

**Grant Thornton UK LLP**  
Financial Statements  
For the year ended 30 June 2014

**Registered no. OC307742**

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Grant Thornton UK LLP is a limited liability partnership registered in England and Wales with registered number OC307742. A list of members' names is available for inspection at Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, the firm's principal place of business and registered office.

## CEO's review of the year

In the past year we have begun to see some welcome signs of a sustained economic recovery, although the economic backdrop remained difficult for much of our financial year. I am pleased, therefore, to be reporting on yet another successful year for the firm. In an ever competitive market place, our operating profit has increased from the previous year, and our revenues have topped £500m for the first time in our history. This is an especially proud moment for the firm. We set ourselves an ambitious goal to reach this target by 2015 and to achieve it one year early is an excellent testament to the hard work of all of our people.

Our turnover of £512m was 8.7% higher than in 2013. We have seen increased activity in our Public Sector and Financial Services practices, in particular, which have contributed to this growth. Our profit before tax increased by £5.8m (7.7%) from the prior year, with a smaller number of partners, and our average allocated profit per partner was £385,000 (which would have been £402,000 but for the change arising from the taxation of our service company set out in note 6 to these accounts). We regard this as a strong performance in the current market place. Perhaps more significantly, the last five years have been a period of strong and sustainable profits.

Whilst our overall performance has been strong, there have inevitably been some diverse performances in our various service streams and not all parts of our business have grown. Our Advisory business has continued to grow, by 14.9%, with good growth seen in our Business Risk Services, Pensions Advisory and Recovery & Reorganisation practices. Forensic services again performed ahead of budget, which was set well below its unsustainable 2013 level, and there was a much stronger result from our Corporate Finance Advisory business. In our Audit practice, there was an increase in revenues of 3.1% from 2013 owing in part to our expanding Public Sector Assurance team. However, the market for tax services continues to be tough, and our Tax practice revenue was flat year-on-year.

During the year we have continued to invest in people, our brand and our infrastructure. Our brand is now beginning to stand us apart based on feedback from clients and commentators. This validates that we are providing a distinctive service combining the scale, experience and expertise benefits of a large firm with a meaningful difference in our clients' experience.

On our infrastructure, we have launched an evolutionary project in our Assurance practice to centralise certain non-judgemental and procedural areas of audit to specialist teams, allowing our senior people to devote more time to the key audit risks and discussing issues with clients. This project will include adaptations to our systems and aid in continuing to improve audit quality. The firm has also committed significant additional investment to Grant Thornton International Ltd (GTIL)\* as it embarks on a project to develop a new global audit methodology and supporting technology for use by Grant Thornton member firms.

As regards our people, we have hired 276 new trainees (both graduates and school leavers) and 116 paid interns during the year, a record number of both for the firm. We operate an open recruitment policy for all of these hires. We have recruited six non-accounting apprentices. We also appointed 42 new partners and directors, and invested in the development of an internal social media platform to improve the way our people are able to collaborate and share knowledge. I am delighted that 75% of our people have received salary increases during the previous two years, in spite of the difficult economic conditions. We have also introduced a revised performance and development review process which will help our people to unlock their potential earlier and faster. These changes are manifested in the engagement level of our people, with 78% positively aligned with the firm, its values and strategy in our 2014 survey, a statistic which places us approximately 3% ahead of the UK companies norm. We have also seen an increase in applications to join us from experienced level people, which I believe can be attributed to the strength of our brand and culture.

<sup>1</sup> 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. 'GTIL' refers to Grant Thornton International Ltd (GTIL). Grant Thornton UK LLP is a member firm of GTIL. GTIL and each member firm of GTIL is a separate legal entity. GTIL is a non-practicing, international umbrella entity organised as a private company limited by guarantee incorporated in England and Wales. GTIL does not deliver services in its own name or at all. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's act or omissions. The name 'Grant Thornton', the Grant Thornton logo, including the Mobius symbol/ device, and 'Instinct for growth' are trademarks of GTIL. All copyright is owned by GTIL, including the copyright in the Grant Thornton logo; all rights are reserved.

## CEO's review of the year (continued)

It is pleasing to see that, from our client satisfaction surveys, the feedback we receive about our services continues to be positive, with 96% of our clients scoring us 7 or above (out of 10) when rating their satisfaction with our service and the likelihood that they would recommend us to others. The average level of overall satisfaction was 8.4 out of 10. Externally, we were delighted that recent independent research conducted by Meridian West (Mid Market Monitor, July 2014) also showed that amongst Mid-Sized Businesses (MSBs), of the top six audit firms, we are the firm most likely to be recommended by our clients, at 87%. Further, we have received some excellent external recognition about our services and our culture as a firm in the form of awards - details of some of those for which we are most proud are set out on page 6.

Our market position remains strong, particularly in the Public Sector where we are the number one ranked auditor. In this area we have recently been appointed to manage the assessment and delivery of Investors in People (IIP) standards to organisations in the South of England which reflects the excellent work that our teams have been doing on other projects for the UK government. We now act for approximately 40% of the FTSE 100 in either an audit or non-audit capacity and we are the number one independent nominated advisor and second largest auditor on AIM.

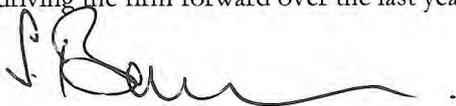
During the year we launched our 'Agents of growth' initiative, which aims to highlight the pivotal role that UK MSBs play in the growth of the UK economy. The summits and work that we have coordinated over the last year in this area have proved to be extremely popular and, together with our in-depth research, have helped us to form a series of recommendations to leaders in government and MSBs which will, if implemented, help the UK's MSBs significantly boost growth.

We have also undertaken a number of initiatives to support the local communities in which we work, in particular to support the growth and potential of people and businesses. A few examples are the 'Ladder for London' campaign, which helps unemployed young adults into work through paid apprenticeships, the involvement of our people working with children in local schools to nurture and improve literacy and numeracy skills to primary school level. We continue to provide support to The Peter Jones Enterprise Academy which helps to develop and nurture entrepreneurs in colleges across the UK to unlock their potential for growth.

At an international level, we continue to be well supported by GTIL which was awarded 'Best managed international firm' by the Managing Partners' Forum. The award was judged by an independent panel of subject matter experts and recognised the strength of our global strategy and leadership, which has helped Grant Thornton lead the major accounting networks in terms of revenue growth for the past two years.

Despite an excellent year both financially and operationally, we are not complacent. We are already looking ahead with optimism in formulating our plans to 2018, and considering the market conditions which may impact on our medium and longer term targets. We continue to strive to improve efficiency and quality in all areas of our work, and to invest for the future in those areas where we have a competitive advantage.

Finally, I'd like to thank all of our people for the commitment, effort and excellence that they have displayed in driving the firm forward over the last year.



**Scott Barnes**  
Chief Executive Officer

# Business and financial review

## Business description, objectives and strategy

Grant Thornton is a leading financial and business adviser. We are structured along both geographical and service lines enabling us to offer our clients a great depth of expertise delivered in a distinctive and personal way. Our principal services are Audit and Assurance, Tax and Advisory Services, the latter including Business Risk, Corporate Finance, Forensic Investigations, Financial Services Advisory and Recovery & Reorganisation. More information about all of our services is available on our [website](#).

The firm is regulated by a number of bodies in the UK and overseas, the principal ones being the Institute of Chartered Accountants in England and Wales (the ICAEW - our lead regulator), the Financial Conduct Authority, the Financial Reporting Council and the Insolvency Practitioners Association.

Ownership of the firm is vested in its partners and in the year to 30 June 2014, the number of partners averaged 191 (2013: 206). The average number of employees during the year was 4,047 (2013: 4,028) and the firm currently operates from 26 offices throughout the United Kingdom. In addition, we have subsidiary entities operating in the Cayman Islands and British Virgin Islands that are focussed on Insolvency and Restructuring services.

A fundamental component of the firm's business model is the active participation in a strong international network which it achieves through its membership of GTIL. Our participation in the international network is a key differentiator for the firm and provides our clients with access to more than 38,500 people in over 125 countries. More information on our global network is available on our [website](#).

Our goal set out in 'Ambition 2015' was to grow our revenues to £500m through a combination of organic growth and 'good fit' acquisitions alongside our brand journey, which we achieved a year early having reached a total turnover of £512m for the year ended 30 June 2014. Information and analysis on our financial performance for the year ended 30 June 2014 and balance sheet position at that date are set out in the CEO's review and on pages 10 to 15.

Our brand promise 'unlocking the potential for growth for dynamic organisations' is encapsulated in our strap line of 'an instinct for growth' which we believe sets us apart in the market place. More information on our brand promise is set out on our [website](#), along with some [case studies](#) which showcase our clients' successes and how we have helped them to unlock their potential for growth.

The firm's strategy continues to be monitored via a balanced scorecard approach which revolves around the following four key areas:

- providing distinctive client service as evidenced by improving client satisfaction scores
- becoming a magnet for talented people
- having a clear strategy in our four key markets; (i) mid-sized businesses (ii) larger corporate and listed entities (iii) public sector/not for profit organisations and (iv) individuals and SMEs
- having a relentless focus on improving our operations to ensure that we are able to continue to invest for the future.

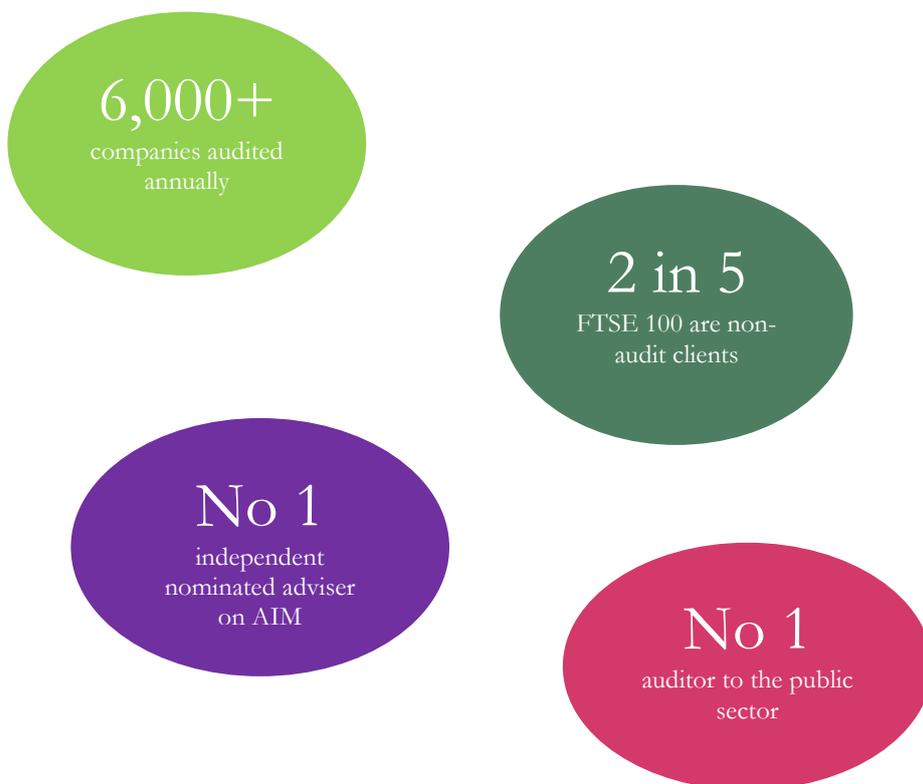
The firm's values, which underpin our culture and how we do business, are more fully described in the firm's 2014 Transparency Report which can be found on our [website](#).

## Business and financial review (continued)

### Our credentials in the market place

We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients. Through empowered client service teams, approachable partners and short decision-making chains, we provide a wide point of view and operate in a way that is as fast and agile as our clients. The real benefit for our clients is more meaningful and forward-looking advice that can help to unlock their potential for growth.

Some key statistics about our position in the market are set out below.



We continue to develop our brand in our chosen markets through the provision of quality services and delivering on our brand promise to unlock the potential for growth in our clients. We are committed to delivering excellent client service and have a robust client satisfaction programme in place which has contributed to the continued improvement of our client service. We are proud that we have again achieved strong client satisfaction scores during the year under review, as set out in more detail in the CEO's review of the year.

We have expertise in a wide range of industry sectors, with particular focus on the property and construction, media, technology, not for profit, health, financial services, food and retail sectors in which we can demonstrate a real depth of industry knowledge.

## Business and financial review (continued)

### Our awards

Once again, we have received recognition from the business community across our service lines, including:

*Global Firm of the Year - Accountancy Age Awards 2013*



*Accounting Firm of the Year: Larger Clients - FD Excellence Awards 2014*

*Network of the Year - International Accounting Bulletin (IAB) Awards 2013*



*UK Transfer Pricing Firm of the Year - International Tax Review European Tax Awards 2014 and 2013*

*Best managed international firm - Managing Partners' Forum (MPF) Awards 2014*



*Best Provider of Internships and Placements - 2013 Rate My Placement Awards*

*Number one financial adviser to UK companies 2013 - Experian Corpfin*



*Top 25 Accountancy Firms and Top 25 Most Admired Companies 2013 - Private Client Practitioner*

*Pension Scheme Accountant of the Year - UK Pensions Awards 2013*



## Business and financial review (continued)

### Corporate governance, risks and uncertainties

Our 2014 Transparency Report sets out in detail how the firm is governed and managed and the key internal controls in place.

In outline, the management of the firm is the responsibility of the CEO, who is elected by the partners, and his/her chosen National Leadership Board (NLB). Robust independent oversight on behalf of the partners is provided by the firm's Partnership Oversight Board which, in line with the recommendations of the Audit Firm Governance Code, includes three independent non-executives.

The NLB has overall responsibility for the management of risk and the establishment of appropriate systems of internal control. Principal risks faced by the business which could materially impact either the firm's reputation or financial strength (or both) include:

- failure to identify risky clients/assignments
- giving wrong opinions or providing wrong advice, including people operating outside of their skill set or a future inability to provide documentary evidence to support work done/advice given
- inadequate engagement terms or a failure to secure adequate/sufficient PI arrangements for evolving business
- fraud on the firm or a client (including clients' money)
- major disaster which disrupts ability to service existing and future clients, such as a major Information Systems failure
- failure to manage/drive change projects (including responding to economic/market/ regulatory/political changes), failure to recognise impacts of changing business model or failure to deliver on our brand promise
- material breach of legislation/regulation, regulators' ethical codes or Health and Safety legislation
- loss of key people or loss of, or failure in, major parts of our global organisation
- loss of or theft of personal/confidential data.

The main methods and systems by which we manage risk include:

- a dedicated Business Risk & Quality Assurance team
- a Risk and Audit Committee
- quality management standards, as described in our Transparency Report
- an annual assessment of risks by the senior management of each business area
- on-going consideration by the NLB of any new and emerging risks and a formal annual review
- an internal audit of each business area at least every three years.

The control systems and training the firm puts in place seek to minimise the incidence of claims made against it for professional negligence. Unfortunately, litigation cannot always be avoided and the firm protects itself with suitable levels of professional indemnity insurance underwritten by either its own captive insurer or external insurers.

The main uncertainty facing the business is that of the wider economy. Business confidence and the availability of finance are integral to the levels of market activity for a number of the services we offer. Our results over recent financial years demonstrate we can respond effectively to recessionary pressures but maintaining competitive remuneration levels for our people, which is integral to attracting and retaining the top talent, will be a key focus as the job market improves in line with the economy.

## Business and financial review (continued)

### Key relationships

We have many prestigious and outstanding clients and the relationship with each of them is naturally very important to us. However, we do not consider that any of our clients or contracts with suppliers are critical to the business, with payments to our largest supplier representing less than 5% of our total expenditure. In relation to our suppliers, payments are made in accordance with our contractual obligations once we are satisfied that the supplier has provided goods or services in accordance with the agreed terms and conditions.

We consider our key non-client relationships to be those with our regulators. We take our ethical and technical responsibilities very seriously and work hard to maintain a constructive dialogue with our regulators at all times.

### Sustainability

For Grant Thornton, we see the importance of being a sustainably profitable business where we will pass on a valuable legacy to future generations of partners and employees. Sustainability lies at the heart of our business and we continually review the choices we make to ensure we make our firm truly sustainable. However, we are aware of the impact our business activities have on the wider community and with that in mind we want to ensure whatever we are doing has only positive effects for our people, our clients and suppliers and our society as a whole. We believe being a good business is about more than just a strong reputation in the business world; it is about doing the right thing and having the respect of the public.

At Grant Thornton, sustainability forms three streams; unlocking potential for growth, a global sustainable business and a sustainable society. Set out below are some examples of our positive work in these areas.

#### Unlocking potential for growth: owning the growth agenda in the UK

- **Supporting entrepreneurial education** – providing support to The Peter Jones Enterprise Academy allows our people to unlock the potential for growth in young, aspiring entrepreneurs across the country. We are driving entrepreneurial education in colleges across the UK through mentoring, workshops, business plan development and hosting of work placements.
- **Helping entrepreneurs in developing countries** - we are playing a lead role in supporting lendwithcare.org, a micro-finance phenomena with CARE International. Closely aligned with our brand promise, our people can invest in entrepreneurs in developing countries, either individually or in teams, helping to unlock growth for the entrepreneurial businesses and communities giving them the dignity of repaying a loan rather than being charity dependent.
- **Providing support and expertise to small charities** – we partner with the Small Charities Coalition (SCC), which provides support and expertise to over 6,000 small member charities. We support these charities by running trustee speed-recruiting events for our people and support SCC with their own development using our collective skills and resources to help them achieve their goals, together with giving our people the opportunity to develop both personally and professionally.

## Business and financial review (continued)

### Global sustainable business: collaborating with key stakeholders to continually review what is important in creating shared value

- **Our people** – our people are the cornerstone of our business. We are committed to making Grant Thornton a great place to work so it becomes a magnet for talented individuals. Achieving this relies on us always adopting best practice in everything we do for our employees. More information about our processes for attracting and retaining quality people can be found on our [website](#).
- **Access to all** – the expansion of the professional services sector and Grant Thornton's firm-wide agenda for growth will require recruitment of the most talented people, whatever their background. Our vision is for the firm to be more representative, at all levels, of the socio-economic demographic of wider society through widening and enabling equal access to these opportunities for all and, in doing so, unlocking the potential for the firm, our clients and our people to grow.
- **The Living Wage** – we are committed in London to being a living wage employer. We will ensure our people, including contractors and subcontractors earn no less than the living wage which is higher than the minimum wage. In the future we will look to introduce the living wage across the whole business.
- **Looking after our wellbeing** – our aim is to create an environment which encourages engagement at all levels of the firm so that being healthy, happy and well in mind and body is an everyday opportunity for our people and they are able to operate at their best most of the time. The impact of our culture and behaviours were highlighted in our last people engagement survey which showed that 85% of our people are proud to be associated with Grant Thornton and 81% would recommend us as a good place to work.
- **Caring for our environment** – a significant number of our everyday business activities impact adversely on the environment. Our Step by Step campaign measures our environmental KPIs and has helped to make an overwhelming positive difference to the impact we make. We have gained the firm's first ISO 14001 accreditation for a pilot office, Euston. This is a recognised standard of excellence in environmental management and we are looking to roll this out across the firm over the next 18 months.
- **Clients and suppliers** – our reputation is built on quality, integrity and trust and we ensure our people know their role in delivering exceptional client service. We also aim to make sure all our suppliers demonstrate good environmental, social and ethical management practices.

### Sustainable society – creating and seizing opportunities in areas of education, employment and entrepreneurship to influence the stability of society through the choices we make

- **Helping disadvantaged individuals back into the workplace** – Ready for Work is a programme we are supporting, through one of our partners, Business in the Community. Our people help those on the programme to complete application forms, create CVs and improve interview skills.
- **Supporting school children** – our people visit local schools helping children develop their literacy, mathematics and enterprise skills.
- **Partnering with local charities and social enterprises** – we have a long tradition of supporting our local communities and these relationships are managed and driven at a local office level. The firm recently celebrated our £1m fundraising milestone which has comprised of fundraising for legacy national charity partnerships, special appeals, supporting local charities and matched funding.
- **Giving back** – we are always looking at ways to make contributions, whether through using our individual and collective time, skills or expertise to make a difference to a variety of charitable and community organisations. We encourage all of our people to give back to local communities through volunteering, making donations or fundraising.

## Business and financial review (continued)

### Overall financial performance

As detailed more fully in the CEO's review of the year, our performance in the year to 30 June 2014 is considered a strong result, bearing in mind what is happening elsewhere in the market.

Turnover increased by £41.1m (8.7%) compared to 2012/13. Activity levels in our different business segments were mixed. Our Audit services grew by 3.1%, reflecting a full year's impact of the additional work gains from the Audit Commission part way through 2012/13. While our Taxation and Financial Planning turnover remained broadly flat, we experienced strong growth in many service lines within our Advisory segment. It was pleasing to note continuing growth in Corporate Finance which saw revenues increase by £6.5m. The previous year's exceptional growth in our Forensic practice was not maintained and turnover in that segment fell by £9.6m. The underlying Recovery & Reorganisation business continues to perform well and this was enhanced this year as the first revenues arising from two IVA portfolios acquired in October 2012 and July 2013 began to be recognised. Together, that segment grew its top line this year by £9.8m. Excellent growth of 34.2% within the firm's Other Advisory stream was driven by further significant contract wins within our Government & Infrastructure Advisory business and strong performances in Financial Services and Business Risk.

Other cost of sales increased by £28.8m reflecting the expensing of a proportionate element of the 'amounts recoverable on contracts' acquired with the two IVA portfolios referred to above, together with increased payments to consortium partners and subcontractors. There was some slippage in our gross margin percentage, which fell by 2.9% points, but the increase in turnover was converted into improved gross profits of £232.0m, up by £5.0m on the previous year.

Headcount (excluding partners) remains broadly unchanged and employment costs increased by 1.2% to £216.7m. However, this masks the transfer of a number of employees to GTIL in April 2013 so, on a like-for-like basis, employment costs have increased by 2.4%.

Increases in other operating costs were contained at only £0.3m. Other operating income remained unchanged, so when taken together with the movements referred to above, operating profits for the year were up by £4.6m to £83.6m, an increase of 5.8%.

After net interest costs, which decreased by £0.5m mainly due to a £0.4m positive year on year movement in the net interest on pension scheme assets/liabilities, a £1.0m profit on the sale of an investment and a small loss on sale of our Voyanta subsidiary, the profit for the year increased by £5.8m (7.7%) to £81.2m.

Following changes announced in the year by HMRC to the way in which employee supply service entities are taxed, it was decided to discontinue the practice of partners making contributions equivalent to the tax charge arising in our employee supply subsidiaries. As a consequence, a corporation tax charge of £3.3m arises for the first time in the firm's accounts.

Absolute profits have increased by £2.4m and the average amount of profit allocated to each partner has increased by £36,000 to £385,000 in accordance with the profit sharing policies more fully described on pages 20 and 21.

### Going concern

An analysis of the firm's balance sheet and liquidity position follows later in this review. Taking into account the firm's future anticipated trading results and cash flow forecasts, and the bank credit facilities which are in place until December 2016, the members believe it is appropriate to prepare the financial statements on a going concern basis.

## Business and financial review (continued)

### Accounting policy changes

There were no accounting policy changes in 2013/14 although, as mentioned above, following changes to the way HMRC tax employee supply service companies, the partners no longer make a contribution equivalent to the tax arising in the firm's employee supply subsidiaries.

### Management judgements and estimates

Material elements of the financial statements which are highly dependent upon management judgements and estimates are those in the areas of the firm's defined benefit pension scheme, retirement annuities to partners, provisions in respect of professional negligence claims, recognition of revenue on contracts and the carrying value of material goodwill balances.

#### Defined benefit pension schemes

The group operates two defined benefit pension schemes - The Grant Thornton Pensions Fund and the much smaller Robson Rhodes Retirement Benefit Scheme. Both schemes are closed to new members. The assumptions used to value the schemes are adopted by the firm following discussion with the schemes' actuarial advisers. Key assumptions include those in relation to the discount rate to be applied to liabilities as well as those in relation to mortality.

The assumptions in respect of discount rate are consistent with the requirements of FRS17 and this requires the use of an applicable yield on AA Corporate Bonds to be applied. The discount rate used at 30 June 2014 has decreased by 0.4% points from 4.9% to 4.5%, largely reflecting a narrowing of the extra return on corporate bonds relative to gilts as investors have begun to favour corporate bonds relative to gilts. This has increased liabilities by c£21m.

In 2012/13, we updated the mortality assumption to reflect 'medium cohort' mortality improvement projections, with a 1% underpin, into the future rather than just up until the year end. This assumption and the underlying mortality tables we have used, have remained unchanged for 2013/14. The next triennial valuation of the pension scheme will be at 30 June 2014 and the scheme actuary will give consideration to the most appropriate mortality tables to use going forward as part of that review. The review has not yet been concluded but we are not anticipating any significant changes to the mortality assumptions or tables.

#### Retirement annuities to partners

The firm also obtains actuarial advice for the purpose of evaluating its annuity obligations to certain current and former members and certain partners in the predecessor partnership. Key areas of estimate include the discount rate, where the firm adopts rates which are consistent with the yields on UK 15 year gilts, and mortality, where the firm has used assumptions consistent with those adopted for its defined benefit pension scheme. Unlike The Grant Thornton Pensions Fund where we expect total liabilities to grow for some time before they reduce, for the retirement annuities we expect the liabilities to reduce from year to year as the scheme consists almost entirely of annuitants already in payment.

## Business and financial review (continued)

### Management judgements and estimates (continued)

#### Professional negligence claims provisions

The firm insures itself against professional negligence claims through policies underwritten by its captive insurance subsidiary and by the external insurance market. All claims are subject to a policy excess (also referred to as a self-insured deductible amount) which is borne by Grant Thornton UK LLP. The next tier of cover for a particular undertaking year is typically borne by the captive insurance subsidiary, with claims beyond that typically falling into the cover provided by the external market, although the captive does occasionally cover some of this too. All reasonable steps are taken to ensure that the group has appropriate information regarding its claim exposures so that provisions are made on a best estimate basis. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different, albeit not materially so, from the original liability provided for.

#### Revenue recognition

Revenue is recognised by reference to the stage of completion of the contract concerned relative to the estimated contract profitability. Stage of completion is typically measured with regard to costs but, where more appropriate, can be with regard to our right to bill for the work. The costs and revenues on an assignment are reviewed individually by partners and managers responsible for the assignment. The nature of some assignments, particularly those which are long term, often involve a degree of uncertainty in estimating the ultimate contract profitability and the degree of uncertainty is inherently greater in the early stages of the contract. We reflect the inherent uncertainty arising from the stage of completion by discounting the estimated profits attributable to the stage of completion of an assignment. The level of discounting decreases as a contract progresses and its ultimate profitability becomes more predictable. There is then a separate review of material assignments to ensure that the firm's accounts reflect an appropriate and balanced approach to the judgements within them which complies with relevant accounting standards.

#### Carrying value of goodwill

The transaction with RSM Robson Rhodes LLP in July 2007 gave rise to a goodwill balance which was estimated to have a useful life of ten years. After seven years of amortisation, the carrying value of that goodwill at 30 June 2014 is £9.5m. There have been no indicators to date to suggest that the goodwill has been impaired and a number of indicators point to there still being value in the goodwill acquired. Corroborating the carrying value involves a high degree of judgement due to the fact that the Robson Rhodes business was fully integrated into Grant Thornton at an early stage making an assessment of the specific cash flows from the legacy Robson Rhodes business no longer possible.

The goodwill arising on subsequent and much less material acquisitions is assessed on a case by case basis but is typically amortised over three to five years. The carrying value of the goodwill on those acquisitions at 30 June 2014 is £3.0m.

## Business and financial review (continued)

### Balance sheet analysis

Net liabilities attributable to members in the group balance sheet increased by £7.8m giving rise to net liabilities of £20.7m at this year end. Total members' interests decreased by £7.6m to a larger negative amount of £30.2m. The largest single contributor has been the increase of £15.3m in the pension scheme liability which, as will be seen from the table on page 48, is prone to quite volatile movements arising from experience gains and losses. It is principally for this reason that, for profit sharing purposes, pension costs are taken into account on a payments basis. We have highlighted the impact of the pension scheme deficit on members' interests in the consolidated balance sheet and we are currently consulting with the c250 active members of the scheme about the possibility of closing the scheme to further service accrual. Without the pension scheme liability, total members' interests would have increased by £7.7m and a significant factor in that movement has been the increase of £5.1m in the net loans and other debts due to members. This is mainly due to partner drawings (including tax payments) in the year being broadly similar to the allocation of prior year profits in the year, whereas drawings exceeded the allocation of prior year profits by £8.2m in the comparative period due partly to the timing of tax payments on behalf of partners.

Within the totals, fixed assets have decreased by £5.7m from last year. The closing goodwill balance of £12.5m is £1.5m lower than the previous year end as the amortisation charge for the year of £3.8m exceeded the amount arising on acquisitions by £1.5m. Capital expenditure during the year on tangible fixed assets was below the associated depreciation charge by £1.4m which, together with a net book value written out on disposals of £1.0m, gives rise to a book value decrease of £2.4m. The value of fixed asset investments, principally within our captive insurance subsidiary, decreased by £1.7m.

At £97.6m, net current assets were £12.3m higher than at the previous year end with the movement being most influenced by an aggregate £20.9m reduction in our current bank loan indebtedness and increase in our cash balances. Accruals have increased by £6.1m due mainly to accruals for various significant late invoices and higher year end bonus accruals. Amounts owed for social security and other taxes have also increased, by £3.9m.

Creditors falling due after more than one year decreased by £2.9m as £3.0m of our bank term loan was repaid in accordance with our facility agreement. Claims provisions and property provisions in aggregate increased by £3.9m, while the provision for former members' annuities fell by £2.2m.

The firm's defined benefit pension scheme deficit has increased from £91.6m to £106.9m, due mainly to net actuarial losses in the year of £19.8m. These principally arise from changes in the actuarial assumptions underlying the valuation of the scheme liabilities, together with experience losses arising on scheme liabilities as off-set by better than expected returns on scheme assets. The most significant change in actuarial assumptions has been the 0.4% point reduction in the discount rate applied. Every further 0.1% point reduction in the discount rate would increase scheme liabilities by circa £6.8m. These actuarial movements serve to demonstrate the volatile nature of pension scheme valuations.

### Capital, treasury, liquidity

The firm's liquidity risk is managed by periodically undertaking reviews of its short, medium and long term funding requirements as well as continuously monitoring its working capital usage.

Central management exercise control over external treasury using conventional techniques to minimise the firm's total cost of third party borrowing and, where possible, to maximise the return achieved on invested surplus funds, having regard to risk and the need for ready availability of such funds.

A significant part of the firm's funding is from members' capital, which is only repayable following retirement. Members' capital requirements are determined from time to time by the CEO.

## Business and financial review (continued)

### Capital, treasury, liquidity (continued)

Members also contribute to the firm's funding via undrawn profits, the effect of which is significant. Funding from undrawn profits is provided through the combined mechanisms of the timing of taxation payments (which are used to limit partner drawings and where payments are administered by the firm), a prudent drawings policy and post year end allocation of profits.

The pension scheme contributions agreed with the trustees of the Grant Thornton defined benefit scheme will increase gradually each year to £8.5m (excluding those made under salary sacrifice arrangements) for the year ending 30 June 2021. Contributions (excluding those made under salary sacrifice arrangements) for the year ending 30 June 2015 are expected to be £6.8m, with most scheme running expenses now also being borne directly by the firm. The settlement of obligations in respect of annuities to former partners amounted to £3.4m in the year to 30 June 2014 and is expected to increase slightly in the 2014/15 year. Taken together, the projected 2014/2015 settlements for these two significant obligations amounts to approximately £11.0m, excluding the salary sacrifice elements, which is only c2% of the firm's turnover. Subject to changes in demographic and financial assumptions and experience in respect of the pension scheme assets, there is no reason why this level of cash commitment to these obligations will vary materially in the medium term.

The firm's borrowing facilities were renegotiated in June 2012 and do not expire until December 2016. The facilities are made up of a combination of term loans and revolving credit facilities. These will be utilised in line with mainly predictable cycles of drawing demand and working capital need. Net debt before loans and other debts due to members decreased from £40.8m at 30 June 2013 to £17.1m at 30 June 2014 and our debt position remains comfortably within the facilities currently at the firm's disposal.

### Future developments

Although our Ambition 2015 strategy still has a year to run, as outlined in the CEO's review, the management team is already formulating our plan and goals to 2018. Gauging the speed with which the economy picks up, including the effect of uncertainties arising from the Scottish Independence vote, and the impact these will have on our business, particularly in terms of growth and our resourcing needs, will make the development of these plans both exciting and challenging. Further development and recognition in the external market place of the firm's brand promise to unlock the potential for growth for dynamic organisations, and the alignment of our internal training and culture to deliver on this promise, will be central to achieving our goals.

## Business and financial review (continued)

### Our tax contribution

In light of the public scrutiny over the surprisingly small amount of tax paid by certain well known businesses, we wanted to outline the firm's tax footprint. The table below details the composition of the significant amounts paid to the Exchequer through the taxes paid by the partners, the business and its employees. In total, this is estimated to be £169.4m (2013: £163.3m).

	30 June 2014 £m	30 June 2013 £m
<i>Taxes paid or payable</i>		
Estimated partner tax and NIC payable on current year profits	32.2	31.3
Employers' NIC	18.1	17.7
Business rates	4.1	5.4
Corporation tax on subsidiary company profits	3.3	3.4
PAYE and NIC on benefits in kind, irrecoverable input VAT and stamp duty	2.4	2.5
	<b>60.1</b>	<b>60.3</b>
<i>Taxes collected</i>		
Net VAT	59.9	54.5
PAYE and NIC	49.4	48.5
	<b>109.3</b>	<b>103.0</b>
<i>Total contribution</i>	<b>169.4</b>	<b>163.3</b>

The largest tax borne by the partners of the firm is on the profits of the LLP. Income tax and National Insurance contributions arising on the profits for the year ended 30 June 2014 is estimated to be £32.2m (2013: £31.3m). These profits will be taxed on each partner at approximately 40% (2013: 40%) on the first £150,000 of their share and at 45% (2013: 45%) for amounts above this. Together with further National Insurance contributions of around 2%, this results in an effective tax rate across all the partners of 42.5% (2013: 42.5%).

In addition, a further £27.9m (2013: £29.0m) of various types of business tax was borne by the group. The largest element of this was Employers' National Insurance, payable on the salaries paid to our employees.

The firm also collects tax on behalf of the Government. A total of £109.3m (2013: £103.0m) was collected by way of employment taxes and VAT and is an indication of the wider contribution the firm makes to the economy.

## Members' report

The members present their report together with the financial statements for the year ended 30 June 2014.

### Principal activity

Grant Thornton UK LLP (the "partnership") and its subsidiary entities (together the "group") are principally engaged in the provision of audit, tax and advisory services in the UK.

### Designated members

The designated members during the year ended 30 June 2014, and those who have been appointed or resigned subsequently, are as follows:

S Barnes	- CEO
P M D Etherington	- National Leadership Board Member
R K Hannah	- National Leadership Board Member
S J Jones	- National Leadership Board Member
D A S Maxwell	- National Leadership Board Member
S V Romanovitch	- National Leadership Board Member
I V Smart	- National Leadership Board Member
S Maslin	- Chairman of the Partnership Oversight Board
P Flatley	
C S Hartnell	(resigned 31 May 2014)
T D James	(appointed 16 September 2014)
T J W Lincoln	
J Loebel	(resigned 30 June 2014)
S J Lowe	
M A M Merali	
S Mills	(appointed 1 July 2014)
N S Wood	

### Members' drawings and the subscription and repayment of members' capital

The partnership operates a drawings policy which has regard to a cautious estimate of budgeted profits. Drawings are restricted to prudent levels, taking into account working capital performance, until the results for the year and individual members' allocations have been determined. In addition, the Membership Agreement provides a framework for further restriction of drawings under circumstances where the cash requirements of the business need to take priority over the cash needs of the members.

Members' capital requirements are determined from time to time by the CEO having regard to the short, medium and long term needs of the business. There are two levels of capital contribution depending on the member's number of profit sharing units although members may opt to contribute up to the higher level. Whilst the Membership Agreement provides power to the CEO to repay a member's capital before retirement, such discretion is only exercised in exceptional cases.

## Members' report (continued)

### Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

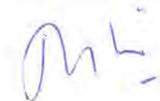
The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial year. Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the members 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 LLP and of the profit or loss of the group for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 group will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions, to disclose with reasonable accuracy, at any time, the financial position of the LLP at that time and to enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

On behalf of the members



S Maslin  
Chairman of the Partnership Oversight Board

26 September 2014

## Principal accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards including the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in March 2010 (United Kingdom Generally Accepted Accounting Practice), and under the historical cost convention modified to include the revaluation of certain fixed assets.

The principal accounting policies of the group are set out below and these have remained unchanged from the previous year.

### Basis of consolidation

The group financial statements consolidate those of the partnership and all entities over which the partnership has control, further details of which are set out in note 10.

The financial statements of all group entities are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions of businesses are accounted for under the acquisition method. The acquisition method requires that, at the date of acquisition, which is the date on which the group obtains control of the business acquired, the identifiable assets and liabilities of the entity acquired are included in the balance sheet at their fair value. Where the fair value of the consideration paid exceeds the fair value of the net assets acquired, this excess is recorded as goodwill. The results of entities acquired or disposed of are included in the group profit and loss account from or up to the date that control passes respectively.

### Turnover

Group turnover is the total amount estimated to be receivable for services rendered and out of pocket expenses and disbursements charged to clients during the year, excluding VAT. Client out of pocket expenses and disbursements incurred are deducted from turnover in arriving at net fees in the profit and loss account.

Turnover is recognised when a right to consideration has been obtained through performance under each contract and reflects the contract activity during the year having regard to the stage of completion of each contract and the relative uncertainty of predicting ultimate profitability on long term assignments. Stage of completion is measured by comparing actual contract costs to date with estimated total contract costs unless an alternative method is considered more appropriate. Revenue in respect of conditional or contingent fee engagements, which is over and above any agreed minimum fee, is recognised when the contingent event occurs where the event is outside the control of the group.

### Long term contracts

The attributable profit on long term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised has regard to the stage of completion of the project and the less than absolute certainty of predicting ultimate profitability. The approach has been to reflect this gap between absolute and reasonable certainty by discounting the estimated profits attributable to the stage of completion of a contract. The level of discounting decreases as a contract progresses and its ultimate profitability becomes more predictable.

### Long term contracts (continued)

Long-term contract balances are included as amounts recoverable on contracts within debtors, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on contracts in the year in which the loss is first foreseen. Costs in respect of conditional or contingent fee engagements are expensed as incurred to the extent they exceed any agreed minimum fee.

### Goodwill

Goodwill, representing the excess of the fair value of the consideration given on acquisition of a business over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life. This period is the period over which the members estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets. This has been assessed as ten years for one substantial acquisition, although shorter periods have been deemed more appropriate for some smaller acquisitions.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Long and short leasehold properties	Period of the lease
Furniture and equipment	5-8 years
Office equipment	3-5 years
Motor cars	4 years

### Impairment of goodwill and tangible fixed assets

A review for impairment of goodwill is conducted at the end of the first full financial year following the acquisition. A review for impairment of goodwill or tangible fixed assets is also conducted if events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

The cost of incentives received in connection with property leases are allocated over the lease term, or the period to the next rent review at which a market rent will be chargeable, if shorter.

### **Leased assets (continued)**

Where a decision has been made by the end of the financial year to vacate some or all of a leased property, provision is made in that financial year for the estimated future costs arising from the lease, net of any anticipated income from sub-letting. Dilapidation costs in connection with leased properties which the firm expects to continue to occupy are provided for on a straight line basis over the three years to the end of the lease, or to the next lease break date if this is earlier and likely to be actioned.

### **Fixed asset investments**

Investments are included at cost less amounts written off, save for those held by Fulwood Insurances Limited, the group's captive insurance company, which are included using mid market prices at the balance sheet date. The nature of Fulwood's business is such that a portfolio of investments is held for the long term even though the individual investments making up the portfolio may be regularly changed in response to market risks and opportunities.

Any movements in the value of Fulwood's investment portfolio are reflected through the profit and loss account, except for the origination or reversal of unrealised surpluses at the balance sheet date which are transferred to or from the revaluation reserve. Revaluations below historical cost are taken to the profit and loss account where they are considered to be permanent.

### **Professional negligence claim provisions**

Within the captive insurance subsidiary, provision is made at the best estimate for claims notified in relation to each complete underwriting year. In respect of open underwriting years, provision is made for potential claims up to the value of specific claims notified or an amount equivalent to the level of premium income recognised, whichever is the greater.

Within the partnership, provision is made for the best estimate of claims notified to the captive insurance subsidiary up to the limit of the self-insured deductible amount.

All reasonable steps are taken to ensure that the group has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability provided.

### **Divisible profits and partners' and members' remuneration**

The SORP recognises that the basis of calculating profits for allocation may differ from the profits reflected through financial statements prepared in compliance with recommended practice, given the established need to seek to focus profit allocation on ensuring equity between different generations and populations of members.

Consolidation of the results of certain subsidiary undertakings, the provision for annuities to current and former members, pension scheme charges, the spreading of acquisition integration costs and the treatment of long leasehold interests are all items which generate differences between profits calculated for the purpose of allocation and those reported within the financial statements. Where such differences arise, they have been included within other reserves in the balance sheet.

Depreciation and profits or losses on disposal of cars used by members, together with members' other motor expenses, are charged through the profit and loss account in arriving at profit before members' remuneration and profit shares. For profit sharing purposes, such members' motor expenses are automatically charged to each member on the basis of specific costs incurred.

### **Divisible profits and partners' and members' remuneration (continued)**

Members' fixed shares of profits (excluding discretionary fixed share bonuses) and interest earned on members' balances are also automatically allocated and, together with members' motor expenses, are treated as members' remuneration charged as an expense to the profit and loss account in arriving at profit available for discretionary division among members.

The remainder of profit shares, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within equity reserves.

### **Members' interests**

Members' capital is repayable and is therefore classified as a liability. Other than in exceptional cases, it is not repaid until after retirement. Because members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year notwithstanding repayment could be made after more than one year at the discretion of the CEO.

Amounts due to members after more than one year comprise provisions for annuities to current members which are not repayable within twelve months of the balance sheet date.

### **Taxation**

The taxation payable on the partnership profits is the personal liability of the members, although payment of such liabilities is administered by the partnership on behalf of the members. Consequently, neither partnership taxation nor related deferred taxation are accounted for in the financial statements. Sums set aside in respect of members' tax obligations are included in the balance sheet within loans and other debts due to members or set against amounts due from members as appropriate.

Amounts identified as taxation in these financial statements relate to corporate subsidiaries.

### **Retirement benefits**

#### **Defined Contribution Pension Scheme**

The cost of the defined contribution pension scheme is equal to the contributions payable to the scheme for the accounting period. This cost is recognised in the profit and loss account within cost of sales for fee earning employees and within other operating costs for non fee earners.

#### **Defined Benefit Pension Scheme**

Scheme assets are measured at fair values which, in the case of quoted investments is at bid price. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the consolidated balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses, including those in relation to buy-in annuity policies which do not meet the definition of a settlement within FRS17, are reported in the statement of total recognised gains and losses.

### **Retirement benefits of former members and partners of the predecessor firm**

LLP members for the time being have a contractual obligation to provide certain former and current members and certain partners of the predecessor partnership with annuities following their retirement.

The obligation for all annuities remains with the members for the time being and, in accordance with the requirements of the SORP, the financial statements include obligations for retirement annuities payable in the future to current and retired members. The obligation has been discounted to its net present value. The nature of the annuities contractually payable in the future to current members is such that no further rights will accrue to those members based on further service. The obligation for annuities to former members is included within provisions for liabilities because the annuities carry life contingent elements. The annuity provision has been actuarially calculated using a discount rate based on Government bonds and estimates of the expected payment period covered by the annuities. The obligation for annuities to current members is included within loans and other debts due to/(from) members.

New obligations granted to members on their retirement and changes in estimates and assumptions in respect of existing obligations, together with the unwinding of the discount, are dealt with through the profit and loss account.

### **Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

The financial statements of foreign subsidiaries and the related goodwill are translated at the closing exchange rate at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves through the statement of total recognised gains and losses.

### **Liquid resources**

Liquid resources represent current asset investments that are disposable without disruption to the business, and are either readily convertible into cash at or close to its carrying value, or are traded in an active market. Liquid resources include short term deposits that may be withdrawn at more than 24 hours' notice.

## Consolidated profit and loss account

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	1	512,335	471,212
Other external charges: client expenses and disbursements		<u>(25,689)</u>	<u>(22,803)</u>
<b>Net fees</b>		486,646	448,409
Cost of sales	2	<u>(254,658)</u>	<u>(221,413)</u>
<b>Gross profit</b>		231,988	226,996
Other operating costs	2	<u>(149,551)</u>	<u>(149,207)</u>
Other operating income	3	<u>1,199</u>	<u>1,242</u>
<b>Operating profit</b>	1	83,636	79,031
Income from fixed asset investments		-	38
Profit on sale of fixed assets		996	154
Loss on disposal of subsidiary	20	<u>(90)</u>	-
Net interest and other similar charges	4	<u>(3,308)</u>	<u>(3,830)</u>
<b>Profit on ordinary activities before tax</b>		81,234	75,393
Tax on profit on ordinary activities of subsidiaries	6	<u>(3,346)</u>	-
<b>Profit on ordinary activities after tax</b>		77,888	75,393
Equity minority interests		132	208
<b>Profit for the financial year before members' remuneration and profit shares</b>		<u>78,020</u>	<u>75,601</u>
<b>Profit for the financial year before members' remuneration and profit shares</b>		78,020	75,601
Members' remuneration charged as an expense	17	<u>(7,951)</u>	<u>(9,094)</u>
<b>Profit for the financial year available for discretionary division among members</b>	17	<u>70,069</u>	<u>66,507</u>

Profits have arisen from continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

## Consolidated statement of total recognised gains and losses

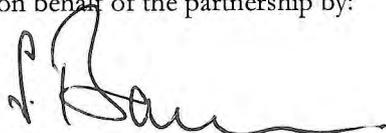
	Note	2014 £'000	2013 £'000
<b>Profit for the financial year available for discretionary division among members</b>		<b>70,069</b>	66,507
Exchange (losses)/gains on translation of foreign operations		<b>(1,013)</b>	217
Movement in unrealised gains/losses on investments		<b>(128)</b>	(142)
Actuarial losses on pension scheme	23	<b>(19,828)</b>	(19,278)
<b>Total recognised gains and losses for the year</b>		<b>49,100</b>	47,304

The accompanying accounting policies and notes form an integral part of these financial statements.

## Consolidated balance sheet

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
Intangible assets	8		12,506		14,061
Tangible assets	9		26,691		29,123
Investments	10		13,103		14,852
			<u>52,300</u>		<u>58,036</u>
<b>Current assets</b>					
Debtors	11	207,015		209,210	
Cash at bank and in hand	12	20,633		16,546	
			227,648		225,756
<b>Creditors: amounts falling due within one year</b>	13		<b>(130,068)</b>		<b>(140,456)</b>
			<u>97,580</u>		<u>85,300</u>
<b>Net current assets</b>			<b>149,880</b>		<b>143,336</b>
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(17,782)</b>		<b>(20,644)</b>
<b>Provisions for liabilities</b>	16		<b>(45,882)</b>		<b>(44,181)</b>
<b>Pension scheme liability</b>	23		<b>(106,939)</b>		<b>(91,596)</b>
Equity minority interests			-		208
<b>Net liabilities attributable to members</b>	1		<b>(20,723)</b>		<b>(12,877)</b>
<b>Represented by:</b>					
<b>Loans and other debts due to members within one year</b>					
Members' capital classified as a liability	17		44,475		45,525
Other amounts	17		7,312		1,122
			<u>51,787</u>		<u>46,647</u>
<b>Loans and other debts due to members after more than one year</b>					
Other amounts	17		100		100
			<u>51,887</u>		<u>46,747</u>
<b>Equity</b>					
Members' other interests - other reserves classified as equity	17		(72,068)		(59,210)
Revaluation reserve	17		(542)		(414)
			<u>(20,723)</u>		<u>(12,877)</u>
<b>Total members' interests</b>					
Loans and other debts due to members	17		51,887		46,747
Members' other interests	17		(72,610)		(59,624)
Amounts due from members	17		(9,431)		(9,677)
Total including pension scheme liability			<u>(30,154)</u>		<u>(22,554)</u>
Pension scheme liability			106,939		91,596
Total excluding pension scheme liability			<u>76,785</u>		<u>69,042</u>

The financial statements were approved by the Partnership Oversight Board on 26 September 2014 and signed on behalf of the partnership by:



Scott Barnes Chief Executive Officer



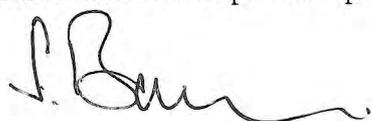
Steve Maslin Chairman of the Partnership Oversight Board

The accompanying accounting policies and notes form an integral part of these financial statements.

## Partnership balance sheet

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
Intangible assets	8		11,478		13,452
Tangible assets	9		26,467		28,269
Investments	10		5,473		5,962
			<u>43,418</u>		<u>47,683</u>
<b>Current assets</b>					
Debtors	11	202,111		199,308	
Cash at bank and in hand	12	13,637		10,600	
			215,748		209,908
<b>Creditors: amounts falling due within one year</b>	13		(136,239)		(133,825)
<b>Net current assets</b>			<u>79,509</u>		<u>76,083</u>
<b>Total assets less current liabilities</b>			122,927		123,766
<b>Creditors: amounts falling due after more than one year</b>	14		(17,782)		(20,644)
<b>Provisions for liabilities</b>	16		(36,268)		(36,634)
<b>Net assets attributable to members</b>			<u>68,877</u>		<u>66,488</u>
<b>Represented by:</b>					
<b>Loans and other debts due to members within one year</b>					
Members' capital classified as a liability	17		44,475		45,525
Other amounts	17		7,312		2,880
			<u>51,787</u>		<u>48,405</u>
<b>Loans and other debts due to members after more than one year</b>					
Other amounts	17		100		100
			<u>51,887</u>		<u>48,505</u>
<b>Equity</b>					
Members' other interests - other reserves classified as equity	17		16,990		17,983
			<u>68,877</u>		<u>66,488</u>
<b>Total members' interests</b>					
Loans and other debts due to members	17		51,887		48,505
Members' other interests – other reserves	17		16,990		17,983
Amounts due from members	17		(9,431)		(9,677)
			<u>59,446</u>		<u>56,811</u>

The financial statements were approved by the Partnership Oversight Board on 26 September 2014 and signed on behalf of the partnership by:



Scott Barnes Chief Executive Officer



Steve Maslin Chairman of the Partnership Oversight Board

The accompanying accounting policies and notes form an integral part of these financial statements.

## Consolidated cash flow statement

	Note	2014 £'000	2013 £'000
<b>Net cash inflow from operating activities</b>	18	<u>105,017</u>	<u>81,467</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		650	715
Interest paid		(1,091)	(1,367)
Finance lease interest paid		(1,423)	(1,422)
Dividends received		-	38
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(1,864)</u>	<u>(2,036)</u>
<b>Taxation</b>	6	<u>(1,820)</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(2,501)	(4,466)
Sale of tangible fixed assets		1,520	866
Purchase of investments		(10,883)	(23,157)
Sale of investments		12,140	21,486
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		<u>276</u>	<u>(5,271)</u>
<b>Acquisitions and disposals</b>			
Disposal of business	20	194	-
Purchase of business	20	(2,863)	-
<b>Net cash outflow from acquisitions and disposals</b>		<u>(2,669)</u>	<u>-</u>
<b>Transactions with members and former members</b>			
Payments to or on behalf of members		(63,290)	(69,309)
Capital contributions by members		3,025	3,175
Annuity payments to former members		(2,732)	(2,441)
Repayments to former members		(11,819)	(7,352)
<b>Net cash outflow from transactions with members and former members</b>		<u>(74,816)</u>	<u>(75,927)</u>
<b>Financing</b>			
Net movement in bank and other borrowings		(19,800)	9,180
Capital element of finance lease rentals		98	(468)
<b>Net cash (outflow)/inflow from financing</b>		<u>(19,702)</u>	<u>8,712</u>
<b>Increase in cash</b>	19	<u>4,422</u>	<u>6,945</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

## Notes to the financial statements

### 1 Segmental analysis and profit for the financial year

Turnover is attributable to the following classes of continuing business.

	2014 £'000	2013 £'000
Audit	135,163	131,130
Taxation and Financial Planning	91,303	91,374
Advisory		
- Corporate Finance	35,854	29,356
- Forensic & Investigation Services	13,770	23,381
- Recovery & Reorganisation	116,799	106,977
- Other (including Business Risk, Financial Services Advisory and Government & Infrastructure Advisory)	119,446	88,994
	<u>512,335</u>	<u>471,212</u>

The destination of turnover was primarily to UK clients although 1.3% (2013: 3.3%) was to Caribbean countries, 2.0% (2013: 1.9%) to mainland Europe, 0.7% (2013: 0.9%) to North America and 1.0% (2013: 1.0%) to the rest of the world. The origin of turnover is 98.8% (2013: 98.6%) in the UK and 1.2% (2013: 1.4%) in the Caribbean.

Analysis of operating profit and net assets are as follows:

	Operating profit		Net liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Audit	42,372	41,654	18,387	27,224
Taxation and Financial Planning	39,373	37,437	12,608	18,762
Advisory				
- Corporate Finance	16,644	9,467	6,733	5,671
- Forensic & Investigation Services	7,510	11,184	5,287	8,076
- Recovery & Reorganisation	45,467	47,303	68,760	76,575
- Other (including Business Risk, Financial Services Advisory and Government & Infrastructure Advisory)	21,452	18,539	7,882	6,126
	<u>172,818</u>	165,584	<u>119,657</u>	142,434
Unallocated items	<u>(89,182)</u>	(86,553)	<u>(140,380)</u>	(155,311)
	<u>83,636</u>	79,031	<u>(20,723)</u>	(12,877)

The firm's internal reporting structure does not measure results to operating profit or net assets strictly in accordance with the industry standard segmented turnover classifications. Accordingly, the allocation between the different classes of business has involved a degree of approximation based on reasonable and consistent assumptions.

Unallocated items affecting operating profit represent the costs of central support and infrastructure that are not directly controllable by individual business functions.

### Segmental analysis and profit for the financial year (continued)

Net assets attributed to the business functions comprise trade debts, amounts recoverable on contracts, excess payments on account, provisions for foreseeable losses and certain claims provisions. All other assets and liabilities are controlled centrally and are not allocated across business functions.

The profit for the financial year is stated after:

	2014 £'000	2013 £'000
Auditors' remuneration:		
Audit services - group and partnership	123	115
Other services - subsidiary company audits	30	22
Depreciation and amortisation:		
Intangible fixed assets	3,784	3,965
Tangible fixed assets, owned	4,751	4,084
Tangible fixed assets, held under finance leases and hire purchase contracts	329	371
Other operating lease rentals:		
Equipment	3,693	3,775
Land and buildings	12,222	12,159

## 2 Cost of sales and other operating costs

	2014 £'000	2013 Restated £'000
Cost of sales:		
Employment and related costs of fee earners	181,860	177,422
Other cost of sales	72,798	43,991
	<u>254,658</u>	<u>221,413</u>
Other operating costs:		
Employment and related costs of non fee earners	44,454	43,334
Property (note 3)	25,208	25,755
IT and other equipment costs	13,089	12,903
Administration and other costs	56,690	53,688
Other financial costs including insurance	9,739	10,795
Annuities to former members	371	2,732
	<u>149,551</u>	<u>149,207</u>

The above costs are stated net of income received of £5,032,000 (2013: £9,522,000) in respect of non-profit recharges to third parties. These are principally in relation to profit shares and employment and related costs of members or employees on secondment.

### 3 Other operating income

	2014 £'000	2013 £'000
Property sub-let income	<u>1,199</u>	<u>1,242</u>

### 4 Net interest and other similar charges

	2014 £'000	2013 £'000
Interest payable on bank loans and overdrafts	1,072	1,349
Finance charges in respect of finance leases	1,423	1,422
Other interest payable and similar charges	19	18
Unwinding of discount for former member annuity provisions (note 16)	800	700
Net interest on pension scheme assets/liabilities (note 23)	644	1,056
Other interest receivable and similar income	(650)	(715)
Net interest and similar charges	<u>3,308</u>	<u>3,830</u>

### 5 Partners and employees

Employment costs during the year (excluding members) were as follows:

	2014 £'000	2013 £'000
Wages and salaries	178,890	178,098
Social security costs	19,218	18,830
Other pension costs	18,578	17,140
	<u>216,686</u>	<u>214,068</u>

The average number of full time equivalent members and employees during the year, all of whom were engaged in the group's principal activity, were as follows:

	2014 Number	2013 Number
Members (of whom 20 were fixed share - 2013: 28)	191	206
Fee earning employees	3,113	3,012
Non fee earners	934	1,016
	<u>4,238</u>	<u>4,234</u>

## Partners and employees (continued)

Profits are shared among members in accordance with agreed profit sharing arrangements. The average profit allocation in respect of the year's results, calculated by dividing allocable profits for the financial year by the average number of members, amounted to £385,000 (2013: £349,000).

The profit attributable to the member with the largest entitlement was £1,457,251 (2013: £1,310,965).

Allocable profits take into account pension and annuity payments rather than pension and annuity charges and include sums allocated as interest, members' motor expenses and capital profits but exclude profits in certain subsidiary entities.

The average profit per member, calculated in accordance with the requirements of the SORP by dividing the profit for the financial year before members' remuneration and profit shares by the average number of members, amounted to £408,000 (2013: £367,000).

The table below provides a reconciliation between the average profit per member calculated in accordance with the SORP and the average profit allocation per member.

	2014 £'000	2013 £'000
Average profit per member	408	367
Retirement annuities and other items	(4)	7
Retained profits for the year in subsidiary entities net of consolidation adjustments	<u>(19)</u>	<u>(25)</u>
Average allocable profit per member	<u><u>385</u></u>	<u><u>349</u></u>

## 6 Tax on profit on ordinary activities

Taxation arises within the subsidiary undertakings of the group and represents:

	2014 £'000	2013 £'000
United Kingdom corporation tax at 22.50% (2013: 23.75%)	3,346	3,438
Compensating payments due from members	-	(3,438)
Total current tax and tax on profit on ordinary activities	<u><u>3,346</u></u>	<u><u>-</u></u>

Prior to a change in tax legislation, up until October 2013, the UK corporation tax charge included an additional amount in respect of UK transfer pricing legislation applicable to both Grant Thornton Business Services and its wholly owned subsidiary, Grant Thornton Services LLP. In 2013, the cost of this was offset by a compensating payment made by the members of the partnership to those subsidiaries which was dealt with through members' interests.

Fulwood Insurances Limited are taxable at the standard rate in Guernsey of zero percent. Grant Thornton Specialist Services (Cayman) Limited and Grant Thornton (British Virgin Islands) Limited are not subject to corporation tax or the equivalent overseas tax.

The tax reconciliation overleaf has been amended to better reflect the tax treatment of certain LLP subsidiaries and the effect of the changes to the transfer pricing tax legislation. The comparative figures have therefore been restated, but with no impact on the tax charge.

### Tax on profit on ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained as follows:

	2014	2013 Restated
	£'000	£'000
Profits on ordinary activities before tax of subsidiary undertakings	14,393	7,270
Losses/(profits) of LLP subsidiary undertakings not subject to corporation tax	<u>116</u>	<u>(916)</u>
	14,509	6,354
Tax on profit on ordinary activities at 22.50% (2013: 23.75%)	3,265	1,509
Effect of:		
Profits taxed at zero percent or exempt from tax	(201)	(643)
Pension cost charge less than pension cost relief	(1,008)	(989)
Transfer pricing adjustments	1,085	3,438
Compensating payments due from members	-	(3,438)
Losses in subsidiary undertakings not relieved	145	123
Other timing differences	<u>60</u>	<u>-</u>
Total current tax charge	<u>3,346</u>	<u>-</u>

### 7 Profit for the financial period

Grant Thornton UK LLP has taken advantage of Section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own profit and loss account in these financial statements. Its own profit for the year available for discretionary division among members was £61,093,000 (2013: £58,427,000).

### 8 Intangible fixed assets

The group	Goodwill £'000
Cost:	
At 1 July 2013	32,134
Additions	1,021
Transfer from cost of investment in group undertakings (note 10)	1,246
Exchange adjustments	(96)
At 30 June 2014	<u>34,305</u>
Amortisation:	
At 1 July 2013	18,073
Provided in the year	3,784
Exchange adjustments	(58)
At 30 June 2014	<u>21,799</u>
Net book amount at 30 June 2014	<u>12,506</u>
Net book amount at 30 June 2013	<u>14,061</u>

The difference between the goodwill in the group and that in the partnership represents purchased goodwill in subsidiary undertakings and goodwill arising on consolidation.



**Tangible fixed assets (continued)**

The partnership	Long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Total £'000
Cost:						
At 1 July 2013	17,783	18,708	11,323	14,729	5,169	67,712
Additions	-	702	200	1,342	1,408	3,652
Disposals	-	(323)	(566)	(901)	(1,402)	(3,192)
At 30 June 2014	<u>17,783</u>	<u>19,087</u>	<u>10,957</u>	<u>15,170</u>	<u>5,175</u>	<u>68,172</u>
Depreciation:						
At 1 July 2013	6,594	8,542	8,475	13,231	2,601	39,443
Provided in the year	177	1,856	884	952	1,062	4,931
Disposals	-	(323)	(566)	(901)	(879)	(2,669)
At 30 June 2014	<u>6,771</u>	<u>10,075</u>	<u>8,793</u>	<u>13,282</u>	<u>2,784</u>	<u>41,705</u>
Net book amount at 30 June 2014	<u><b>11,012</b></u>	<u><b>9,012</b></u>	<u><b>2,164</b></u>	<u><b>1,888</b></u>	<u><b>2,391</b></u>	<u><b>26,467</b></u>
Net book amount at 30 June 2013	<u>11,189</u>	<u>10,166</u>	<u>2,848</u>	<u>1,498</u>	<u>2,568</u>	<u>28,269</u>

The previous tables include assets held under finance leases and similar hire purchase contracts as follows:

The group and the partnership	Long leasehold property £'000	Furniture and equipment £'000	Motor cars £'000	Total £'000
Net book amount at 30 June 2014	<u>7,905</u>	<u>128</u>	<u>409</u>	<u>8,442</u>
Net book amount at 30 June 2013	<u>8,032</u>	<u>208</u>	<u>307</u>	<u>8,547</u>
Depreciation provided in the year	<u>127</u>	<u>81</u>	<u>121</u>	<u>329</u>

**10 Fixed asset investments**

The group	Listed investments £'000	Other investments £'000	Total £'000
Cost or valuation			
At 1 July 2013	11,563	3,746	15,309
Additions	10,766	117	10,883
Exchange adjustments	-	(367)	(367)
Disposals	(11,959)	(400)	(12,359)
Revaluation	(128)	-	(128)
At 30 June 2014	<u>10,242</u>	<u>3,096</u>	<u>13,338</u>
Provisions			
At 1 July 2013	419	38	457
Provided in the year	-	(3)	(3)
Disposals	(219)	-	(219)
At 30 June 2014	<u>200</u>	<u>35</u>	<u>235</u>
<b>Net book amount at 30 June 2014</b>	<b><u>10,042</u></b>	<b><u>3,061</u></b>	<b><u>13,103</u></b>
Net book amount at 30 June 2013	<u>11,144</u>	<u>3,708</u>	<u>14,852</u>
		<b>2014</b>	2013
		<b>£'000</b>	£'000
Listed investments at market value held by Fulwood Insurances Limited		<u><b>10,042</b></u>	<u>11,144</u>
Market value of all listed investments held by the group		<u><b>10,042</b></u>	<u>11,144</u>
Total listed investments on historical cost basis		<u><b>10,170</b></u>	<u>11,287</u>

**Fixed asset investments (continued)**

The partnership	Investment in group undertakings £'000	Listed investments £'000	Other investments £'000	Total £'000
Cost				
At 1 July 2013	2,274	419	3,726	6,419
Exchange adjustments	-	-	(367)	(367)
Additions	1,404	-	117	1,521
Transfer to goodwill (note 8)	(1,246)	-	-	(1,246)
Disposals	-	(219)	(400)	(619)
At 30 June 2014	<u>2,432</u>	<u>200</u>	<u>3,076</u>	<u>5,708</u>
Provisions				
At 1 July 2013	-	419	38	457
Provided in the year	-	-	(3)	(3)
Disposals	-	(219)	-	(219)
At 30 June 2014	<u>-</u>	<u>200</u>	<u>35</u>	<u>235</u>
<b>Net book amount at 30 June 2014</b>	<b><u>2,432</u></b>	<b><u>-</u></b>	<b><u>3,041</u></b>	<b><u>5,473</u></b>
Net book amount at 30 June 2013	<u>2,274</u>	<u>-</u>	<u>3,688</u>	<u>5,962</u>

The transfer to goodwill in relation to investment in group undertakings relates to the reallocation of the cost of investment in the Inderies Limited group following the hive up of most of that group's trade to the partnership (note 20).

	2014 £'000	2013 £'000
Listed investments at market value	<u>-</u>	<u>-</u>
Listed investments on historical cost basis	<u>-</u>	<u>-</u>

Other investments include US\$5,000,000 (2013: US\$5,000,000) in fully and compulsorily convertible debentures.

The partnership has sought to hedge the foreign exchange risk on this investment by way of a series of foreign exchange collars. At 30 June 2014, the fair value of the financial assets relating to the collar was £179,000 (2013: £120,000) and the fair value of the financial liabilities was £21,000 (2013: £146,000).

**Fixed asset investments (continued)**

At 30 June 2014, the group held an economic interest of 20% or more in the following limited liability partnerships or in the ordinary share capital of the following companies (as the case may be):

Subsidiary undertaking	Country of incorporation /registration	Proportion held by the partnership and the group	Nature of business
Fulwood Insurances Limited	Guernsey	100%	Insurance services
Grant Thornton (British Virgin Islands) Limited	British Virgin Islands	100%	Provision of insolvency and restructuring services
Grant Thornton Business Services	England	100%	Provision of personnel to the group
Grant Thornton Employee Benefits Consultancy LLP	England	100%	Provision of benefits consultancy services
Grant Thornton Services LLP	England	100%	Provision of personnel to the group
Grant Thornton Specialist Services (Cayman) Limited	Cayman Islands	100%	Provision of insolvency and restructuring services
The Local Futures Group Limited	England	100%	Licencing of intellectual property

At 30 June 2014, the group also held 100% of the ordinary share capital of, or interest in, the following companies and LLPs incorporated or registered in England, which are either dormant or non-trading:

Barfreston Limited	Grant Thornton Property Nominees *
Grant Thornton Limited	Grant Thornton Trust Company Limited
Grant Thornton Acquisitions Limited	GTN1 Limited
Grant Thornton Consulting Limited	GTN2 Limited
Grant Thornton Contracts LLP	GTPN1 Limited
Grant Thornton Corporate Finance Limited	GTPN2 Limited
Grant Thornton FSBC Limited	Inderies Limited
Grant Thornton Management Consultants Limited	Local Knowledge (UK) Limited
Grant Thornton Nominees *	Thornton Baker Limited
Grant Thornton Pension Trustees Limited	Thornton Baker UK LLP
Grant Thornton Personal Financial Planning Limited	

\* Unlimited liability nominee companies in which the partnership has a 100% interest.

## 11 Debtors

	The group		The partnership	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade debtors	110,619	97,475	110,001	96,401
Amounts owed by group undertakings	-	-	2,758	63
Amounts recoverable on contracts	65,968	80,995	63,935	78,362
Other debtors	8,109	8,759	6,179	7,101
Amounts due from members	9,431	9,677	9,431	9,677
Prepayments and accrued income	12,888	12,304	9,807	7,704
	<u>207,015</u>	<u>209,210</u>	<u>202,111</u>	<u>199,308</u>

Included in the above for both the group and the partnership are the following amounts which are due after more than one year:

	The group		The partnership	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Prepayments and accrued income	<u>254</u>	<u>283</u>	<u>254</u>	<u>283</u>

## 12 Cash at bank and in hand

	The group		The partnership	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and immediately available bank balances	<u>20,633</u>	<u>16,546</u>	<u>13,637</u>	<u>10,600</u>

**13 Creditors: amounts falling due within one year**

	The group		The partnership	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank loans	19,900	36,700	19,900	36,700
Excess payments received on account	27,407	26,142	27,313	26,140
Trade creditors	3,088	4,805	2,113	4,476
Amounts owed to group undertakings	-	-	36,375	26,340
Corporation tax	1,526	1,758	-	-
Social security and other taxes	17,218	13,364	11,663	8,056
Other creditors	2,282	1,523	1,767	853
Accruals and deferred income	53,623	47,539	32,084	22,635
Provisions for foreseeable losses	1,803	1,428	1,803	1,428
Amounts due to former members	3,207	7,173	3,207	7,173
Amounts due under finance leases and hire purchase contracts	14	24	14	24
	<b>130,068</b>	<b>140,456</b>	<b>136,239</b>	<b>133,825</b>

**14 Creditors: amounts falling due after more than one year**

	The group		The partnership	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank loans	6,000	9,000	6,000	9,000
Amounts due under finance leases and hire purchase contracts	11,782	11,644	11,782	11,644
	<b>17,782</b>	<b>20,644</b>	<b>17,782</b>	<b>20,644</b>

**15 Borrowings**

Borrowings are repayable as follows:

	The group		The partnership	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Within one year:				
Bank and other borrowings	19,900	36,700	19,900	36,700
Finance leases and hire purchase contracts	14	24	14	24
After one and within two years:				
Bank and other borrowings	3,000	3,000	3,000	3,000
Finance leases and hire purchase contracts	22	71	22	71
After two and within five years:				
Bank and other borrowings	3,000	6,000	3,000	6,000
Finance leases and hire purchase contracts	313	122	313	122
After five years:				
Finance leases and hire purchase contracts	11,447	11,451	11,447	11,451
	<b>37,696</b>	<b>57,368</b>	<b>37,696</b>	<b>57,368</b>

### Borrowings (continued)

Unsecured bank loans totalling £25,900,000 (2013: £45,700,000) are repayable in a mixture of monthly, quarterly and annual instalments between 1 July 2014 and 12 December 2016 (2013: between 1 July 2013 and 12 December 2016).

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

## 16 Provisions for liabilities

### The group

	Claims provisions £'000	Property provisions £'000	Former members' annuities £'000	Total £'000
At 1 July 2013	10,079	2,172	31,930	44,181
New annuity obligations	-	-	678	678
Amortisation of discount	-	-	800	800
Settlement of obligations during year	(4,491)	(814)	(3,409)	(8,714)
Change in assumptions and experience losses	-	-	(300)	(300)
Released to profit and loss account	(927)	(831)	-	(1,758)
Provided during year in profit and loss account	9,773	1,222	-	10,995
	<b>14,434</b>	<b>1,749</b>	<b>29,699</b>	<b>45,882</b>

### The partnership

	Claims provisions £'000	Property provisions £'000	Former members' annuities £'000	Total £'000
At 1 July 2013	2,532	2,172	31,930	36,634
New annuity obligations	-	-	678	678
Amortisation of discount	-	-	800	800
Settlement of obligation during year	(1,910)	(814)	(3,409)	(6,133)
Change in assumptions and experience losses	-	-	(300)	(300)
Released to profit and loss account	(626)	(831)	-	(1,457)
Provided during year in profit and loss account	4,824	1,222	-	6,046
	<b>4,820</b>	<b>1,749</b>	<b>29,699</b>	<b>36,268</b>

The provision for claims is in respect of the estimated amounts for commercial settlements and professional indemnity claims. Property provisions are in respect of dilapidations and surplus properties. The nature of the claims and property provisions are such that the timing of the utilisation of those provisions is inherently difficult to predict.

### Provisions for liabilities (continued)

The provision for former members' annuities is expected to be utilised as follows:

	2014 £'000	2013 £'000
In less than one year	4,212	4,141
After one and within five years	10,217	10,817
After five and within ten years	7,317	7,836
After ten and within twenty-five years	7,368	8,205
In more than twenty-five years	585	931
	<u>29,699</u>	<u>31,930</u>

## 17 Members' interests

### The group

	Revaluation reserves £'000	Other reserves £'000	Total members' other interests £'000	Loans and other debts due to/(from) members £'000	Total members' interests £'000
At 1 July 2013	(414)	(59,210)	(59,624)	37,070	(22,554)
Members' remuneration charged as an expense	-	-	-	7,951	7,951
Profit for the financial year available for discretionary division among members	-	70,069	70,069	-	70,069
Members' interests after profit for year	(414)	10,859	10,445	45,021	55,466
Allocated profits in respect of the prior year	-	(62,763)	(62,763)	62,763	-
Tax adjustments on payment of annuities to former members	-	677	677	-	677
Members' capital introduced	-	-	-	3,025	3,025
Other amounts withdrawn by members	-	-	-	(125)	(125)
Drawings (including tax payments)	-	-	-	(62,133)	(62,133)
Transfer of capital to former members' balances	-	-	-	(4,075)	(4,075)
Transfer of other amounts to former members' balances	-	-	-	(3,778)	(3,778)
Pension scheme actuarial loss	-	(19,828)	(19,828)	-	(19,828)
Movement in unrealised gains/losses on investments	(128)	-	(128)	-	(128)
Exchange losses on translation of foreign operations	-	(1,013)	(1,013)	-	(1,013)
Movement in compensating payments due to subsidiary undertakings	-	-	-	1,758	1,758
At 30 June 2014	<u>(542)</u>	<u>(72,068)</u>	<u>(72,610)</u>	<u>42,456</u>	<u>(30,154)</u>

**Members' interests (continued)**

The partnership	Members' other interests - Other reserves £'000	Loans and other debts due to/(from) members £'000	Total members' interest £'000
At 1 July 2013	17,983	38,828	56,811
Members' remuneration charged as an expense	-	7,951	7,951
Profit for the financial year available for discretionary division among members	61,093	-	61,093
Partners' interests after profit for year	79,076	46,779	125,855
Allocated profits in respect of the prior year	(62,763)	62,763	-
Tax adjustments on payment of annuities to former members	677	-	677
Members' capital introduced	-	3,025	3,025
Other amounts withdrawn by members	-	(125)	(125)
Drawings (including tax payments)	-	(62,133)	(62,133)
Transfer of capital to former members' balances	-	(4,075)	(4,075)
Transfer of other amounts to former members' balances	-	(3,778)	(3,778)
At 30 June 2014	<b>16,990</b>	<b>42,456</b>	<b>59,446</b>

Allocated profits for the group and the partnership comprise:

	£'000
Profits for the year ended 30 June 2013, allocated in the year ended 30 June 2014	<b>62,763</b>

The loans and other debts due to/(from) members can be analysed as follows:

The group	Due within one year £'000	Due after one year £'000	2014 £'000	Due within one year £'000	Due after one year £'000	2013 £'000
Members' capital classified as a liability	44,475	-	44,475	45,525	-	45,525
Other amounts due to members	7,312	-	7,312	2,880	-	2,880
Compensating payments due to subsidiary undertakings	-	-	-	(1,758)	-	(1,758)
Provision for annuities in relation to current members	-	100	100	-	100	100
Loans and other debts due to members	51,787	100	51,887	46,647	100	46,747
Amounts due from members included in debtors (note 11)	(9,431)	-	(9,431)	(9,677)	-	(9,677)
	<b>42,356</b>	<b>100</b>	<b>42,456</b>	<b>36,970</b>	<b>100</b>	<b>37,070</b>

**Members' interests (continued)**

	Due within one year £'000	Due after one year £'000	2014 £'000	Due within one year £'000	Due after one year £'000	2013 £'000
<b>The partnership</b>						
Members' capital classified as a liability	44,475	-	44,475	45,525	-	45,525
Other amounts due to members	7,312	-	7,312	2,880	-	2,880
Provision for annuities in relation to current members	-	100	100	-	100	100
Loans and other debts due to members	51,787	100	51,887	48,405	100	48,505
Amounts due from members included in debtors (note 11)	(9,431)	-	(9,431)	(9,677)	-	(9,677)
	<u>42,356</u>	<u>100</u>	<u>42,456</u>	<u>38,728</u>	<u>100</u>	<u>38,828</u>

Loans and other debts due to members rank pari passu with unsecured creditors. The legal opinion given in an appendix to the SORP, Accounting by Limited Liability Partnerships, is that members' other interests, represented above by other reserves, rank after unsecured creditors.

**18 Net cash inflow from operating activities**

	2014 £'000	2013 £'000
Operating profit	83,636	79,031
Depreciation and amortisation	8,864	8,420
Decrease/(increase) in debtors	4,054	(30,877)
Increase in creditors	9,305	27,874
(Decrease)/increase in provision against investments	(3)	38
Adjustments in provisions for liabilities	4,290	2,202
Adjustments in pension liability	(5,129)	(5,221)
Net cash inflow from operating activities	<u>105,017</u>	<u>81,467</u>

**Reconciliation of net cash flow to movement in net debt**

	2014 £'000	2013 £'000
Increase in cash in the year	4,422	6,945
Cash outflow/(inflow) from financing	19,800	(9,180)
Cash (inflow)/outflow from finance leases	(98)	468
Cash outflow from transactions with members	60,265	66,134
Change in net funds resulting from cash flows	84,389	64,367
Exchange movement	(335)	63
Non-cash items	(65,435)	(61,189)
Decrease in net debt in the year	18,619	3,241
Net debt at 1 July 2013	(87,569)	(90,810)
Net debt at 30 June 2014	<u>(68,950)</u>	<u>(87,569)</u>

## 19 Analysis of changes in net debt

	At 1 July 2013 £'000	Cash flow £'000	Exchange movement £'000	Other non- cash items £'000	At 30 June 2014 £'000
Cash in hand and at bank	16,546	4,422	(335)	-	20,633
Bank and other borrowings	(45,700)	19,800	-	-	(25,900)
Finance leases	(11,668)	(98)	-	(30)	(11,796)
Net debt before loans and other debts due to members	(40,822)	24,124	(335)	(30)	(17,063)
Loans and other debts due to members	(46,747)	60,265	-	(65,405)	(51,887)
Net debt including loans and other debts due to members	<u>(87,569)</u>	<u>84,389</u>	<u>(335)</u>	<u>(65,435)</u>	<u>(68,950)</u>

Non-cash items within the finance lease movement represent the capital component of new finance leases and hire purchase contracts. Non-cash items within the movement in loans and other debts due to members principally represent allocated profits.

## 20 Acquisitions and disposals

On 8 July 2013, a subsidiary entity of the partnership acquired 100% of the share capital of Grant Thornton FSBC Limited (formerly Navigant Consulting (Europe) Limited), a firm providing financial services business consulting.

The details of net assets acquired were as follows:

	2014 £'000
Assets and liabilities acquired (book value and fair value):	
Tangible fixed assets	86
Debtors	2,471
Creditors	(278)
	<u>2,279</u>
Goodwill	169
Total consideration	<u>2,448</u>
Satisfied by:	
Cash	2,279
Legal fees	169
	<u>2,448</u>

Analysis of the net cash outflow in respect of the acquisition during the year:

Cash consideration (including legal fees)	<u>2,448</u>
Cash outflow in the year	<u>2,448</u>

### Acquisitions and disposals (continued)

In the accounting period prior to the acquisition date, the company's results after tax were a loss of £118,000. Following its acquisition, the trade and net assets have been hived up at fair value to the partnership. It is not practical to provide the profit and loss account analysis showing the contribution of the acquisition during the year due to the purchased activities being integrated into the business of the partnership following the hive up.

On 27 February 2014, the partnership acquired 100% of the share capital of Inderies Limited which has two subsidiary entities, The Local Futures Group Limited and Local Knowledge (UK) Limited. The principal activities of the group is data analytics to advise public and private sector organisations on growth and development.

The details of net assets acquired were as follows:

	<b>2014</b>
	<b>£'000</b>
Assets and liabilities acquired (book value and fair value):	
Tangible fixed assets	24
Debtors	118
Creditors	(654)
Bank overdraft	(11)
	<u>(523)</u>
Goodwill	1,927
Total consideration	<u><b>1,404</b></u>
Satisfied by:	
Cash	310
Contingent deferred consideration	1,000
Legal fees	94
	<u><b>1,404</b></u>

Analysis of the net cash outflow in respect of the acquisition during the year:

Bank overdraft	11
Cash consideration (including legal fees)	404
Cash outflow in the year	<u><b>415</b></u>

In the accounting period prior to the acquisition date, the group's results after tax were a profit of £59,000. Following its acquisition, most of the trade and net assets have been hived up at fair value to the partnership. It is not practical to provide the profit and loss account analysis showing the contribution of the acquisition during the year due to the purchased activities being integrated into the business of the partnership following the hive up.

### Acquisitions and disposals (continued)

On 17 September 2013 the partnership disposed of its interest in Voyanta Limited for no consideration. Group results include a £199,000 loss up to its date of disposal.

	2014 £'000
Assets and liabilities disposed (book value and fair value):	
Tangible fixed assets	469
Debtors	78
Creditors	(903)
Cash at bank	106
	<u>(250)</u>
Minority shareholder's interests	340
	<u>90</u>
Loss on disposal	<u>90</u>
Satisfied by:	
Cash	-
	<u>-</u>

Analysis of the net cash inflow in respect of the disposal during the year:

	2014 £'000
Cash at bank and in hand disposed of	(106)
Repayment of loan fully provided for at disposal	300
	<u>194</u>

### 21 Capital commitments

At 30 June 2014, there was £Nil (2013: £576,000) of contracted but not recognised capital expenditure.

### 22 Contingent liabilities

There were no unprovided contingent liabilities at 30 June 2014 (2013: None) other than those in connection with guarantees given by the partnership relating to the defined benefit pension scheme as more fully described in note 23.

### 23 Retirement benefits

#### Defined Contribution Pension Scheme

The group operates defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are administered in funds independent from those of the group.

Employer contributions to the schemes by the group in the year ended 30 June 2014 amounted to £15,973,000 (2013: £14,515,000). The outstanding contributions to the schemes at the year end were £Nil (2013: £Nil).

## Retirement benefits (continued)

### Defined Benefit Pension Scheme

The group operates two defined benefit pension schemes for the benefit of certain employees, the Grant Thornton Pensions Fund and the Robson Rhodes Retirement Benefit Scheme. The assets of the schemes are administered by trustees in funds independent from the assets of the group.

The Robson Rhodes scheme is significantly smaller than the Grant Thornton scheme. Both schemes are closed to new members.

The major assumptions used for the purpose of the FRS 17 valuation at 30 June 2014 were:

	2014 %	2013 %
Expected return on assets - Robson Rhodes scheme	6.45	6.42
Expected return on assets - Grant Thornton scheme	5.85	6.40
Rate of general increase in salaries	3.70	3.65
Rate of revaluation of accrued and deferred pensions - Grant Thornton scheme	2.20	2.40
Rate of revaluation of accrued and deferred pensions - Robson Rhodes scheme	5.00	5.00
Rate of increase in pensions in payment - pre 1 July 2006	3.15	3.10
Rate of increase in pensions in payment - post 30 June 2006	2.25	2.25
Discount rate	4.50	4.90
Retail price inflation	3.20	3.15
Consumer price inflation	2.20	2.40
Mortality assumption	<b>PNXA00MC with 1% underpin, past and future*</b>	PNXA00MC with 1% underpin, past and future*

\*Mortality rates are assumed to follow the PNXA00 series, incorporating medium cohort projections. The projections include an allowance that the level of improvement in the mortality rates will be at least 1% per annum for past and future years.

The rate of return on each asset class should reflect long term expectations at the beginning of the period. For gilts and cash, the expected return is determined by applying the market yield on long dated gilts to the market value of assets held at the beginning of the period. For corporate bonds, the expected return is determined by the weighted average of the index yields on AA rated corporate bonds and Government stocks at 30 June 2014. The weightings are based on the scheme's proportionate holdings of these types of assets. For equities, the expected rate of return is calculated as the market yield on long dated gilts plus 4%. This rate is then applied to the market value of assets at the beginning of the period to calculate the expected return. For property, the expected rate of return is calculated as the market yield on long dated gilts plus 3%. This rate is then applied to the market value of assets at the beginning of the period to calculate the expected return. For the buy-in policy, expected return on this asset is taken to be the discount rate at 30 June 2014.

The assumed rates of mortality have been based on standard tables, themselves derived from an analysis (undertaken by the Continuous Mortality Investigation Bureau (CMI)) of deaths within the insured pensioner population over a four year period centered around 2000.

Because increases in life expectancy are considered to vary depending on a person's age and will also depend on how far into the future the change is being measured, it is difficult to derive the financial impact on pension scheme liabilities of a one year change in assumed life expectancy across all age groups. The table below, however, provides an appreciation of the impact on life expectancy of allowing for longevity improvements beyond 2014 adopting medium cohort assumptions.

### Retirement benefits (continued)

Assumption: allowance for 'medium cohort' improvements post 2014 with a 1% underpin

	Life expectancy (years)	
	Male	Female
Currently aged 65	22.8	25.2
Aged 65 in 20 years' time	24.7	27.1

All the assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2014		2013		2012	2011	2010
	£'000	%	£'000	%	£'000	£'000	£'000
UK Equities	38,100	14.3	49,467	19.8	45,492	50,061	81,876
Overseas Equities	70,720	26.5	19,926	8.0	18,744	20,628	35,589
Multi asset funds	21,295	8.0	81,672	32.7	69,657	67,614	-
Fixed interest Gilts	-	0.0	-	0.0	1,484	1,237	1,098
Index-linked Gilts	51,390	19.3	26,936	10.8	47,437	40,278	29,599
Corporate Bonds	33,651	12.6	18,450	7.4	29,147	26,587	25,473
Property	23,661	8.9	25,584	10.3	25,984	26,129	24,051
Buy-in policy *	26,290	9.8	26,076	10.5	-	-	-
Cash	1,635	0.6	1,273	0.5	1,104	960	838
Total market value of assets	<u>266,742</u>	<u>100.0</u>	<u>249,384</u>	<u>100.0</u>	<u>239,049</u>	<u>233,494</u>	<u>198,524</u>
Present value of scheme liabilities (all funded)	<u>(373,681)</u>		<u>(340,980)</u>		<u>(315,532)</u>	<u>(278,554)</u>	<u>(277,036)</u>
Net pension liability recognised in the consolidated balance sheet	<u>(106,939)</u>		<u>(91,596)</u>		<u>(76,483)</u>	<u>(45,060)</u>	<u>(78,512)</u>

\*This asset is a bulk annuity contract which provides income to match exactly the benefits, in terms of timing and amount, due to scheme members who were 70 or more years old at the time of its purchase. The asset is valued at the same amount as the present value of the scheme liabilities it matches and has the effect of de-risking the liabilities relating to that part of the scheme's pensioner population.

The history of experience (gains) and losses has been:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Difference between expected and actual return on scheme assets	(4,223)	(1,669)	9,014	(22,232)	(14,765)
Experience losses and (gains) on scheme liabilities	1,931	3,444	9,298	(9,308)	(7,702)
Changes in the actuarial assumptions underlying the present value of the scheme liabilities	<u>22,120</u>	<u>17,503</u>	<u>18,685</u>	<u>1,600</u>	<u>27,512</u>
Total actuarial losses and (gains)	<u>19,828</u>	<u>19,278</u>	<u>36,997</u>	<u>(29,940)</u>	<u>5,045</u>

**Retirement benefits (continued)**

Reconciliation of scheme liabilities during the year:

	2014 £'000	2013 £'000
Scheme liabilities at the beginning of year	340,980	315,532
Interest cost	16,564	13,222
Current service cost	2,925	2,638
Member contributions	2	3
Benefits paid by scheme	(10,841)	(11,362)
Loss on change of actuarial assumptions	22,120	17,503
Experience loss on liabilities	1,931	3,444
Scheme liabilities at end of year	<u>373,681</u>	<u>340,980</u>

Reconciliation of scheme assets during the year:

	2014 £'000	2013 £'000
Market value at beginning of year	249,384	239,049
Benefits paid	(10,841)	(11,362)
Employer contributions	8,054	7,859
Member contributions	2	3
Expected return on assets	15,920	12,166
Actuarial gain on assets	4,223	1,669
Market value at end of year	<u>266,742</u>	<u>249,384</u>

Actual return on scheme assets:

	2014 £'000	2013 £'000
Expected return on scheme assets	15,920	12,166
Actuarial gain	4,223	1,669
Actual return on scheme assets	<u>20,143</u>	<u>13,835</u>

The amount charged to operating profit was:

	2014 £'000	2013 £'000
Current service cost	2,925	2,638
Total operating charge	<u>2,925</u>	<u>2,638</u>

Other finance costs/(income) comprises:

	2014 £'000	2013 £'000
Expected return on pension scheme assets	(15,920)	(12,166)
Interest on pension scheme liabilities	16,564	13,222
	<u>644</u>	<u>1,056</u>

### Retirement benefits (continued)

The amount recognised in the statement of total recognised gains and losses is:

	2014 £'000	2013 £'000
Actual return more than expected return on pension scheme assets	(4,223)	(1,669)
Experience loss arising on the scheme liabilities	1,931	3,444
Changes in the actuarial assumptions underlying the present value of the scheme liabilities	22,120	17,503
Net losses	<u>19,828</u>	<u>19,278</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a loss of £112.2m (2013: £92.4m loss).

The movement in the deficit in the year was:

	2014 £'000	2013 £'000
Deficit in schemes at beginning of year	(91,596)	(76,483)
Current service cost	(2,925)	(2,638)
Contributions	8,054	7,859
Other finance costs	(644)	(1,056)
Actuarial loss	(19,828)	(19,278)
Deficit in schemes at end of year	<u>(106,939)</u>	<u>(91,596)</u>

At the year end, there was a small surplus in the Robson Rhodes scheme so the deficit noted above predominantly arises in the Grant Thornton scheme. The most recent schedule of contributions agreed with the trustees was in June 2014. In recognition that the level of pensionable pay will tend to decrease in real terms now that the scheme is closed to new members, total contributions are expressed as a sum of money rather than a percentage of pensionable salaries. These contributions cover the ongoing accrual of benefit by the members, certain administration costs and an element designed to eliminate the funding shortfall by June 2021. Annual contributions of £7.1m were made for the year ended 30 June 2014, and these will increase gradually to £8.5m for the year ending 30 June 2021, although the position and funding required will be reassessed as at 30 June 2014 once the next triennial review is carried out. The results of that valuation will not be known for a few more months. In addition to these contributions, the firm pays 5% of pensionable salaries in respect of members who have opted into the salary sacrifice arrangement. Aggregate employer contributions for both schemes, including the salary sacrifice component, in the year commencing 1 July 2014 are expected to be £8.1m (1 July 2013: £8.3m) and member contributions for the same period are expected to be £Nil (2013: £Nil).

## Retirement benefits (continued)

### Guarantee and recognition of obligations

A subsidiary entity, Grant Thornton Services LLP ("GT Services"), is the principal employer to both the Grant Thornton Pensions Fund and the Robson Rhodes Retirement Benefit Scheme. Both schemes are defined benefit pension schemes. GT Services is the sole participating employer of the active members of the GT scheme. Its immediate parent company, Grant Thornton Business Services ("GT Business Services") is the sole participating employer of the active members of the Robson Rhodes scheme. The FRS 17 obligations in respect of the schemes are set out above. The partnership pays GT Services and GT Business Services for the supply of employees to the partnership in accordance with the terms of a Supply of Services Agreement between the partnership and GT Services, such charges being sufficient to cover all of the employment costs of the employees, including all pension payments made by GT Services or GT Business Services to the scheme.

On 28 June 2004, the partnership provided a guarantee to the trustees of the Grant Thornton Pensions Fund under which it has undertaken to pay immediately, following a demand properly served on it by the trustees, any amount which becomes due and payable by GT Services and which remain unpaid by GT Services for a period of not less than two months from the due date.

In addition, on 29 March 2006, the partnership provided a further guarantee to the trustees of the Grant Thornton Pensions Fund in connection with the contributions payable to it by GT Services. The guarantee is to enable the trustees to provide a Type 1 Contingent Asset (as defined in section 6.1 of the document 'Guidance in relation to contingent assets' issued by the Board of the Pension Protection Fund in September 2006) to the Board of the Pensions Protection Fund. The guarantee was provided in connection with the Pensions Protection Fund Risk Based Levy and resulted in a significant reduction in the amount of the Risk Based Levy chargeable by the Pensions Protection Fund on the pension scheme. The obligation is limited to all present and future obligations and liabilities of GT Services to make payments to the scheme up to a maximum amount which, when added to the assets of the scheme, would result in the scheme being 105% funded on the date on which any liability under the guarantee arises, calculated on the basis set out in section 179 of the Pensions Act 2004.

On 2 July 2007, the partnership provided a guarantee to the trustees of the Robson Rhodes Retirement Benefit Scheme under which it has undertaken to pay immediately, following a demand by the trustees, any amount which becomes due and payable by GT Business Services in respect of its guaranteed obligations. Such obligations are defined and limited in the same way as those for GT Services set out above.

The obligations to the schemes are reflected in the respective balance sheets of GT Services and GT Business Services as the participating employers. The obligations are not reflected in the individual entity balance sheet of the partnership because, apart from the contingent liability, no obligation or liability in connection with the scheme or the contributions payable to it exist within the individual entity either to the scheme or the principal/participating employers at the balance sheet date.

## 24 Leasing commitments

Operating lease payments amounting to £14,271,000 (2013: £14,345,000) are due within one year. The leases to which these amounts relate expire as follows:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	278	1,070	262	376
Between one and five years	4,797	1,427	3,655	2,088
In five years or more	6,699	-	7,964	-
	<u>11,774</u>	<u>2,497</u>	<u>11,881</u>	<u>2,464</u>

## 25 Transactions with related parties

The partnership has taken advantage of the exemption under Financial Reporting Standard 8 not to disclose any transactions between itself and its wholly owned subsidiary undertakings.

We have audited the financial statements of Grant Thornton UK LLP for the year ended 30 June 2014 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the partnership balance sheet, the consolidated cash flow statement 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).

## **Respective responsibilities of members and auditor**

As explained more fully in the Statement of members' responsibilities set out on page 17, the members 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 Ethical Standards for Auditors. This report is made solely to the members of the partnership, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by regulations 39 and 40 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and those additional matters that we have agreed to include in our 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 partnership and the partnership's members as a body for our audit work, for this report, or for the opinions we have formed.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Auditor commentary**

The members have engaged us to expand our auditor's report to include commentary on our application of the concept of materiality in planning and performing our audit, the scope of the audit, the assessed risks of material misstatement that were identified by us and which had the greatest effect on our audit.

## **Our application of materiality and an overview of the scope of our audit**

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on the financial statements, and in forming our audit opinion. The level of materiality we set is based on our assessment of the magnitude of misstatement that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements.

We established materiality by reference to the profit available for distribution to members, which we consider to be one of the principal considerations of the members in assessing the financial performance of the group. We determined materiality for the consolidated financial statements as a whole to be £7.6m, representing approximately 10% of the profit before members' remuneration and profit shares.

## **Our application of materiality and an overview of the scope of our audit (continued)**

We agreed with the Risk & Audit Committee that we would report to it all identified corrected and uncorrected audit differences in excess of £0.23m (representing 3% of financial statement materiality) together with differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Our audit scope included an audit of the group and parent entity financial statements of Grant Thornton UK LLP. For all subsidiary undertakings, the work undertaken for the purposes of our group audit opinion was performed by the group audit team.

We identified and tested certain controls over key financial systems identified as part of our risk assessment, including a review of general IT controls, the accounts production process, and controls addressing critical accounting matters. From this review, we sought to use evidence from the group's internal controls wherever possible. We undertook substantive testing on significant transactions, balances, and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems, and the management of specific risks.

## **Our assessment of risks of material misstatement**

In arriving at our audit opinion, the risks that had the greatest effect on our audit, and the key procedures we applied to address them, are set out below. Our audit procedures relating to these risks were designed in the context of our audit opinion as a whole, and not to express an opinion on individual transactions, account balances, or disclosures.

### **Revenue recognition**

#### **The risk:**

The group's accounting policy in respect of revenue recognition is set out in the accounting policy notes on 'Turnover' and 'Long term contracts' on pages 18 and 19. Unbilled revenue is included in the balance sheet as 'Amounts recoverable on contracts' within Debtors. The group's commentary on the related judgements and estimates is set out on page 12 under 'Revenue recognition'. The amount of revenue recognised in a year is the fair value of the group's entitlement to consideration in respect of professional services provided in that year. In determining the entitlement to consideration, management estimates both the proportion of each engagement that is complete at the year end, and the total consideration expected to be received under the engagement. Some engagements, particularly those that are long term, have a higher degree of uncertainty over the level of billable fees and assignment costs, and hence over profitability. The Recovery & Reorganisation practice has a higher concentration of such contracts, and coupled with Individual Voluntary Arrangement (IVA) cases, accounts for 81% of amounts recoverable on contracts. The level of uncertainty is also higher in the early stages of a long term engagement, and estimated profits on long term engagements are discounted based on stage of completion to reflect this uncertainty. We have therefore identified revenue recognition as a significant risk that requires special audit consideration.

## Revenue recognition (continued)

### Our response:

Our audit procedures over revenue recognition included, but were not restricted to:

- assessing the methodology adopted;
- assessing the related internal control environment;
- testing certain controls that we considered to be key in the determination of revenue to be recognised;
- substantive testing on a sample of engagements, focusing on but not limited to engagements in the Recovery & Reorganisation practice, including assessing the right to consideration, and discussing and challenging the assumptions and estimates applied in determining the level of revenue recognised.

## Professional negligence claims

### The risk:

The group's accounting policy in respect of professional negligence claims is set out in the accounting policy notes on 'Professional negligence claims provisions' on page 20. The group's commentary on the related judgements and estimates is set out on page 12 under 'Professional negligence claims provisions'. The group makes a provision on the balance sheet for uninsured and self-insured costs for settling negligence claims as 'Claims provisions' within 'Provisions', as set out in note 16. A claim with a value exceeding the group's insurance cover, or a claim that is not covered by the group's insurance cover, could require a provision to be made, which in turn could impact the ability of the group to continue as a going concern. We have therefore identified the provisioning for professional claims as a significant risk requiring special audit consideration.

### Our response:

Our audit procedures included, but were not restricted to:

- in conjunction with our insurance specialists, reviewing the insurance provision in place;
- assessing the professional claim notification procedures;
- consideration of claims in progress, challenging in-house legal counsel on the assumptions underlying the provisions made.

## **Pension schemes and partners' annuities**

### **The risk:**

The group's accounting policy in respect of pension schemes and partners' annuities is set out in the accounting policy notes on 'Retirement benefits' and 'Retirement benefits of former members and partners of the predecessor firm' on pages 21 and 22. The group's commentary on the related judgements and estimates is set out on page 11 under 'Defined benefit pension schemes' and 'Retirement annuities to partners'. The pension arrangements include two defined benefit schemes for which a significant provision has been included on the group balance sheet as a 'Pension scheme liability'. The measurement of the pension scheme liabilities in accordance with FRS 17 is performed by an independent firm of actuaries, and is subject to complex assumptions that involve significant judgement. Details of the assumptions used and the calculation of the liabilities are included in note 23 'Retirement benefits'. The group's obligations under partners' annuity arrangements also give rise to a significant provision which is included on the balance sheet as 'Former members' annuities' within 'Provisions', as set out in note 16. The liability in respect of these obligations is performed by an independent firm of actuaries and is subject to complex assumptions that involve significant judgement. We have therefore identified liabilities in respect of the defined benefit pension schemes and the partners' annuity arrangements as a significant risk requiring special audit consideration.

### **Our response:**

Our audit procedures included, but were not restricted to:

- assessing the qualification and objectivity of the actuaries, and the scope of their work;
- in conjunction with our actuarial specialists, reviewing and discussing with the actuaries the appropriateness of the valuation methodologies and the actuarial assumptions;
- testing, on a sample basis, underlying data in respect of scheme members;
- agreeing scheme asset values to the underlying asset manager statements.

## **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the partnership's affairs as at 30 June 2014 and of the group's profit 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

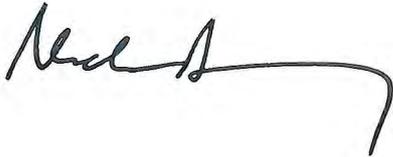
# Independent auditor's report to the members of Grant Thornton UK LLP (continued)

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## **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 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.



**William Neale Bussey (Senior Statutory Auditor)**  
**for and on behalf of Mazars LLP**  
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26 September 2014