

Thorntons Law LLP

**Report and financial statements for
year ended 31 May 2013**

Registered number SO300381

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Thorntons Law LLP

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Thorntons Law LLP

LLP information

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

The members present their report and accounts for the year ended 31 May 2013.

Principal activity

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

Results

Turnover for the business this year has shown some good growth overall, rising by 9%. We have invested significant cost in key areas of the business this year and our profitability has only improved by 3% this year as a result. We continue to be committed to focusing on our operational processes continuously to improve 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
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)

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
23 November 2013

Thorntons Law LLP

Statement of members' responsibilities

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

We have audited the financial statements of Thorntons Law LLP for the year ended 31 May 2013, 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 2013, 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)

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

23 November 2013

Thorntons Law LLP

Profit and loss account for the year ended 31 May 2013

	Note	2013 £	2012 £
Turnover	2	14,382,439	13,199,201
Operating expenses		(11,745,064)	(10,643,267)
Operating profit	4	2,637,375	2,555,934
Interest receivable	5	73,761	68,716
Interest payable	6	(41,767)	(28,659)
Profit for the financial year before members' remuneration and profit shares		2,669,369	2,595,991
Members' remuneration charged as an expense	7	(2,669,369)	(2,595,991)
Retained profit for the financial year available for discretionary division among members		-	-

Statement of total recognised gains and losses

	2013 £	2012 £
Profit for the financial year before members' remuneration and profit shares	2,669,369	2,595,991
Unrealised deficit on revaluation of property	-	(12,382)
Total recognised gains and losses relating to the year	2,669,369	2,583,609

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 2013

	Note	£	2013 £	2012 £
Fixed assets				
Tangible assets	8		1,461,459	1,713,405
Current assets				
Debtors	9	5,718,656	5,059,507	
Cash at bank and in hand		1,642,428	1,147,826	
		<u>7,361,084</u>	<u>6,207,333</u>	
Creditors				
Amounts falling due within one year	10	2,422,318	2,662,037	
			<u>4,938,766</u>	<u>3,545,296</u>
Net current assets			<u>6,400,225</u>	<u>5,258,701</u>
Creditors				
Amounts falling due after more than one year	11		1,224,331	250,772
Net assets attributable to members			<u><u>5,175,894</u></u>	<u><u>5,007,929</u></u>
Represented by:				
Loans and other debts due to members				
Members' capital classified as a liability under FRS 25	12		3,694,200	3,055,191
Other amounts	12		1,481,694	1,952,738
Total members' interests			<u><u>5,175,894</u></u>	<u><u>5,007,929</u></u>

The accounts were approved by the members and authorised for issue on 23 November 2013 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 2013

	Note	2013 £	2012 £
Net cash inflow from operating activities	15	1,787,538	2,724,662
Return on investments and servicing of finance	16	31,994	40,057
Capital expenditure and financial investment	16	119,622	124,228
Transactions with members	16	(1,916,669)	(2,284,592)
Increase in cash in the year		<u>22,485</u>	<u>604,355</u>
Reconciliation of net cash flow to movement in net funds	17		
Increase in cash in the year		22,485	604,355
Net funds/(debts) at 1 June 2012		316,761	(287,594)
Net funds at 31 May 2013		<u>339,246</u>	<u>316,761</u>

Notes to the accounts

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)

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)

2 Turnover

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

3 Staff costs

	2013 £	2012 £
The aggregate employment costs of staff (excluding members) were:		
Salaries	5,752,327	5,369,731
Social security costs	519,642	492,479
Other pension costs	379,603	251,305
	<u>6,651,572</u>	<u>6,113,515</u>

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

	Number	Number
Client service staff	111	110
Support staff	119	111
	<u>230</u>	<u>221</u>

Thorntons Law LLP

Notes to the accounts (continued)

4 Operating profit

	2013 £	2012 £
Operating profit is stated after charging/(crediting):		
Operating lease payments:		
Land and buildings	1,063,053	1,058,116
Other operating leases	56,415	21,306
Depreciation	135,324	229,123
Gain on disposal of fixed assets	(3,000)	-
Auditors' remuneration - audit fees	8,000	8,000
- non audit services	20,640	27,561
	<u>20,640</u>	<u>27,561</u>

5 Interest receivable

Bank and other interest receivable	<u>73,761</u>	<u>68,716</u>
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6 Interest payable

Interest payable on bank loans and overdrafts	<u>41,767</u>	<u>28,659</u>
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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.

	2013 Number	2012 Number
Average number of members	<u>29</u>	<u>29</u>

The profit share of the highest paid member in the year to 31 May 2013 was £121,646. The profit share of the highest paid member for the year to 31 May 2012 was £125,799.

Thorntons Law LLP

Notes to the accounts (continued)

8 Fixed assets

	Property £	Computer equipment & website £	Furniture fixtures & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2012	2,011,622	3,213,722	1,847,105	110,126	7,182,575
Additions	7,350	11,028	-	-	18,378
Disposals	(135,000)	-	-	(10,649)	(145,649)
At 31 May 2013	1,883,972	3,224,750	1,847,105	99,477	7,055,304
Depreciation					
At 1 June 2012	510,785	3,085,661	1,762,598	110,126	5,469,170
Charge for year	93,022	32,529	9,773	-	135,324
Disposals	-	-	-	(10,649)	(10,649)
At 31 May 2013	603,807	3,118,190	1,772,371	99,477	5,593,845
Net book value					
At 31 May 2013	1,280,165	106,560	74,734	-	1,461,459
At 31 May 2012	1,500,837	128,061	84,507	-	1,713,405

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 2013 of £290,000 and short leasehold property with a net book value as at 31 May 2013 of £995,965.

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 was 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 £300,440.

9 Debtors

	2013 £	2012 £
Trade debtors	1,706,839	1,782,926
Amounts to be billed to clients	2,751,055	2,549,639
Balances due by clients	373,795	344,358
Other debtors	55,818	18,626
Prepayments and accrued income	831,149	363,958
	<u>5,718,656</u>	<u>5,059,507</u>

10 Creditors: Amounts falling due within one year

Term loan (secured)	428,182	831,065
Trade creditors	138,059	84,221
Other taxes and social security	916,990	876,147
Other creditors	245,993	265,600
Accruals and deferred income	693,694	605,004
	<u>2,422,318</u>	<u>2,662,037</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	2013	2012
	£	£
Term loan (secured)	875,000	-
Other creditors	349,331	250,772
	<u>1,224,331</u>	<u>250,772</u>

12 Members' interests	Members' capital	Loans and other debts due to/(from) members	Total members' interests
	£	£	£
Members' interests at 1 June 2012	3,055,191	1,952,738	5,007,929
Members' remuneration charged as an expense	-	2,669,369	2,669,369
Members' interests after profit for the year	3,055,191	4,622,107	7,677,298
Transfer to creditors	(239,154)	(345,581)	(584,735)
Capital introduced	878,163	(421,824)	456,339
Drawings and distribution to members	-	(2,373,008)	(2,373,008)
Members' interests at 31 May 2013	<u>3,694,200</u>	<u>1,481,694</u>	<u>5,175,894</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 2013, 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 2013.

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 £321,122 (2012 - £413,242) 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 2013 £	Land and buildings 2012 £	Other operating leases 2013 £	Other operating leases 2012 £
Operating leases which expire:				
Within one year	-	-	23,465	11,451
Between one and five years	49,980	25,480	236,891	173,986
After five years	1,074,674	1,067,514	-	-
	1,124,654	1,092,994	260,356	185,437

Included within other operating leases is £177,615 (2012 - £176,313) 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.

	2013 £	2012 £
The pension costs for the scheme were:	379,603	251,305

Thorntons Law LLP

Notes to the accounts (continued)

15 Net cash inflow from operating activities

	2013 £	2012 £
Operating profit	2,637,375	2,555,934
Depreciation charge	135,324	229,123
Gain on sale of fixed assets	(3,000)	-
(Increase)/decrease in debtors	(659,149)	116,891
Decrease in creditors	(323,012)	(177,286)
Net cash inflow from operating activities	1,787,538	2,724,662

16 Analysis of cash flow statement headings

Return of investments and servicing of finance

Bank and other interest received	73,761	68,716
Interest paid	(41,767)	(28,659)
	31,994	40,057

Capital expenditure and financial investment

Purchase of tangible fixed assets	(18,378)	(68,772)
Proceeds of sale of tangible fixed assets	138,000	193,000
	119,622	124,228

Transactions with members

Payments to and on behalf of members	(2,373,008)	(2,284,592)
Members' capital introduced	456,339	-
Members' lease incentive	-	-
	(1,916,669)	(2,284,592)

17 Analysis of changes in net funds

	2012 £	Cashflow £	2013 £
Cash at bank and in hand	1,147,826	494,602	1,642,428
Debt due within one year	(831,065)	402,883	(428,182)
Debt due more than one year	-	(875,000)	(875,000)
Net (debts)/funds	316,761	22,485	339,246

Thorntons Law LLP

Notes to the accounts (continued)

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'.