274,676	270,718

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

10. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2012 £	2011 £
Included in debtors (note 9)	<u>61,386</u>	<u>13,958</u>

The movement in the deferred taxation account during the year was:

	2012 £	2011 £
Balance brought forward	13,958	23,071
Profit and loss account movement arising during the year	47,428	(9,113)
Balance carried forward	<u>61,386</u>	<u>13,958</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2012 £	2011 £
Excess of depreciation over taxation allowances	13,753	13,958
Tax losses carried forward	47,633	-
	<u>61,386</u>	<u>13,958</u>

The company has recognised the deferred tax asset of £61,386 (2011: £13,958) arising from the interaction of depreciation and capital allowances and tax losses carried forward. The directors are of the opinion that suitable profits will arise in the future against which this asset can be recovered.

11. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	381,765	901,814
Amounts owed to group undertakings	32,742	16,019
Corporation tax	-	5,379
PAYE and social security	145,784	147,903
Accruals and deferred income	474,508	432,709
	<u>1,034,799</u>	<u>1,503,824</u>

12. Commitments under operating leases

At 31 October 2012 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2012 £	2011 £
Operating leases which expire:		
Within 1 year	17,000	17,000
After more than 5 years	216,000	216,000
	<u>233,000</u>	<u>233,000</u>

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

13. Related party transactions

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

14. Share capital

Authorised share capital:

	2012 £	2011 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2012 No	£	2011 No	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

15. Reconciliation of shareholder's funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holder's funds £
Balance brought forward	100	397,615	397,715
Profit for the year	—	(210,682)	(210,682)
Balance carried forward	<u>100</u>	<u>186,933</u>	<u>187,033</u>

FACULTY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2012

16. Pensions

The company offers a stakeholder scheme to all eligible employees. Employees contribute a minimum of 4% of pensionable salary, to qualify for a fixed employer contribution of 9%.

The company participated in a funded multi-employer defined benefit pension scheme in the UK, until July 2010 when the scheme was closed. A full actuarial valuation was carried out at 5 April 2011, and updated to 31 October 2012 by a qualified independent actuary. The major assumptions used by the actuary were:

	2012 %	2011 %	2010 %	2009 %
Rate of increase in salaries	3.70	4.30	4.80	5.00
Rate of increase in pension in payment	2.20	2.80	3.30	3.50
Rate of increase of pensions in deferment	2.20	2.80	3.30	3.50
Discount rate	4.00	5.00	5.30	5.60
Inflation assumption	2.20	2.80	3.30	3.50

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

	Value at 31 Oct 2012 £'000	Value at 31 Oct 2011 £'000	Value at 31 Oct 2010 £'000	Value at 31 Oct 2009 £'000
Equities	13,177	11,760	10,727	8,889
Gilts	2,520	1,906	2,583	2,246
Corporate bonds	3,479	3,216	2,781	2,436
Cash	820	136	362	41
Total market value of assets	19,996	17,018	16,453	13,612
Present value of scheme liabilities	(20,678)	(18,396)	(18,784)	(17,377)
Net pension liability	(682)	(1,378)	(2,331)	(3,765)

	2012 %	2011 %	2010 %	2009 %
Equities	6.0	7.0	7.1	7.1
Gilts	2.3	2.9	4.1	4.1
Corporate bonds	4.0	5.0	5.3	5.5
Cash	0.5	0.5	0.5	0.5

The actuarial valuation as at 31 October 2012 showed a reduction in the deficit from £1,378,000 to £682,000. 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 the profit and loss account represents the contributions payable by the company to the fund and comprises regular payments of £nil (2011: £nil), a £100,000 (2011: £50,000) exceptional contribution payable under the closure agreement for the defined benefit scheme, and a discretionary exceptional contribution of £333,000. 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 accounts.

Stakeholder Pension Scheme

The company now operates a stakeholder (defined contribution) pension scheme. Contributions to the scheme are independently administered by an insurance company. The pension cost charge represents contributions payable by the company to the scheme and amounted to £141,351 (2011: £139,144). At the year end the company had outstanding contributions totalling £36,100 (2011: £nil).

FACULTY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2012

17. Ultimate parent company

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

FACULTY SERVICES LIMITED
MANAGEMENT INFORMATION
YEAR ENDED 31 OCTOBER 2012

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on pages 5 to 6.**