

Limited Liability Partnership registration number SO300381 (Scotland)

Thorntons Law LLP

Annual report and financial statements

For the year ended 31 May 2023

Thorntons Law LLP

Limited liability partnership information

Designated members	CT Graham SC Milne GC Buchanan BN Renfrew SM Sutherland AJ McKeown LA Larg CS MacPherson GG McBean DN Kinnear AJ Lang M Royden EK Miller NG McClelland RG Hamilton JH McIntyre DM Etherington LJ McMonagle AA Dishington GG Thomas DJ Milne M Coutts
LLP registration number	SO300381
Registered office	Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Auditor	Henderson Loggie LLP The Vision Building 20 Greenmarket Dundee DD1 4QB
Bankers	The Royal Bank of Scotland 3 High Street Dundee DD1 9LY

Thorntons Law LLP

Contents

	Page
Members' report	1 - 4
Members' responsibilities statement	5
Independent auditor's report	6 - 8
Profit and loss account	9
Statement of comprehensive income	10
Balance sheet	11
Reconciliation of members' interests	12 - 13
Statement of cash flows	14
Notes to the financial statements	15 - 26

Thorntons Law LLP

Members' report

for the year ended 31 May 2023

The members present their annual report and financial statements for the year ended 31 May 2023.

Principal activity

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

Business review

Despite an unsettled political period at UK and Scottish Government leadership level, a sluggish economy, higher inflation and rising interest rates, trading across most of our business areas remained strong and our Turnover increased by 8.2% to £37.8m. Our commercial real estate, corporate, immigration, employment, intellectual property, privacy and dispute resolution teams along with our private client and family divisions demonstrated significant growth as practice areas continued to implement their strategic plans.

Activity in the period involved sizeable investment in our Glasgow operation including three lateral hires at partner level in the areas of commercial real estate and commercial litigation. We also commenced the design and planning of our new office on George Square which opened in our current financial year. We had three internal promotions to partner in dispute resolution and private client and an external partner hire in residential conveyancing. We also saw a number of newsworthy deals and client wins in areas such as agri-tech, carbon capture and green tourism.

Following an extensive salary benchmarking exercise, we invested significantly in salaries and developing career pathways in the period, further enhancing our benefits proposition. The period also saw us planning for the seven-figure replacement of our practice management system. These significant investments for the benefit of all colleagues and the long-term prosperity of the business resulted in a planned small reduction in operating profit for the period.

With a continued focus on our people and culture development, we created 10 new job roles. We continued to expand our trainee solicitor programme reinforcing our commitment and responsibility to deliver the highest quality legal training for the profession as a whole. In this period we supported 26 trainee solicitors and 9 placements/internships. Placements have come from a range of sources, such as our involvement with the Career Ready scheme, Developing the Young Workforce and with clients in the higher and further education sector, and through our support of Black Professionals Scotland.

In this financial year, we have introduced additional employee advocacy groups. A group has been established from colleagues from across the business to challenge, measure and improve our carbon footprint. Our Equality and Diversity group was also created and tackles all aspects of ED&I. These groups offer our colleagues an active role in shaping our strategy and policy on environmental and equality issues.

For the current financial year, we are planning to continue on our sustained growth trajectory. We remain completely focused on our strategy to remain a full-service, independent Scottish firm and our mission to help our clients, colleagues and communities succeed. The current financial year will also see more new colleagues join us in locations including Dundee, Edinburgh and Glasgow. It will also herald the opening of our newest location - Inverness. Merger and acquisition opportunities continue to present themselves for consideration and we will consider progressing some of those which present a strong cultural and client focused fit.

Members' drawings, contributions and repayments

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.

Thorntons Law LLP

Members' report (continued)

for the year ended 31 May 2023

Designated members

The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

N Barclay	(Resigned 31 May 2023)
CT Graham	
KW Thomson	(Resigned 31 May 2023)
SC Milne	
GC Buchanan	
BN Renfrew	
SM Sutherland	
AJ McKeown	
LA Larg	
CS MacPherson	
GG McBean	
DN Kinnear	
AJ Lang	
M Royden	
EK Miller	
NG McClelland	
RG Hamilton	
JH McIntyre	
DM Etherington	
LJ McMonagle	
AA Dishington	
GG Thomas	
DJ Milne	
M Coutts	(Appointed 1 June 2023)

Auditor

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

Energy and carbon report

This report is provided to summarise the limited liability partnership's environmental reporting in accordance with the UK government's policy on Streamlined Energy and Carbon Reporting (SECR).

	2023	2022
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year	1,406,895	1,120,176

Thorntons Law LLP

Members' report (continued)

for the year ended 31 May 2023

	2023	2022
	metric	metric
<i>Emissions of CO2 equivalent</i>	tonnes	tonnes
Scope 1 - direct emissions		
- Gas combustion	106.13	76.49
- Fuel consumed for owned transport	-	-
	106.13	76.49
Scope 2 - indirect emissions		
- Electricity purchased	127.94	118.13
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the LLP	50.16	31.18
Total gross emissions	284.23	225.80
<i>Intensity ratio</i>		
Tonnes CO2e per employee	0.51	0.43

Quantification and reporting methodology

We have calculated the carbon emissions and kWh figures using the UK Government's 2022 and 2023 Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee (including members).

Measures taken to improve energy efficiency

We established our Environmental Steering Group – The Climate Crew – approximately 12 months ago and since then we have been working tirelessly on a range of initiatives.

Within our offices we continue to review our use of space and optimise use of our offices through collaborative working arrangements (departments working more closely together) which, in addition to improving team working, assists us in enabling us to reduce our footprint and energy usage. Whilst we have many long-term office lease arrangements in place we are committed to making best use of the available space (and reduce that as appropriate) whilst continuing to support hybrid working.

Other office-based initiatives include our introduction of environmentally friendly cleaning products currently being rolled out across our offices. A full suite of waste recycling facilities are in place across our offices and we also have specialist recycling facilities for items such as batteries, toner cartridges etc.

On a weekly basis we highlight environmentally friendly hints and tips to our colleagues Firm wide in our online internal communication news sheet, from reducing your energy usage at home by switching off electrical goods not currently in use rather than leaving them on standby to promoting green travel through the Cycle to Work scheme.

We monitor our energy usage very closely (for both office heating/cooling and for business travel) and will shortly be undertaking the Energy Savings Opportunity Scheme 3 report wherein further specific energy saving options will be highlighted to us. Completion of ESOS 3 was rescheduled from December 2023 to June 24.

Across our estate of offices 85% of our energy requirements – gas and electricity – are provided from renewable sources and we are aiming to increase that to 100% renewables within the next 5 years.

Thorntons Law LLP

Members' report (continued)

for the year ended 31 May 2023

We are also working with an environmental consultant on developing a detailed "roadmap to Net Zero" and will engage with the entire Firm on helping us reach this objective, this being a lynchpin of our environmental strategy over the coming years.

List of members

This report has been approved by the members of the LLP. Persons who were members at any time during the financial are listed in the public register held by Companies House.

Statement of disclosure to auditor

Each of the members in office at the date of approval of this annual report confirms that:

- so far as the members are aware, there is no relevant audit information of which the limited liability partnership's auditor is unaware, and
- the members have taken all the steps that ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the limited liability partnership's auditor is aware of that information.

Approved by the members on 1 February 2024 and signed on behalf by:

LA Larg

Designated Member

Thorntons Law LLP

Members' responsibilities statement

for the year ended 31 May 2023

The members are responsible for preparing the annual report and the 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. 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 then apply them consistently;
- make judgements and accounting 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 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

Opinion

We have audited the financial statements of Thorntons Law LLP (the 'limited liability partnership') for the year ended 31 May 2023 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the reconciliation of members' interests, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2023 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

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Thorntons Law LLP

Independent auditor's report (continued)

to the members of Thorntons Law LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the limited liability partnership has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud. Management informed us that there were no instances of known, suspected or alleged fraud;
- We obtained an understanding of the legal and regulatory frameworks applicable to the limited liability partnership. We determined that the following were most relevant: Law Society of Scotland regulations and Solicitors Accounts Rules; Data Protection Act 2018; employment law (including payroll and pension regulations), and compliance with the UK Companies Act as applied to LLPs;
- We considered the incentives and opportunities that exist in the limited liability partnership, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly; and
- Using our knowledge of the limited liability partnership, together with the discussions held with management at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Inquiry of members about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of members;
- Reviewing certificates and correspondence in relation to compliance with the Solicitors Accounts Rules and the Law Society of Scotland regulations;

Thorntons Law LLP

Independent auditor's report (continued)

to the members of Thorntons Law LLP

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular the valuation of fixed assets and work in progress, the application of accruals including potential claims provisions and dilapidations, and the application of potential bad debt provisions; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Owing to the inherent limitations of an audit, there is unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our 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.

Gavin Black
Senior Statutory Auditor
For and on behalf of Henderson Loggie LLP

1 February 2024

Chartered Accountants
Statutory Auditor

The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Thorntons Law LLP**Profit and loss account****for the year ended 31 May 2023**

		2023	2022
	Notes	£	£
Turnover	3	37,793,962	34,934,096
Administrative expenses		(28,776,559)	(24,821,610)
Other operating income		-	50,908
Operating profit	4	9,017,403	10,163,394
Interest receivable and similar income	7	380,256	18,532
Interest payable and similar expenses	8	(214,569)	(78,981)
Profit for the financial year before members' remuneration and profit shares		9,183,090	10,102,945
Members' remuneration charged as an expense	6	(9,183,090)	(10,102,945)
Result for the financial year available for discretionary division among members		-	-

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

Thorntons Law LLP

Statement of comprehensive income

for the year ended 31 May 2023

	2023	2022
	£	£
Profit for the financial year available for discretionary division among members	-	-
Other comprehensive income		
Revaluation of land and buildings	<u>1,400</u>	<u>6,400</u>
Total comprehensive income for the year	<u><u>1,400</u></u>	<u><u>6,400</u></u>

Thorntons Law LLP**Balance sheet****as at 31 May 2023**

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9	1,449,173		1,314,830	
Investments	10	50,516		50,516	
		<u>1,499,689</u>		<u>1,365,346</u>	
Current assets					
Debtors	11	16,583,742	16,607,184		
Cash at bank and in hand		832,585	1,270,326		
		<u>17,416,327</u>	<u>17,877,510</u>		
Creditors: amounts falling due within one year	12	<u>(6,430,573)</u>	<u>(5,281,124)</u>		
Net current assets		<u>10,985,754</u>		<u>12,596,386</u>	
Total assets less current liabilities		<u>12,485,443</u>		<u>13,961,732</u>	
Creditors: amounts falling due after more than one year	13	<u>(1,416,678)</u>	<u>(1,941,426)</u>		
Net assets attributable to members		<u><u>11,068,765</u></u>		<u><u>12,020,306</u></u>	
Represented by:					
Loans and other debts due to members within one year					
Members' capital classified as a liability		4,814,730	4,762,616		
Other amounts		6,254,035	7,257,690		
		<u>11,068,765</u>	<u>12,020,306</u>		

The financial statements were approved by the members and authorised for issue on 1 February 2024 and are signed on their behalf by:

LA Larg

Designated member**Limited Liability Partnership Registration No. SO300381**

Thorntons Law LLP**Reconciliation of members' interests****for the year ended 31 May 2023****Current financial year**

	Loans and other debts due to members		Total
	Members' capital	Other amounts	
	£	£	£
Amounts due to members		7,257,690	
Members' interests at 1 June 2022	4,762,616	7,257,690	12,020,306
Members' remuneration charged as an expense, including employment costs and retirement benefit costs	-	9,183,090	9,183,090
Result for the financial year available for discretionary division among members	-	-	-
Members' interests after loss and remuneration for the year	4,762,616	16,440,780	21,203,396
Introduced by members	658,500	-	658,500
Transfer to creditors	(475,286)	(684,935)	(1,160,221)
Repayment of capital	(132,500)	-	(132,500)
Drawings	-	(9,501,810)	(9,501,810)
Revaluation of land and buildings	1,400	-	1,400
Members' interests at 31 May 2023	4,814,730	6,254,035	11,068,765

Thorntons Law LLP profits are divided based on the profit sharing ratio applying for the year to members. For the year ended 31 May 2023, 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 2023.

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 £1,155,149 (2022 - £1,119,403) which is payable after more than one year.

Thorntons Law LLP**Reconciliation of members' interests (continued)****for the year ended 31 May 2023****Prior financial year**

	Loans and other debts due to members	
	Members' capital	Other amounts
	£	£
Amounts due to members		6,682,752
Members' interests at 1 June 2021	4,724,011	6,682,752
Members' remuneration charged as an expense, including employment costs and retirement benefit costs	-	10,102,945
Result for the financial year available for discretionary division among members	-	-
Members' interests after loss and remuneration for the year	4,724,011	16,785,697
Introduced by members	445,500	-
Transfer to creditors	(87,000)	(106,592)
Repayment of capital	(326,295)	-
Drawings	-	(9,421,415)
Revaluation of land and buildings	6,400	-
Members' interests at 31 May 2022	4,762,616	7,257,690

Thorntons Law LLP**Statement of cash flows****for the year ended 31 May 2023**

		2023		2022	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	21	8,257,844		6,777,627	
Interest paid		(214,569)		(78,981)	
Net cash inflow from operating activities		8,043,275		6,698,646	
Investing activities					
Purchase of tangible fixed assets		(385,472)		(128,687)	
Interest received		380,256		18,532	
Net cash used in investing activities		(5,216)		(110,155)	
Financing activities					
Capital introduced by members (classified as debt or equity)		658,500		445,500	
Repayment of capital or debt to members		(132,500)		(326,295)	
Payments to members		(9,501,810)		(9,421,415)	
Proceeds from new bank loans		3,000,000		-	
Repayment of bank loans		(2,499,990)		(83,332)	
Net cash used in financing activities		(8,475,800)		(9,385,542)	
Net decrease in cash and cash equivalents		(437,741)		(2,797,051)	
Cash and cash equivalents at beginning of year		1,270,326		4,067,377	
Cash and cash equivalents at end of year		832,585		1,270,326	

Thorntons Law LLP

Notes to the financial statements

for the year ended 31 May 2023

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 disclosed in the Members' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in December 2021, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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 under the historical cost convention, modified to include the revaluation of properties. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The Members have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. In response to the current economic outlook, the Members have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from high inflation levels and general economic conditions, and continuation of working capital funding facilities from its bankers in line with previous years. This analysis also considers the effectiveness of available measures to assist in mitigating the impact of these factors.

Based on these assessments and having regard to the resources available to the entity, the Members have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Turnover

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 recoverable under contracts represent work done at the year-end where a continuing right to receive income exists and is valued at the estimated amount recoverable in excess of fees already rendered on account.

1.4 Members' participating 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.

Thorntons Law LLP

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Where there exists an asset and liability component in respect of an individual member's participation rights, they are presented on a gross basis unless the LLP has both a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis or to settle and realise these amounts simultaneously, in which case they are presented net.

The LLPs classifies distributions of profit under financing activities within the cash flow statement.

1.5 Intangible fixed assets - 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.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Property	Freehold over 50 years, leasehold over the shorter of the lease term and the useful economic life
Fixtures and fittings	Over 5 years
Computers	Over 3 years
Motor vehicles	Over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 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)

for the year ended 31 May 2023

1 Accounting policies (continued)

1.8 Impairment of fixed 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.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 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 the 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.

1 Accounting policies (continued)

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 and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the limited liability partnership after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors 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 payments 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 creditors 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.11 Employee benefits

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

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.

Thorntons Law LLP

Notes to the financial statements (continued)

for the year ended 31 May 2023

1 Accounting policies (continued)

1.12 Retirement benefits and post retirement payments to members

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.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 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.

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, estimates and assumptions about the carrying amount 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 these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful life of tangible fixed assets

Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence. Fixed assets are also assessed as to whether there are indicators of impairment.

Trade debtors recovery

Credit control is an important function which requires assessment, on an ongoing basis, of the recoverability of amounts due from trade debtors. Where recovery is in doubt, the management will adequately provide against this specific debt and will arrive at such conclusions based on the knowledge of the debtor and their "ability to pay". The management adopt a prudent approach to credit control.

Thorntons Law LLP**Notes to the financial statements (continued)****for the year ended 31 May 2023****2 Judgements and key sources of estimation uncertainty (continued)****Amounts recoverable on contracts (work in progress)**

As part of the year end process management are required to assess the ongoing performance of work in progress. This assessment results in the recognition of income and provisions against ongoing recovery depending on the degree of completion and the likelihood of a fee being raised. These judgements are made using the management's experience as well as a detailed working knowledge of the work being provided to clients.

In particular 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.

Accruals

Management estimate the requirements for accruals using post year end information and information available from detailed budgets. This includes provisions for dilapidations and claims. This identifies costs and income that are expected to be incurred or received for services provided by and to other parties. This includes the estimation of potential claims provisions which are based upon post year end information and management knowledge of the current status of live claims. Accruals are only released when there is a reasonable expectation that these costs will not be invoiced in the future.

3 Turnover

An analysis of the limited liability partnership's turnover is as follows:

	2023 £	2022 £
Turnover analysed by class of business		
Rendering of services	37,688,115	34,832,309
Rental income	105,847	101,787
	<u>37,793,962</u>	<u>34,934,096</u>
	2023 £	2022 £
Turnover analysed by geographical market		
United Kingdom	37,793,962	34,934,096
	2023 £	2022 £
Other significant revenue		
Interest income	380,256	18,532
Grants received	-	50,908
	<u>380,256</u>	<u>50,908</u>

Thorntons Law LLP**Notes to the financial statements (continued)****for the year ended 31 May 2023****4 Operating profit**

	2023	2022
	£	£
Operating profit for the year is stated after charging/(crediting):		
Government grants	-	(50,908)
Fees payable to the LLP's auditor for the audit of the LLP's financial statements		
	29,400	24,500
Depreciation of owned tangible fixed assets	252,529	258,481
Operating lease charges	2,314,162	1,975,149
	=====	=====

5 Employees

The average number of persons (excluding members) employed by the partnership during the year was:

	2023	2022
	Number	Number
Client service staff	247	231
Support staff	245	232
	=====	=====
Total	492	463
	=====	=====

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	14,670,625	12,723,191
Social security costs	1,463,646	1,276,776
Pension costs	1,069,269	950,814
	=====	=====
	17,203,540	14,950,781
	=====	=====

6 Members' remuneration

	2023	2022
	Number	Number
Average number of members during the year	67	63
	=====	=====
	2023	2022
	£	£
Profit attributable to the member with the highest entitlement	268,930	301,615
	=====	=====
Average members' remuneration	137,061	160,364
	=====	=====

Thorntons Law LLP

Notes to the financial statements (continued)

for the year ended 31 May 2023

7 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	380,256	18,532

	2023 £	2022 £
Investment income includes the following:		

Interest on financial assets not measured at fair value through profit or loss	380,256	18,532
--	---------	--------

8 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	214,569	78,981

9 Tangible fixed assets

	Property £	Assets under construction £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost						
At 1 June 2022	2,549,525	-	2,149,405	3,852,226	57,611	8,608,767
Additions	28,822	324,100	31,149	1,401	-	385,472
Disposals	-	-	-	-	(57,611)	(57,611)
Revaluation	(5,000)	-	-	-	-	(5,000)
At 31 May 2023	2,573,347	324,100	2,180,554	3,853,627	-	8,931,628
Depreciation and impairment						
At 1 June 2022	1,437,175	-	2,069,131	3,730,020	57,611	7,293,937
Depreciation charged in the year	163,816	-	36,899	51,814	-	252,529
Eliminated in respect of disposals	-	-	-	-	(57,611)	(57,611)
Revaluation	(6,400)	-	-	-	-	(6,400)
At 31 May 2023	1,594,591	-	2,106,030	3,781,834	-	7,482,455
Carrying amount						
At 31 May 2023	978,756	324,100	74,524	71,793	-	1,449,173
At 31 May 2022	1,112,350	-	80,274	122,206	-	1,314,830

Thorntons Law LLP**Notes to the financial statements (continued)****for the year ended 31 May 2023****9 Tangible fixed assets (continued)**

Property is comprised of freehold property with a net book value as at 31 May 2023 of £315,000 (2022 - £320,000) and short leasehold property improvements with a net book value as at 31 May 2023 of £663,756 (2022 - £792,350).

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 2023 a valuation was carried out over the the freehold land and buildings by J&E Shepherd, Chartered Surveyors, a professional surveying firm not connected with Thorntons Law LLP. The value of £315,000 was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

The historical cost of the freehold land and buildings included in the financial statements at valuation is £300,440 (2022 - £300,440).

10 Fixed asset investments

	2023	2022
Notes	£	£
Investments in joint ventures	50,515	50,515
Unlisted investments	1	1
	<u>50,516</u>	<u>50,516</u>

The LLP owns 1,200 ordinary shares in Palea Systems Limited. The registered office of the company is Kinburn Castle, Doubledykes Road, St. Andrews, Scotland. The year end of the company is 31 May 2023.

11 Debtors

	2023	2022
Amounts falling due within one year:	£	£
Trade debtors	5,423,795	5,486,578
Gross amounts owed by contract customers	7,383,224	7,345,118
Other debtors	1,930,537	2,009,794
Prepayments and accrued income	1,846,186	1,765,694
	<u>16,583,742</u>	<u>16,607,184</u>

Included in other debtors is £200,000 (2022 - £200,000) which is due in more than one year.

Thorntons Law LLP

Notes to the financial statements (continued)

for the year ended 31 May 2023

12 Creditors: amounts falling due within one year

	Notes	2023 £	2022 £
Bank loans	14	1,500,000	500,000
Trade creditors		2,070,143	2,149,608
Other taxation and social security		1,569,989	1,362,465
Other creditors		716,524	516,795
Accruals and deferred income		573,917	752,256
		<u>6,430,573</u>	<u>5,281,124</u>

13 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans and overdrafts	14	1,416,678	1,916,668
Other creditors		-	24,758
		<u>1,416,678</u>	<u>1,941,426</u>

14 Loans and overdrafts

	2023 £	2022 £
Bank loans	<u>2,916,678</u>	<u>2,416,668</u>
Payable within one year	1,500,000	500,000
Payable after one year	<u>1,416,678</u>	<u>1,916,668</u>

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

At the 31 May 2023 the outstanding bank loan relates to a £2,500,000 loan - repayable monthly over 5 years at a fixed rate of interest at 3.24% over base rate beginning from the start of the second year.

In addition to this, three £1,000,000 loans were taken out during the year. The first loan was repayable monthly over 6 months at a fixed interest rate of 4.12% and was repaid in full during the year. The second loan is repayable monthly over 12 months at a fixed rate of 5.70%. The third loan is repayable monthly over 6 months at a fixed rate of 3.50%.

15 Retirement benefit schemes

Defined contribution schemes	2023 £	2022 £
Charge to profit or loss in respect of defined contribution schemes	<u>1,069,269</u>	<u>950,814</u>

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

Thorntons Law LLP**Notes to the financial statements (continued)****for the year ended 31 May 2023****16 Financial commitments, guarantees and 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.

17 Operating lease commitments**Lessee**

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

	2023 £	2022 £
Within one year	2,275,816	1,829,178
Between two and five years	5,979,855	4,431,337
In over five years	633,940	553,807
	<u>8,889,611</u>	<u>6,814,322</u>

18 Capital commitments

	2023 £	2022 £
At 31 May 2023 the limited liability partnership had capital commitments as follows:		

Contracted for but not provided in the financial statements:

Acquisition of tangible fixed assets	<u>87,379</u>	<u>-</u>
--------------------------------------	---------------	----------

19 Related party transactions**Remuneration of key management personnel**

The total remuneration of employees and members who are considered key management personnel was £3,512,258 (2022 - £4,015,536).

Transactions with related parties

During the year the LLP charged Thorntons Investment Management Limited, a company in which members of the LLP, SC Milne and CS MacPherson, are directors, management fees and other charges of £255,228 (2022 - £236,616), and the LLP was billed £2,000 (2022 - £683) from Thorntons Investment Management Limited for investment services. The amounts due to the LLP at the year end were £240,069 (2022 - £207,067). 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.

20 Ultimate controlling party

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

Thorntons Law LLP

Notes to the financial statements (continued)

for the year ended 31 May 2023

21 Cash generated from operations	2023	2022
	£	£
Profit for the year	9,183,090	10,102,945
Adjustments for:		
Finance costs recognised in profit or loss	214,569	78,981
Investment income recognised in profit or loss	(380,256)	(18,532)
Depreciation and impairment of tangible fixed assets	252,529	258,481
Movements in working capital:		
Decrease/(increase) in debtors	23,442	(1,781,916)
Decrease in creditors	(1,035,530)	(1,862,332)
Cash generated from operations	8,257,844	6,777,627

22 Analysis of changes in net debt	1 June 2022	Cash flows	31 May 2023
	£	£	£
Cash at bank and in hand	1,270,326	(437,741)	832,585
Borrowings excluding overdrafts	(2,416,668)	(500,010)	(2,916,678)
Balances before members' debt	(1,146,342)	(937,751)	(2,084,093)
Loans and other debts due to members:			
- Members' capital	(4,762,615)	(52,115)	(4,814,730)
- Other amounts due to members	(7,257,691)	1,003,656	(6,254,035)
Balances including members' debt	(13,166,648)	13,790	(13,152,858)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.