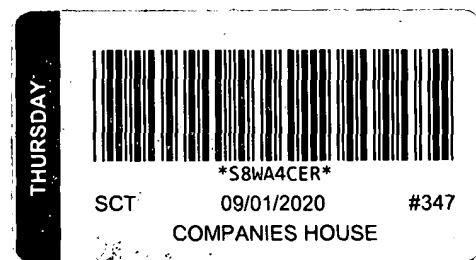


Thorntons Law LLP

**Report and financial statements for
year ended 31 May 2019**

Registered number SO300381



Thorntons Law LLP

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Thorntons Law LLP

LLP information

Designated members

GA Wilson
N Barclay
CT Graham
KW Thomson
SC Milne
GC Buchanan
BN Renfrew
SM Sutherland
CO Nicol
AJ McKeown
LA Larg
CS MacPherson
GG McBean
DN Kinnear
AJ Lang
M Royden
EK Miller
N McClelland
RG Hamilton
JH McIntyre
DM Etherington

Registered Auditors

MHA Henderson Loggie
Chartered Accountants
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

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

Members' report

The members present their report and financial statements for the year ended 31 May 2019.

Principal activity

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

Business Review

This year, turnover continued to improve and grew by 10.5%. An opportunity arose to acquire the business of Morisons LLP from their Administrators on 29 March 2019 which we were ideally positioned to deliver. This acquisition has added significantly to our commercial offering in Edinburgh. Even although the exceptional costs of the acquisition have been recognised this year, profits have risen by 22.2%. We are focussing on our services to clients and embedding both clients and our new colleagues into our enlarged business. Our commitment to continuously improving our operational processes is also a key focus and will drive future levels of service and profitability. We remain committed to providing our clients with a full service offering and our business levels remain strong amid continued uncertainty in some of our markets. These results represent our commitment to invest for the long term and our clear strategy for growth across our business. We are confident we have a stable platform from which to grow further in the short and medium term.

Designated members

The designated members are as detailed on page 2.

In addition, the following designated members resigned during the period and up to the date of this report: MRP Farquhar (deceased 22 February 2019) and GJM Dunlop (retired 31 May 2019).

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 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 4.

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.

Members' report (continued)

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

MHA 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:



CT Graham
Designated Member

6 January 2020

Statement of Members' responsibilities

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

The Companies Act 2006 (as applied to limited liability partnerships) 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). 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; 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 to limited liability partnerships). 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.

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

Opinion

We have audited the financial statements of Thorntons Law LLP (the 'limited liability partnership') for the year ended 31 May 2019 which comprise the Profit and loss account, the Balance sheet, Cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the members' report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of this report

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 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.

MHA Henderson Loggie

Gavin Black (Senior Statutory Auditor)

For and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

8 January 2020

Profit and loss account for the year ended 31 May 2019

	Note	2019 £	2018 £
Turnover	3	29,800,858	26,977,214
Operating expenses		(22,659,667)	(21,074,486)
Operating profit	5	7,141,191	5,902,728
Interest receivable	6	128,690	71,640
Interest payable	7	(134,432)	(132,882)
Profit for the financial year before members' remuneration and profit shares		7,135,449	5,841,486
Members' remuneration charged as an expense	8	(7,135,449)	(5,841,486)
Retained profit for the financial year available for discretionary division among members		-	-
		=====	=====

Statement of comprehensive income

	2019 £	2018 £
Profit for the financial year before committee members' remuneration and profit shares	7,135,449	5,841,486
Unrealised profit on revaluation of property	6,400	6,400
Total comprehensive income	7,141,849	5,847,886
	=====	=====

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

The notes on pages 12 to 26 form part of these financial statements.

Thorntons Law LLP

Balance sheet at 31 May 2019

	Note	£	2019 £	£	2018 £
Fixed assets					
Tangible assets	9		1,684,678		1,728,164
Intangible assets	10		(233,904)		68,500
Investments	11		50,516		1
			<u>1,501,290</u>		<u>1,796,665</u>
Current assets					
Debtors	12	14,132,553		12,937,121	
Cash at bank and in hand		210,000		109,456	
		<u>14,342,553</u>		<u>13,046,577</u>	
Creditors					
Amounts falling due within one year	13	6,487,589		6,463,894	
			<u>7,854,964</u>		<u>6,582,683</u>
Net current assets			<u>9,356,254</u>		<u>8,379,348</u>
Creditors					
Amounts falling due after more than one year	14		119,368		73,934
Net assets attributable to members			<u>9,236,886</u> =====		<u>8,305,414</u> =====
Represented by:					
Members' interests					
Members' other interests	16		4,815,297		5,148,003
Loans and other debts due to members	16		4,421,589		3,157,411
			<u>9,236,886</u> =====		<u>8,305,414</u> =====

The financial statements were approved by the members and authorised for issue on 6 January 2020 and were signed on their behalf by:


CO Nicol
Designated Member

The notes on pages 12 to 26 form part of these financial statements.

Cash flow statement for the year ended 31 May 2019

	Note	2019 £	2018 £
Cash flows from operating activities	19	6,240,585	5,633,368
Cash used in investing activities	20	(279,045)	(652,347)
Cash used in financing activities	20	(5,364,263)	(5,143,136)
Net increase/(decrease) in cash and cash equivalents in the year		597,277	(162,115)
Cash and cash equivalents at 1 June 2018		(1,567,113)	(1,404,998)
Cash and cash equivalents at 31 May 2019		(969,836) =====	(1,567,113) =====
Cash at bank and in hand		210,000	109,456
Bank overdraft		(1,179,836)	(1,676,569)
Cash and cash equivalents at 31 May 2019		(969,836) =====	(1,567,113) =====

Notes to the financial statements

1 Accounting policies

Limited liability partnership information

Thorntons Law LLP is a limited liability partnership incorporated in Scotland. The registered office is Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ.

The limited liability partnership's principal activities are detailed in the Members' report.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice; Accounting by Limited Liability Partnership published in 2019 and the Companies Act 2006 (as applied in LLPs).

The financial statements are prepared in sterling, which is the functional currency of the limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on a going concern basis, under the historical cost convention modified to include certain items at fair value.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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 are included in debtors.

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value, like goodwill, property and equipment, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Goodwill

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life, which is estimated to be 5 years.

Negative goodwill is the excess of the fair value of the attributable net identifiable assets at the date of acquisition over the purchase consideration in a business combination.

Negative goodwill that can be attributed to monetary assets is recognised as income when the asset are realised.

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Entities in which the limited liability partnership has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial instruments

The limited liability partnership has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments Issues" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the limited liability partnership's statement of financial position when the limited liability partnership becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the limited liability partnership transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the limited liability partnership's obligation expire or are discharged or cancelled.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value. Cash and cash equivalents also includes bank overdrafts as they form an integral part of the limited liability partnership's cash management.

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.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

Termination benefits

Provisions for termination benefits are recognised only when the company is demonstrably committed to terminate the employment of an employee or of a group of employees before their normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Pensions

Thorntons Law LLP operates a contributory Group Personal Pension scheme for members of staff. Contributions to the scheme are charged to the profit and loss account when they become due.

Lease commitments

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

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the limited liability partnership's accounting policies the members are required to make judgements, estimate the assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is raised. Where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Valuation of amounts recoverable on speculative engagements

The LLP undertakes a number of engagements on a speculative "no win no fee" basis. FRS 102 requires that when the outcome of such a case can be estimated reliably, the revenue associated with the transaction should be recognised by reference to the stage of completion as at the year end. In addition, the costs incurred on these engagements can only be classified as an asset if they are both recoverable and can be measured reliably. As such, management are required to estimate the outcome of speculative engagements in terms of likely success and determine to what extent costs incurred at the year-end are recoverable and can therefore be recognised in amounts to be billed to clients within debtors. Management's basis of measurement considers the nature of the cases, historic recovery rates and any specific issues identified in the post balance sheet period.

Notes to the financial statements (continued)

3 Turnover

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

An analysis of the limited liability partnerships turnover is as follows:

	2019 £	2018 £
Turnover		
Rendering of services	29,576,302	26,803,837
Rental income	224,556	173,377
	<u>29,800,858</u>	<u>26,977,214</u>
	=====	=====

4 Staff costs

The aggregate employment costs of staff (excluding members) were:

	2019 £	2018 £
Salaries	11,226,417	10,710,625
Social security costs	1,004,356	915,327
Other pension costs	763,551	691,518
	<u>12,994,324</u>	<u>12,317,470</u>
	=====	=====

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

	Number	Number
Client service staff	205	192
Support staff	182	175
	<u>387</u>	<u>367</u>
	=====	=====

Notes to the financial statements (continued)

5 Operating profit

	2019 £	2018 £
Operating profit is stated after charging/(crediting):		
Operating lease payments:		
Land and buildings	1,583,773	1,398,520
Other operating leases	475,467	425,570
Depreciation	270,856	391,207
Amortisation of goodwill	40,800	40,800
Negative goodwill amortisation	(132,021)	(531,519)
Auditors' remuneration - audit fees	22,500	20,500
- non audit services	27,950	26,000
	=====	=====

6 Interest receivable

Bank and other interest receivable	128,690	71,640
	=====	=====

7 Interest payable

Interest payable on bank loans and overdrafts	134,432	132,882
	=====	=====

8 Members' share 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.

	2019 Number	2018 Number
Average number of members	57	54
	=====	=====

The profit share of the highest paid member in the year to 31 May 2019 was £224,391. The profit share of the highest paid member for the year to 31 May 2018 was £173,620.

Notes to the financial statements (continued)

9 Fixed assets

	Property £	Computer equipment & website £	Furniture fixtures & equipment £	Motor Vehicles £	Total £
Cost or valuation					
At 1 June 2018	2,662,042	3,654,096	2,025,905	64,056	8,406,099
Additions	120,103	44,271	72,927	-	237,301
Disposal	(390,430)	(16,331)	-	-	(406,761)
At 31 May 2019	2,391,715	3,682,036	2,098,832	64,056	8,236,639
Depreciation					
At 1 June 2018	1,230,109	3,533,103	1,855,285	59,438	6,677,935
Charge for year	144,237	65,946	56,055	4,618	270,856
Disposal	(390,430)	-	-	-	(390,430)
Revaluation	(6,400)	-	-	-	(6,400)
At 31 May 2019	977,516	3,599,049	1,911,340	64,056	6,551,961
Net book value					
At 31 May 2019	1,414,199	82,987	187,492	-	1,684,678
	=====	=====	=====	=====	=====
At 31 May 2018	1,431,933	120,993	170,620	4,618	1,728,164
	=====	=====	=====	=====	=====

Property is comprised of freehold property with a net book value as at 31 May 2019 of £320,000 and short leasehold property improvements with a net book value as at 31 May 2019 of £1,094,199.

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 2019 J&E Shepherd, Chartered Surveyors, valued the freehold land and buildings at £320,000 on fair value basis.

The historical cost of the freehold land and buildings included in the financial statements at valuation is £300,440.

Notes to the financial statements (continued)

10 Intangible assets

Goodwill

	£
Cost	
At 1 June 2018 & 31 May 2019	204,000
Amortisation	
At 1 June 2018	135,500
Charge for year	40,800
At 31 May 2019	176,300
Net book value	
At 31 May 2019	27,700
	=====
At 31 May 2018	68,500
	=====

The intangible asset relates to goodwill that arose on the mergers with Steel Eldridge Stewart on 1 September 2014 and Clarkson Hamilton Limited on 1 June 2017.

Negative goodwill

	£
Cost	
At 1 June 2018	(531,519)
Additions	(393,625)
At 31 May 2019	(925,144)
Amortisation	
At 1 June 2018	531,519
Change for year	132,021
At 31 May 2019	663,540
Net book value	
At 31 May 2019	261,604
	=====
At 31 May 2018	-
	=====

On 29 March 2019 the LLP acquired certain work in progress of Morisons LLP. The goodwill recognised is set out below:

	£
Consideration paid	136,250
Net assets acquired (work in progress)	529,875
Negative goodwill arising	(393,625)
	=====

Notes to the financial statements (continued)

11 Investments

	2019 £	2018 £
Investment – TSPC	1	1
Investments in joint venture	50,515	-
	<u>50,516</u>	<u>1</u>
	=====	=====

The LLP purchased 1,200 ordinary shares in Palea Systems Limited during the year. The registered office of the company is Kinburn Castle, Doubledykes Road, St. Andrews, Scotland. The year end of the company is 31 December 2019 and as this is the first year of trading, no information regarding the performance of the company is available at present.

12 Debtors

	2019 £	2018 £
Trade debtors	4,747,464	4,006,988
Amounts to be billed to clients	6,365,966	6,103,228
Balances due by clients	1,173,470	1,204,645
Other debtors	338,258	509,330
Prepayments and accrued income	1,507,395	1,112,930
	<u>14,132,553</u>	<u>12,937,121</u>
	=====	=====

Included in other debtors is £200,000 (2018 - £200,000) which is due in more than one year.

13 Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdraft (secured)	1,179,836	1,676,569
Term loan	750,000	734,321
Trade creditors	1,901,611	1,399,018
Other taxes and social security	1,097,540	997,354
Other creditors	472,649	360,491
Accruals and deferred income	1,085,953	1,296,141
	<u>6,487,589</u>	<u>6,463,894</u>
	=====	=====

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

Notes to the financial statements (continued)

14 Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Other creditors	119,368	73,934
	<u>119,368</u> =====	<u>73,934</u> =====

15 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Financial assets measured at amortised cost	6,259,193	5,720,964
Equity instruments measured at cost less impairment	<u>1</u> =====	<u>1</u> =====
Carrying amount of financial liabilities		
Financial liabilities measured at amortised cost	<u>5,509,417</u> =====	<u>5,540,474</u> =====

Financial assets measured at amortised cost comprises trade debtors, other debtors and balances due by clients

Financial liabilities measured at amortised cost comprises bank loans and overdraft, trade creditors, other creditors and accruals.

16 Members' interests

	Members' capital £	Loans and other debts due to/(from) members £	Total members' interests £
2018/19			
Members' interests at 1 June 2018	5,148,003	3,157,411	8,305,414
Members' remuneration charged as an expense	-	7,135,449	7,135,449
Members' interest after profit for the year	<u>5,148,003</u>	<u>10,292,860</u>	<u>15,440,863</u>
Capital introduced	283,000	-	283,000
Transfers from capital	(33,000)	33,000	-
Transfers to creditors	(589,106)	(375,761)	(964,867)
On revaluation	6,400	-	6,400
Drawings and distribution to members	-	(5,528,510)	(5,528,510)
Members' interests at 31 May 2019	<u>4,815,297</u> =====	<u>4,421,589</u> =====	<u>9,236,886</u> =====

Notes to the financial statements (continued)

16 Members' interests (continued)

Members' interests	Members' capital £	Loans and other debts due to/(from) members £	Total members' interests £
2017/18			
Members' interests at 1 June 2017	4,703,776	2,606,096	7,309,872
Members' remuneration charged as an expense	-	5,841,486	5,841,486
Members' interest after profit for the year	4,703,776	8,447,582	13,151,358
Capital introduced	504,000	-	504,000
Transfers to creditors	(66,173)	(125,163)	(191,336)
On revaluation	6,400	-	6,400
Drawings and distribution to members	-	(5,165,008)	(5,165,008)
Members' interests at 31 May 2018	5,148,003 =====	3,157,411 =====	8,305,414 =====

Thorntons Law LLP profits are divided based on the profit sharing ratio applying for the year to members. For the year ended 31 May 2019, 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 2019.

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 £1,116,574 (2018 - £882,847) which is payable after more than one year.

Notes to the financial statements (continued)

17 Obligations under leases

Lessee

At the reporting end date the LLP had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2019 £	Land and buildings 2018 £	Other operating leases 2019 £	Other operating leases 2018 £
Within one year	1,565,350	1,522,207	715,728	453,679
Between two and five years	5,476,068	5,721,392	1,252,033	468,482
After five years	3,380,240	4,541,470	-	-
	10,421,658 =====	11,785,069 =====	1,967,761 =====	922,161 =====

Included within other operating leases is £225,263 (2018 - £372,123) of members' motor vehicle costs which are treated as members' drawings.

18 Pensions

Thorntons Law LLP operates a contributory Group Personal Pension scheme for members of staff.

The Contributions that were made to the scheme during the year were

2019 £	2018 £
763,551 =====	691,598 =====

Notes to the financial statements (continued)

19 Cash flows from operating activities

Operating profit	7,141,191	5,902,728
Depreciation charge	270,856	391,207
Amortisation of goodwill	40,800	40,800
Amortisation of negative goodwill	(132,021)	(531,519)
Fair value uplift on acquisition of work in progress	529,875	761,519
Increase in debtors	(1,195,431)	(1,662,074)
(Decrease)/increase in creditors	(414,685)	730,707
Net cash generated from operating activities	6,240,585	5,633,368
	=====	=====

20 Analysis of cash flow statement headings

	2019 £	2018 £
Cash flows from investing activities		
Bank and other interest received	128,690	71,640
Purchase of tangible fixed assets	(237,301)	(493,987)
Purchase of intangible fixed assets	(136,250)	(230,000)
Proceeds of sale of tangible fixed assets	16,331	-
Purchase of investments	(50,515)	-
Cash used in investing activities	(279,045)	(652,347)
	=====	=====
Cash flows from financing activities		
Loan received	2,290,000	2,170,000
Loan repayments	(2,274,321)	(2,519,246)
Interest paid	(134,432)	(132,882)
Payments to and on behalf of members	(5,528,510)	(5,165,008)
Members' capital introduced	283,000	504,000
Cash used in financing activities	(5,364,263)	(5,143,136)
	=====	=====

21 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.

22 Ultimate controlling party

In the opinion of the members there is no ultimate controlling party.

Notes to the financial statements (continued)

23 Related party relationships and transactions

During the year the LLP charged Thorntons Investment Management Limited, a company in which members of the LLP, S C Milne and CS MacPherson, are directors, management fees and other charges of £248,082 (2018 - £251,017), and the LLP was billed £62,660 (2018 - £60,333) from Thorntons Investment Management Limited for investment services. The amounts due to the LLP at the year end were £206,222 (2018 - £205,292). Included within this balance is a loan of £200,000 at an agreed interest rate of 2.5% over the Bank of Scotland base rate. There have been no repayments made during the year in respect of this loan and the amounts are included in other debtors due after more than one year.

Remuneration of key management personnel

	2019 £	2018 £
Aggregate compensation	3,181,175 =====	2,646,157 =====