

**Thorntons Law LLP**

**Report and financial statements for  
year ended 31 May 2012**

**Registered number SO300381**

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# **Thorntons Law LLP**

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# **Thorntons Law LLP**

## **LLP information**

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### **Designated members**

JS Robertson  
SJ Brand  
GJM Dunlop  
GA Wilson  
N Barclay  
CT Graham  
KW Thomson  
SC Milne  
EM Barr  
GC Buchanan  
BN Renfrew  
SM Sutherland  
CO Nicol  
AJ McKeown  
MRP Farquhar

### **Registered Auditors**

Henderson Loggie  
Chartered Accountants  
Royal Exchange  
Panmure Street  
Dundee  
DD1 1DZ

### **Bankers**

The Royal Bank of Scotland  
3 High Street  
Dundee  
DD1 9LY

### **Registered office**

Whitehall House  
33 Yeaman Shore  
Dundee  
DD1 4BJ

### **Registered Number**

Registered in Scotland  
SO300381

## **Thorntons Law LLP**

### **Members' report**

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The members present their report and accounts for the year ended 31 May 2012.

#### **Principal activity**

The principal activity of Thorntons Law LLP is the conduct of a solicitors' practice in Scotland.

#### **Results**

Turnover for the business for the year shows some growth overall and our profitability has improved by 16% this year due to our continued focus on improving the efficiency of the business.

Trading conditions still remain very challenging overall, but our commitment to providing our clients with a full service offering has ensured that our business remains strong and we have experienced significant growth in a number of key areas.

We have a clear strategy for growth and we are continuing to invest in our business and are confident that we have a stable base from which to grow in the short to medium term.

#### **Designated members**

The designated members during the year were as follows:

JS Robertson (Chairman)  
SJ Brand  
GJM Dunlop  
GA Wilson  
JMG Blair (resigned 31 May 2012)  
N Barclay  
CT Graham  
KW Thomson  
SC Milne  
EM Barr  
GC Buchanan  
BN Renfrew  
SM Sutherland  
CO Nicol  
AJ McKeown  
MRP Farquhar

## **Thorntons Law LLP**

### **Members' report (continued)**

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#### **Members' drawings and capital policy**

The firm's drawings policy allows each member to draw a proportion of their profit share in twelve monthly instalments with the balance of their profits, net of a tax retention, paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of members with any excess being released to members as appropriate.

Each member, other than those with a defined profit share, is required to subscribe to a capital proportion linked to his or her share of profit and the financing requirements of the firm. Capital is repaid to members on retirement.

#### **Employees**

Details concerning employees are shown in note 3.

Engaging employees in the business is an important area of focus, as are the development of effective methods of communication and the transfer of information.

Investment is made in learning and development, and employees have access to training where required. All vacancies are internally advertised in an effort to support career management.

Disabled employees are supported and have full and fair consideration for all suitable vacancies. Should an employee become disabled when working for the firm, efforts are made to continue their employment.

The Health and Safety of employees is taken very seriously, with policies being reviewed and updated regularly.

#### **Auditors**

Henderson Loggie have expressed their willingness to continue in office and a resolution will be proposed to reappoint them at the next members' meeting.

#### **Disclosure of information to auditors**

In the case of each of the persons who are designated members of the LLP at the date of when the report was approved:

- so far as each of the designated members is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the LLP's auditors are unaware; and
- each of the designated members has taken all the steps that he ought to have taken as a designated member to make himself aware of any relevant audit information (as defined) and to establish that the LLP's auditors are aware of that information.

Approved by the members and signed on their behalf by:



**JS Robertson**  
Designated Member  
24 November 2012

## **Thorntons Law LLP**

### **Statement of members' responsibilities**

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The members are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and 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: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Thorntons Law LLP**

### **Independent auditor's report to the members of Thorntons Law LLP**

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We have audited the financial statements of Thorntons Law LLP for the year ended 31 May 2012, which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 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. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Members' Responsibilities Statement set out on page 5, 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 (APB's) Ethical Standards for Auditors.

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

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 May 2012, and of its 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.

## **Thorntons Law LLP**

### **Independent auditor's report to the members of Thorntons Law 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.



**Stephen Cartwright (Senior Statutory Auditor)**  
For and on behalf of  
Henderson Loggie Statutory Auditors  
Dundee

24 November 2012

# Thorntons Law LLP

## Profit and loss account for the year ended 31 May 2012

	Note	2012 £	2011 £
<b>Turnover</b>	2	<b>13,199,201</b>	12,878,587
Operating expenses		(10,643,267)	(10,662,439)
<b>Operating profit</b>	4	<b>2,555,934</b>	2,216,148
Interest receivable	5	68,716	66,011
Interest payable	6	(28,659)	(42,937)
<b>Profit for the financial year before members' remuneration and profit shares</b>		<b>2,595,991</b>	2,239,222
Members' remuneration charged as an expense	7	(2,595,991)	(2,239,222)
<b>Retained profit for the financial year available for discretionary division among members</b>		<b>-</b>	-

## Statement of total recognised gains and losses

	2012 £	2011 £
Profit for the financial year before members' remuneration and profit shares	2,595,991	2,239,222
Unrealised deficit on revaluation of property	(12,382)	-
<b>Total recognised gains and losses relating to the year</b>	<b>2,583,609</b>	2,239,222

The accounts have been prepared on the basis that all operations are continuing.


The notes on pages 11 to 20 form part of these accounts.

# Thorntons Law LLP

## Balance sheet at 31 May 2012

	Note	£	2012 £	£	2011 £
<b>Fixed assets</b>					
Tangible assets	8		1,713,405		1,886,138
<b>Current assets</b>					
Debtors	9	5,059,507		5,544,398	
Cash at bank and in hand		1,147,826		735,906	
			<u>6,207,333</u>	<u>6,280,304</u>	
<b>Creditors</b>					
Amounts falling due within one year	10	2,662,037		2,242,919	
			<u>3,545,296</u>		<u>4,037,385</u>
<b>Net current assets</b>			<u>5,258,701</u>		<u>5,923,523</u>
<b>Creditors</b>					
Amounts falling due after more than one year	11		250,772		1,024,666
<b>Net assets attributable to members</b>			<u><u>5,007,929</u></u>		<u><u>4,898,857</u></u>
<b>Represented by:</b>					
<b>Loans and other debts due to members</b>					
Members' capital classified as a liability under FRS 25	12		3,055,191		3,067,573
Other amounts	12		1,952,738		1,831,284
<b>Total members' interests</b>			<u><u>5,007,929</u></u>		<u><u>4,898,857</u></u>

The accounts were approved by the members and authorised for issue on 24 November 2012 and were signed on their behalf by:

  
CO Nicol  
Designated Member

The notes on pages 11 to 20 form part of these accounts.

## Thorntons Law LLP

### Cash flow statement for the year ended 31 May 2012

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	Note	2012 £	2011 £
Net cash inflow from operating activities	15	2,724,662	2,159,217
Return on investments and servicing of finance	16	40,057	16,717
Capital expenditure and financial investment	16	124,228	120,641
Transactions with members	16	(2,284,592)	(1,670,306)
<b>Increase in cash in the year</b>		<u><b>604,355</b></u>	<u><b>626,269</b></u>
<b>Reconciliation of net cash flow to movement in net funds</b>	17		
Increase in cash in the year		604,355	626,269
Net debts at 1 June 2011		(287,594)	(913,863)
<b>Net funds/(debts) at 31 May 2012</b>		<u><b>316,761</b></u>	<u><b>(287,594)</b></u>

# **Thorntons Law LLP**

## **Notes to the accounts**

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### **1 Accounting policies**

The principal accounting policies used in the preparation of the accounts, which have been consistently applied in the current and preceding financial period, except where detailed below, are as follows:

#### **Basis of preparation**

The accounts have been prepared under the historical cost convention adjusted for the revaluation of certain tangible fixed assets and in accordance with the applicable accounting standards and the requirements of the second edition of the Statement of Recommended Practice - Accounting by Limited Liability Partnership (SORP), which was published in March 2009.

#### **Members' interests**

Members' capital is classified as a financial liability in the balance sheet. Interest payable on members' capital is included in 'Members' remuneration charged as an expense' in the profit and loss account.

Non discretionary profit allocations are included in 'Members' remuneration charged as an expense in the profit and loss account, whilst discretionary profit allocation are classified as a division of profits within members' interests.

#### **Tangible fixed assets**

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

Depreciation is provided on fixed assets at rates calculated to write off the cost or valuation, less estimated residual value by equal annual instalments over their expected useful lives as follows:

Freehold property	Over 50 years
Leasehold property	Over the shorter of the lease term and the useful economic life
Computers	Over 3 years
Furniture, fixtures and equipment	Over 5 years
Vehicles	Over 4 years
Library	Over 20 years
Website	Over 50 years

# **Thorntons Law LLP**

## **Notes to the accounts (continued)**

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### **1 Accounting policies (continued)**

#### **Turnover and revenue recognition**

Services provided during the year to clients, which at the balance sheet date have not yet been billed, are recognised as turnover. Turnover is recognised by reference to an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. No revenue is recognised for unbilled amounts on client engagements where the right to receive consideration is contingent on factors outside the partnership's control. Work in progress on such client engagements is valued at the lower of cost and net realisable value. Amounts to be billed to clients is included in debtors.

#### **Tax provisions**

The taxation payable on profits is the personal liability of the members during the year. A retention from profits is made to fund payments of taxation on members behalf. The retention is reflected in loans and other debts due from members and payments are charged against this retention.

#### **Professional indemnity insurance and claims**

The partnership maintains substantial cover through the insurance market. Provision is made on a case-by-case basis for the estimated costs of defending claims or the uninsured excess of such claims if greater, where it is probable that costs will be incurred.

#### **Pensions**

Thorntons Law LLP operates a defined contribution pension scheme for staff, the Thorntons Law LLP Retirement & Death Benefit Scheme. Contributions to the scheme are charged to the profit and loss account when they become payable.

#### **Lease commitments**

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

## Thorntons Law LLP

### Notes to the accounts (continued)

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#### 2 Turnover

Turnover represents revenue earned from the principal activity of the LLP and is stated net of value added tax.

#### 3 Staff costs

	2012 £	2011 £
The aggregate employment costs of staff (excluding members) were:		
Salaries	5,369,731	5,374,908
Social security costs	492,479	494,869
Other pension costs	251,305	245,682
	<u>6,113,515</u>	<u>6,115,459</u>

The average number of staff (excluding members during the period was):

	Number	Number
Client service staff	110	111
Support staff	111	115
	<u>221</u>	<u>226</u>

## Thorntons Law LLP

### Notes to the accounts (continued)

#### 4 Operating profit

	2012 £	2011 £
Operating profit is stated after charging/(crediting):		
Operating lease payments:		
Land and buildings	1,058,116	1,060,050
Other operating leases	21,306	17,226
Depreciation	229,123	334,542
Gain on disposal of fixed assets	-	(28,902)
Auditors' remuneration - audit fees	8,000	7,725
- non audit services	27,561	24,210

#### 5 Interest receivable

Bank and other interest receivable	68,716	66,011
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#### 6 Interest payable

Interest payable on bank loans and overdrafts	28,659	42,937
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#### 7 Members' shares of profits

Profits are shared among the members after the end of the year in accordance with agreed profit sharing arrangements and include interest on members' funds. Members are required to make their own provision for pensions from their profit shares.

	2012 Number	2011 Number
Average number of members	29	29

The profit share of the highest paid member in the year to 31 May 2012 was £125,799. The profit share of the highest paid member for the year to 31 May 2011 was £107,538.

# **Thorntons Law LLP**

## **Notes to the accounts (continued)**

### **8 Fixed assets**

	Property £	Computer equipment & website £	Furniture fixtures & equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 June 2011	2,048,217	3,154,879	1,840,881	110,126	7,154,103
Additions	3,705	58,843	6,224	-	68,772
Revaluation at 31 May 2012	(40,300)	-	-	-	(40,300)
<b>At 31 May 2012</b>	<b>2,011,622</b>	<b>3,213,722</b>	<b>1,847,105</b>	<b>110,126</b>	<b>7,182,575</b>
<b>Depreciation</b>					
At 1 June 2011	440,769	3,035,710	1,681,360	110,126	5,267,965
Charge for year	97,934	49,951	81,238	-	229,123
On revaluation	(27,918)	-	-	-	(27,918)
<b>At 31 May 2012</b>	<b>510,785</b>	<b>3,085,661</b>	<b>1,762,598</b>	<b>110,126</b>	<b>5,469,170</b>
<b>Net book value</b>					
<b>At 31 May 2012</b>	<b>1,500,837</b>	<b>128,061</b>	<b>84,507</b>	<b>-</b>	<b>1,713,405</b>
At 31 May 2011	1,607,448	119,169	159,521	-	1,886,138

## Thorntons Law LLP

### Notes to the accounts (continued)

#### 8 Fixed assets (continued)

Property is comprised of freehold property with a net book value as at 31 May 2012 of £425,000 and short leasehold property with a net book value as at 31 May 2012 of £1,075,837.

The freehold property is held in the name of nominated companies, in which members of the LLP are directors, with signed Declaration of Trusts in place passing the beneficial interest in the assets to Thorntons Law LLP.

On 31 May 2012 J&E Shepherd, Chartered Surveyors, valued the freehold land and buildings at £425,000 on an existing use basis for the premises the business operates from and market value for the one property that is up for sale. One of the properties valued at £135,000 was sold in the year to 31 May 2013.

The historical cost of the freehold land and buildings included in the accounts at valuation is £390,440.

#### 9 Debtors

	2012 £	2011 £
Trade debtors	1,782,926	1,692,250
Amounts to be billed to clients	2,549,639	2,756,998
Balances due by clients	344,358	337,108
Other debtors	18,626	386,780
Prepayments and accrued income	363,958	371,262
	<u>5,059,507</u>	<u>5,544,398</u>

#### 10 Creditors: Amounts falling due within one year

Term loan (secured)	831,065	333,000
Trade creditors	84,221	117,724
Other taxes and social security	876,147	687,901
Other creditors	265,600	532,611
Accruals and deferred income	605,004	571,683
	<u>2,662,037</u>	<u>2,242,919</u>

The bank borrowings are secured by a bond and floating charge.

# Thorntons Law LLP

## Notes to the accounts (continued)

### 11 Creditors: Amounts falling due after more than one year

	2012 £	2011 £
Term loan (secured)	-	690,500
Other creditors	250,772	334,166
	<u>250,772</u>	<u>1,024,666</u>

### 12 Members' interests

	Members' capital £	Loans and other debts due to/(from) members £	Total members' interests £
Members' interests at 1 June 2011	3,067,573	1,831,284	4,898,857
Members' remuneration charged as an expense	-	2,595,991	2,595,991
Members' interests after profit for the year	3,067,573	4,427,275	7,494,848
Transfer to creditors	-	(14,945)	(14,945)
Drawings and distribution to members	-	(2,459,592)	(2,459,592)
On revaluation of property	(12,382)	-	(12,382)
Members' interests at 31 May 2012	<u>3,055,191</u>	<u>1,952,738</u>	<u>5,007,929</u>

Thorntons Law LLP profits are divided based on the profit sharing ratio applying for the year to members. For the year ended 31 May 2012, profit sharing ratios were allocated prospectively and profits were divided automatically among the members. As a result, undrawn profits were reflected in loans and other debts due to members as at 31 May 2012.

Members' capital ranks after unsecured creditors, and loans and other debts due to members rank *pari passu* with unsecured creditors in the event of a winding up. The amount of capital each member is required to subscribe is determined by the members and under the LLP Agreement of Thorntons Law LLP, a member can only withdraw capital when he or she ceases to be a member.

Loans and other debts due to members includes £413,242 (2011 - £173,810) which is payable after more than one year.

# Thorntons Law LLP

## Notes to the accounts (continued)

### 13 Obligations under leases

The annual commitments in relation to operating leases are:

	Land and buildings 2012 £	Land and buildings 2011 £	Other operating leases 2012 £	Other operating leases 2011 £
Operating leases which expire:				
Within one year	-	24,010	11,451	22,382
Between one and five years	25,480	49,980	173,986	141,774
After five years	1,067,514	1,057,564	-	-
	<u>1,092,994</u>	<u>1,131,554</u>	<u>185,437</u>	<u>164,156</u>

Included within other operating leases is £176,313 (2011 - £145,273) of members' motor vehicle costs which are treated as members' drawings.

### 14 Pensions

Thorntons Law LLP operates a defined contribution pension scheme for staff, the Thorntons Law LLP Retirement & Death Benefit Scheme. The Money Purchase Scheme covers all eligible employees. The assets of the scheme are held separately from those of Thorntons Law LLP in funds administered by trustees. Contributions to the scheme are charged to the profit and loss account when they become payable.

	2012 £	2011 £
The pension costs for the scheme were:	<u>251,305</u>	<u>245,682</u>

# **Thorntons Law LLP**

## **Notes to the accounts (continued)**

### **15 Net cash inflow from operating activities**

	2012 £	2011 £
Operating profit	2,555,934	2,216,148
Depreciation charge	229,123	334,542
Gain on sale of fixed assets	-	(28,902)
Decrease in debtors	116,891	182,738
Decrease in creditors	(177,286)	(545,309)
<b>Net cash inflow from operating activities</b>	<b><u>2,724,662</u></b>	<b><u>2,159,217</u></b>

### **16 Analysis of cash flow statement headings**

#### **Return of investments and servicing of finance**

Bank and other interest received	68,716	66,011
Interest paid	(28,659)	(49,294)
	<b><u>40,057</u></b>	<b><u>16,717</u></b>

#### **Capital expenditure and financial investment**

Purchase of tangible fixed assets	(68,772)	(101,761)
Proceeds of sale of tangible fixed assets	193,000	222,402
	<b><u>124,228</u></b>	<b><u>120,641</u></b>

#### **Transactions with members**

Payments to and on behalf of members	(2,284,592)	(1,857,004)
Members' capital introduced	-	11,698
Members' lease incentive	-	175,000
	<b><u>(2,284,592)</u></b>	<b><u>(1,670,306)</u></b>

### **17 Analysis of changes in net (debts)/funds**

	2011 £	Cashflow £	2012 £
Cash at bank and in hand	735,906	411,920	1,147,826
Debt due within one year	(1,023,500)	192,435	(831,065)
<b>Net (debts)/funds</b>	<b><u>(287,594)</u></b>	<b><u>604,355</u></b>	<b><u>316,761</u></b>

## **Thorntons Law LLP**

### **Notes to the accounts (continued)**

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#### **18 Contingent liabilities**

In the normal course of business, Thorntons Law LLP may receive claims for alleged negligence. Substantial insurance cover is carried in respect of professional negligence, and cover is written through the commercial market. Where appropriate, provision is made for the costs arising from such claims. Taking account of expected insurance recoveries, claims notified are not expected to give rise to any material unprovided liability.

#### **19 Ultimate controlling party**

In the opinion of the members there is no ultimate controlling party as defined by Financial Reporting Standard No. 8 'Related Party Disclosures'.