

GRANT THORNTON UK LLP
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2005
Registered no. OC307742

GRANT THORNTON UK LLP

FINANCIAL STATEMENTS

For the year ended 30 June 2005

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

GRANT THORNTON UK LLP

MEMBERS' REPORT

The members present their report together with financial statements for the period ended 30 June 2005.

Principal activity

Grant Thornton UK LLP (the "partnership") is principally engaged in the provision of accounting, business assurance, insolvency and restructuring, transaction advisory and tax services in the UK.

Formation

Grant Thornton UK LLP was incorporated on 24 April 2004 and was dormant until 1 July 2004. On 1 July 2004, the business and assets of Grant Thornton, a partnership with unlimited liability under English law, were transferred to Grant Thornton UK LLP and the equity partners in the partnership became the members of the LLP on that date.

The financial statements are the first statutory accounts of the LLP and, although they cover the period 24 April 2004 to 30 June 2005, reflect the trading for the year ended 30 June 2005. The financial statements have been prepared adopting the principles of merger accounting in respect of the initial transfer of the business to the business of the LLP and therefore include, for comparative purposes, the results of the business transferred from Grant Thornton for the year prior to its transfer.

Designated members

The designated members during the period since incorporation are as follows:

M J Cleary - National Managing Partner	(appointed 24 April 2004)
J D Mew - Management Board Member	(appointed 30 June 2004)
G W Sykes	(appointed 24 April 2004)
J Bowler	(appointed 30 June 2004)
E J G Healey	(appointed 30 June 2004)
P Hems	(appointed 30 June 2004)
J W Lewis	(appointed 30 June 2004)
R C Rowe	(appointed 30 June 2004)
N Ruddock	(appointed 30 June 2004)
K Thorne	(appointed 30 June 2004, resigned 30 June 2005)
D M Whitehead	(appointed 30 June 2004)
T A Back	(appointed 1 July 2004)
R N Proctor	(appointed 1 July 2004)
A H Smith	(appointed 1 July 2004)
N Morrison	(appointed 1 July 2005)

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

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

Members' capital requirements are determined from time to time by the National Managing Partner having regard to the short, medium and long term needs of the firm. Transitional provisions exist for the first three years of membership at which point all members are required to contribute equally. Other than in rare and exceptional cases, members' capital is only repaid following retirement.

Statement of members' responsibilities in respect of the financial statements

The Limited Liability Partnerships (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

Under the Limited Liability Partnership Regulations 2001, the members are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the accounts will comply with those regulations. The members have a general responsibility to safeguard the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PKF were appointed auditors on 24 August 2004. On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the partnership consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP. PKF (UK) LLP will be proposed for reappointment.

ON BEHALF OF THE MEMBERS

G W Sykes
24 November 2005

GRANT THORNTON UK LLP

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 June 2005

Basis of preparation

Grant Thornton UK LLP was registered on 24 April 2004. On 1 July 2004, the business previously carried on by Grant Thornton in the UK, a general partnership with unlimited liability under English law, was transferred to Grant Thornton UK LLP.

The transfer of the business previously carried on by the unlimited liability partnership has been accounted for in accordance with the principles of merger accounting since the members of Grant Thornton UK LLP were, at the point of transfer, the same as the former equity partners of the unlimited liability partnership and their rights, relative to each other, were unchanged. Therefore the members had a continuing interest in the business, both before and after its transfer to the limited liability partnership. Consequently the financial statements have been prepared as if Grant Thornton UK LLP had been in existence both for the current and previous year. The individual entity balance sheet of Grant Thornton UK LLP has been presented with proforma comparative amounts.

Under the principles of merger accounting, the assets and liabilities of the former unlimited liability partnership have been brought in at their book values under the accounting policies of Grant Thornton UK LLP. In addition, the income and expenditure and cash flows of the former unlimited liability partnership have been included for the entire previous financial year.

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

The principal accounting policies of the group are set out below. Last year's financial statements were presented on a proforma basis to comply with the above SORP, notwithstanding that the business did not convert to the LLP until 1 July 2004. The policies have remained unchanged from the previous year apart from that for turnover, which has been modified following the issue of UITF 40, Revenue recognition and service contracts, and the treatment of motor expenses on members' cars and interest paid to members. The effect of these changes is set out in note 1 below. Where it has been considered appropriate, certain balance sheet amounts have been re-classified compared to last year and reference to this has been made in the relevant notes.

Basis of consolidation

The group financial statements consolidate those of the partnership and those subsidiary undertakings in which it has a beneficial interest, further details of which are set out in note 10.

Goodwill

Goodwill, representing the excess of the fair value of the consideration given on acquisition of a business over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life, normally not more than five years.

Turnover

Group turnover is the total amount estimated to be receivable by the partnership for services rendered and disbursements charged to clients during the year, excluding VAT.

Turnover is recognised when a right to consideration has been obtained through performance under each contract and reflects the contract activity during the year having regard to the stage of completion of each contract and the relative uncertainty of predicting ultimate profitability on long term assignments. Revenue in respect of conditional or contingent fee engagements, which is over and above any agreed minimum fee, is recognised when the contingent event occurs.

Client disbursements incurred are deducted from turnover in arriving at net fees in the profit and loss account.

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 June 2005

Long term contracts

The attributable profit on long term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised has regard to the stage of completion of the project.

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

Full provision is made for losses on contracts in the year in which the loss is first foreseen. Costs in respect of conditional or contingent fee engagements are fully provided for as incurred to the extent they exceed any agreed minimum fee and unless crystallisation of the contingent event could have reasonably been foreseen at the year end, in which case the carrying value is the lower of cost and net realisable value.

Tangible fixed assets and depreciation

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

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

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

No depreciation is provided on freehold properties either because the properties are investment properties or because the estimated residual value of the properties are such that any depreciation charge would be immaterial.

Leased assets

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

Partners' and members' remuneration

Remuneration that is paid to salaried partners (who are not members) under an employment contract is expensed to the profit and loss account.

Members' fixed shares of profits and interest earned on members' balances, neither of which are charged through the profit or loss account, are treated as an allocation of profit prior to the balance sheet date. Depreciation and profits or losses on disposal of cars used by members, together with members' other motor expenses are charged through the profit and loss account. For profit sharing purposes, such members' motor expenses are added back and then charged to each member prior to the balance sheet date on the basis of specific costs incurred.

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

Taxation

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

Taxation amounts included in these financial statements relate to corporate subsidiaries.

PRINCIPAL ACCOUNTING POLICIES

For the year ended 30 June 2005

Investment properties

Investment properties are revalued annually and are included in the balance sheet at their open market values. The surplus or deficit on revaluation of such properties is transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

This policy represents a departure from the Companies Act 1985, which requires depreciation to be provided on all fixed assets. The members consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the valuation. The financial effect of the departure from the Companies Act is shown in Note 9 to the financial statements.

Investments

Investments are included at cost less amounts written off, save for those held by Fulwood Insurances Limited, the group's captive insurance company, which are included using mid market prices at the balance sheet date. Any movements in the value of Fulwood's investment portfolio are reflected through the profit and loss account, except for the origination or reversal of unrealised surpluses at the balance sheet date which are transferred to or from the revaluation reserve.

Foreign currencies

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

Retirement benefits

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the employer's contributions payable to the scheme in respect of the accounting period.

Defined Benefit Pension Scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

Scheme assets are measured at fair value, and scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates.

Retirement benefits of former members and partners of the predecessor firm

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

While, contractually, the obligation for all annuities remains with the members for the time being, the nature of the arrangements is such that, in accordance with the requirements of the SORP, the financial statements only include obligations for retirement annuities payable in the future to retired members. The obligation has been discounted to its net present value.

Changes in estimates and assumptions in respect of the obligations, together with the unwinding of the discount, are dealt with through the profit and loss account. New obligations in the year are dealt with through reserves and reflected through the statement of total recognised gains and losses.

For the year ended 30 June 2005

Divisible profits

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

Consolidation of the results of subsidiary undertakings, the provision for annuities to former members and the treatment of long leasehold interests are all items which generate differences between profits calculated for the purpose of allocation and those reported within the financial statements. Where such differences arise, they have been taken into account within other reserves in the balance sheet.

Liquid resources

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

GRANT THORNTON UK LLP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2005

	Note	2005 £'000	Restated 2004 £'000
Turnover	2	255,816	238,560
Other external charges: client disbursements		(12,307)	(12,307)
Net fees		243,509	226,253
Cost of sales	3	(104,739)	(98,574)
Gross profit		138,770	127,679
Other operating costs	3	(81,823)	(76,368)
Operating profit		56,947	51,311
Profit on sale of fixed assets		71	37
Loss on sale of subsidiary	20	(32)	-
Net interest and other similar charges	4	(1,988)	(2,379)
Profit on ordinary activities before tax		54,998	48,969
Tax on profit on ordinary activities of subsidiaries	6	(55)	(27)
Profit on ordinary activities after tax on subsidiaries		54,943	48,942
Minority interest		(7)	(10)
Profit for the financial year before members' remuneration and profit shares and available for division among members		54,936	48,932

Profits have arisen from continuing activities. No members received salaried remuneration.

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

GRANT THORNTON UK LLP

CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Note	2005 £'000	2005 £'000	2004 £'000	Restated 2004 £'000
Fixed assets					
Intangible assets - goodwill	8		22		120
Tangible assets	9		24,365		23,167
Investments	10		7,340		6,781
			<u>31,727</u>		<u>30,068</u>
Current assets					
Debtors	11	103,757		90,554	
Cash at bank and in hand	12	26,702		25,161	
			<u>130,459</u>		115,715
Creditors: amounts falling due within one year	13		<u>(45,404)</u>		<u>(41,190)</u>
Net current assets			<u>85,055</u>		<u>74,525</u>
Total assets less current liabilities			116,782		104,593
Creditors: amounts falling due after more than one year	14		(19,962)		(20,255)
Provisions for liabilities and charges	16		(34,547)		(34,461)
			<u>62,273</u>		<u>49,877</u>
Minority interests			-		(75)
Loans and other debts due to members	17		(10,087)		(7,346)
Net Assets			<u>52,186</u>		<u>42,456</u>
Members' other interests					
Members' capital	17		25,500		20,610
Revaluation reserve	17		500		500
Other reserves	17		26,186		21,346
			<u>52,186</u>		<u>42,456</u>
Total members' interests					
Loans and other debts due to members	17		10,087		7,346
Members' other interests	17		52,186		42,456
Amounts due from members	17		(3,211)		(3,501)
			<u>59,062</u>		<u>46,301</u>

The financial statements were approved by the Partnership Committee on 24 November 2005 and signed on behalf of the partnership by:

Michael Cleary National Managing Partner

Gerard Sykes Chairman of the Partnership Committee

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

GRANT THORNTON UK LLP

BALANCE SHEET

As at 30 June 2005

	Note	2005 £'000	2005 £'000	2004 £'000	Proforma Restated 2004 £'000
Fixed assets					
Intangible assets - goodwill	8		22		120
Tangible assets	9		23,799		22,578
Investments	10		1,085		1,089
			<u>24,906</u>		<u>23,787</u>
Current assets					
Debtors	11	102,425		90,453	
Cash at bank and in hand	12	25,657		24,352	
			<u>128,082</u>		114,805
Creditors: amounts falling due within one year	13		(44,100)		(40,961)
			<u>83,982</u>		<u>73,844</u>
Net current assets					
			<u>108,888</u>		97,631
Creditors: amounts falling due after more than one year					
	14		(19,962)		(20,255)
Provisions for liabilities and charges	16		(33,009)		(31,576)
			<u>55,917</u>		<u>45,800</u>
Loans and other debts due to members	17		(10,087)		(7,346)
			<u>45,830</u>		<u>38,454</u>
Net assets					
			<u>45,830</u>		<u>38,454</u>
Members' other interests					
Members' capital	17		25,500		20,610
Other reserves	17		20,330		17,844
			<u>45,830</u>		<u>38,454</u>
Total members' interests					
Loans and other debts due to members	17		10,087		7,346
Members' other interests	17		45,830		38,454
Amounts due from members	17		(3,211)		(3,501)
			<u>52,706</u>		<u>42,299</u>

The financial statements were approved by the Partnership Committee on 24 November 2005 and signed on behalf of the partnership by:

Michael Cleary National Managing Partner

Gerard Sykes Chairman of the Partnership Committee

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

GRANT THORNTON UK LLP

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2005

	Note	2005 £'000	Restated 2004 £'000
Net cash inflow from operating activities	18	50,784	51,808
Returns on investments and servicing of finance			
Interest received		1,277	986
Interest paid		(533)	(740)
Finance lease interest paid		(1,432)	(1,425)
Net cash outflow from returns on investments and servicing of finance		<u>(688)</u>	<u>(1,179)</u>
Taxation		(29)	1
Capital expenditure and financial investment			
Purchase of intangible fixed assets		-	(37)
Purchase of tangible fixed assets		(3,376)	(2,303)
Sale of tangible fixed assets		584	1,829
Purchase of investments		(26,838)	(12,249)
Sale of investments		26,366	12,833
Net cash outflow from capital expenditure and financial investment		<u>(3,264)</u>	<u>73</u>
Acquisitions and Disposals			
Disposal of subsidiary company		5	-
Net cash inflow from acquisitions and disposals		<u>5</u>	<u>-</u>
Transactions with members and former members			
Payments to or on behalf of members		(46,252)	(37,912)
Capital contributions by members		6,336	2,848
Annuity payments to former members		(2,086)	(1,949)
Repayments to former members		(2,440)	(3,245)
Net cash outflow from transactions with members and former members		<u>(44,442)</u>	<u>(40,258)</u>
Management of liquid resources			
Net (purchase)/sale of short term deposits		(2,800)	1,300
Net cash (outflow)/inflow from management of liquid resources		<u>(2,800)</u>	<u>1,300</u>
Financing			
Net receipts/(payments) from borrowing		198	(328)
Capital element of finance lease rentals		(1,188)	(1,327)
Net cash outflow from financing		<u>(990)</u>	<u>(1,655)</u>
(Decrease)/increase in cash	19	<u>(1,424)</u>	<u>10,090</u>

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

GRANT THORNTON UK LLP

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 June 2005

	Note	2005 £'000	Restated 2004 £'000
Profit for the financial year		54,936	48,932
Unrealised surplus on revaluation of investment property	9	-	70
Provision for former member annuities	16	(1,219)	(712)
Total recognised gains and losses for the year		53,717	48,290
Prior year adjustment	1	2,722	
Total recognised gains and losses since last financial statements		56,439	

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

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1 CHANGES IN ACCOUNTING POLICY

Comparative figures have been restated to reflect a change in accounting policy in connection with revenue recognition following the publication of UITF 40, Revenue recognition and service contracts.

The allocation of the impact of this change in policy to the current and prior periods has involved a degree of estimation which reflects the difficulty in identifying, after the event, the exact circumstances and considerations that subsisted at the end of each of the previous two accounting periods.

Last year's figures have also been restated to reflect a change in treatment of members' motor expenses. In previous years' accounts, a credit equivalent to the value of such items had been introduced into the profit and loss account and charged to each member on the basis of each member's specific car cost. It is now considered more appropriate that this adjustment be treated as a profit allocation adjustment.

In last year's profit and loss account, profits on ordinary activities were stated after charging interest paid to members of £2,659,000. This interest was then added back to arrive at the profit for the financial year to recognise that such interest is an allocation of profit rather than a charge to profits. This year's profit and loss account, and the comparative figures therein, excludes any interest paid to members as this is considered to be a more appropriate reflection of the nature of such interest.

As a result of the above changes, comparative figures for the year ended 30 June 2004 have been adjusted as follows:

	Profit for the year £'000	Net assets £'000
As previously reported	49,540	39,734
Prior year adjustment for UITF 40:		
2004	298	298
Periods prior to 2004	-	2,424
Prior year adjustment re treatment of members' motor expenses:		
2004	(906)	-
Periods prior to 2004	-	-
As restated	<u>48,932</u>	<u>42,456</u>

Current year profits have been increased by £267,000 following the change in policy for revenue recognition and decreased by £1,129,000 following the change in policy for treatment of members' motor expenses.

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

2 SEGMENTAL ANALYSIS AND PROFIT FOR THE FINANCIAL YEAR

Turnover is attributable to the following classes of continuing business:

	2005 £'000	Restated 2004 £'000
Accountancy and growth and development	13,917	12,547
Assurance	63,311	58,483
Corporate finance	38,715	30,830
Financial planning and discretionary fund management	9,876	8,058
Forensic investigation services	13,031	13,869
Other including company secretarial services	2,383	1,844
Recovery and reorganisation	52,389	47,498
Taxation	62,194	65,431
	<u>255,816</u>	<u>238,560</u>

The destination of turnover was primarily to UK clients although 1.6% (2004: 1.1%) were sales to North America, 1.2% (2004: 1.3%) to Europe and 0.3% (2004: 0.3%) to the Rest of the World.

Analysis of operating profit and net assets are as follows:

	Operating profit		Net assets	
	2005 £'000	Restated 2004 £'000	2005 £'000	Restated 2004 £'000
Accountancy and growth and development	5,839	4,787	3,716	3,394
Assurance	26,562	22,314	16,662	15,611
Corporate finance	16,009	13,177	8,593	7,680
Financial planning and discretionary fund management	3,828	2,779	2,666	2,153
Forensic investigation services	5,827	7,332	3,906	3,113
Other including company secretarial services	919	721	1,451	728
Recovery and reorganisation	23,204	18,908	24,506	19,132
Taxation	26,093	25,187	15,561	16,754
	<u>108,281</u>	<u>95,205</u>	<u>77,061</u>	<u>68,565</u>
Unallocated items	<u>(51,334)</u>	<u>(43,894)</u>	<u>(24,875)</u>	<u>(26,109)</u>
	<u>56,947</u>	<u>51,311</u>	<u>52,186</u>	<u>42,456</u>

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

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

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

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

The profit for the financial year is stated after:

	2005 £'000	2004 £'000
Auditors' remuneration:		
Audit services	144	22
Non-audit services	-	48
Depreciation and amortisation:		
Goodwill	98	456
Tangible fixed assets, owned	2,362	2,032
Tangible fixed assets, held under finance leases and hire purchase contracts	1,023	1,089
Provisions for diminution in value:		
Write down of fixed asset investments	3	176
Write back of provisions no longer required	(124)	-
Other operating lease rentals:		
Equipment	3,698	3,745
Land and buildings	6,108	5,608

3 COST OF SALES AND OTHER OPERATING COSTS

	2005 £'000	Restated 2004 £'000
Professional staff employment costs	104,387	98,149
Other cost of sales	352	425
	<u>104,739</u>	<u>98,574</u>
Other operating costs:		
Support staff employment costs	26,536	24,511
Property	12,117	11,610
IT and other equipment costs	4,831	4,941
Administration	29,097	23,898
Other financial costs including insurance	4,492	5,904
Other	4,750	5,504
	<u>81,823</u>	<u>76,368</u>

4 NET INTEREST AND OTHER SIMILAR CHARGES

	2005 £'000	2004 £'000
Interest payable on bank loans and overdrafts	399	600
Finance charges in respect of finance leases	1,432	1,425
Other interest payable and similar charges	134	140
Unwinding of discount in provisions	1,300	1,200
Other interest receivable and similar income	(1,277)	(986)
Net interest and similar charges to third parties	<u>1,988</u>	<u>2,379</u>

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

5 PARTNERS AND STAFF

Employment costs during the year (excluding members but including salaried partners) were as follows:

	2005 £'000	2004 £'000
Wages and salaries	106,070	100,624
Social security costs	9,966	9,303
Other pension costs	5,908	5,720
	<u>121,944</u>	<u>115,647</u>

The average number of full time equivalent members, salaried partners and employees during the year was 2,924 (2004: 2,880), all of whom were engaged in the group's principal activity:

	2005 Number	2004 Number
Members	155	142
Salaried partners	79	90
Professional staff	1,958	1,930
Support staff	732	718
	<u>2,924</u>	<u>2,880</u>

The average profit per member, calculated in accordance with the requirements of the SORP by dividing the profit for the financial year before members' remuneration and profit shares by the average number of members, amounted to £354,426 (2004: £344,592 as restated).

Profits are shared among members in accordance with agreed profit sharing arrangements. Including sums allocated as interest and following the change in treatment of members' motor expenses more fully described in note 1 to the accounts, the average profit allocation in respect of the year's results, calculated by dividing divisible profits for the financial year by the average number of members, amounted to £363,725 (2004: £337,542 as restated). On the same basis, the profit attributable to the member with the largest entitlement was £960,537 (2004: £899,279 as restated).

The table below provides a reconciliation between the average profit per member and the average profit allocation per member.

	2005 £'000	2004 £'000
Average profit per member	354	345
Prior year adjustment relating to UITF 40	18	(2)
Retirement annuity and other costs	8	(6)
Retained (profits)/ losses for the year in subsidiary entities	(16)	1
Average profit allocation per member	<u>364</u>	<u>338</u>

GRANT THORNTON UK LLP

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6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge arises within the subsidiary undertakings of the group and represents:

	2005 £'000	2004 £'000
United Kingdom corporation tax at 30% (2004: 30%)	58	25
Adjustments relating to prior years	(1)	-
Total current tax	<u>57</u>	<u>25</u>
Origination and reversal of timing differences	(2)	2
Total deferred tax	<u>(2)</u>	<u>2</u>
Tax on profit on ordinary activities	<u>55</u>	<u>27</u>

Fulwood Insurances Limited has been granted exemption from tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 to 1997.

The tax assessed for the year is lower for 2005 and higher for 2004 than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax of subsidiary undertakings	2,459	(118)
Tax on profit on ordinary activities at 30% (2004: 30%)	738	(35)
Effect of:		
Expenses not deductible for tax purposes	-	3
Depreciation for the year in excess of capital allowances	2	-
(Profits)/losses exempt from tax	(698)	68
Adjustments to tax charge in respect of prior periods	(1)	-
Utilisation of tax losses	-	(11)
Tax losses carried forward	16	-
Total current tax	<u>57</u>	<u>25</u>

7 PROFIT FOR THE FINANCIAL PERIOD

Grant Thornton UK LLP has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. Its own profit for the year was £52,582,000 (proforma 2004: £49,088,000 as restated, see note 1).

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

8 INTANGIBLE FIXED ASSETS - GOODWILL

The group and the partnership	Purchased goodwill £'000
Cost	
At 1 July 2004 and at 30 June 2005	493
Amortisation	
At 1 July 2004	373
Provided in the year	98
At 30 June 2005	471
Net book amount at 30 June 2005	<u>22</u>
Net book amount at 30 June 2004	<u>120</u>

9 TANGIBLE FIXED ASSETS

The group	Investment property £'000	Freehold and long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Total £'000
Cost or valuation:							
At 1 July 2004	100	18,545	5,759	10,291	10,223	3,935	48,853
Additions	-	-	616	1,197	1,563	1,695	5,071
Reclassifications	-	(5)	-	111	(106)	-	-
Disposal on sale of subsidiary	-	-	-	-	(31)	-	(31)
Other disposals	-	-	-	(67)	(7)	(1,062)	(1,136)
At 30 June 2005	<u>100</u>	<u>18,540</u>	<u>6,375</u>	<u>11,532</u>	<u>11,642</u>	<u>4,568</u>	<u>52,757</u>
Depreciation:							
At 1 July 2004	-	5,002	3,454	6,335	9,121	1,774	25,686
Provided in the year	-	178	534	1,019	634	1,020	3,385
Reclassifications	-	(5)	-	100	(95)	-	-
Eliminated on sale of subsidiary	-	-	-	-	(22)	-	(22)
Eliminated on disposals	-	-	-	(70)	(7)	(580)	(657)
At 30 June 2005	<u>-</u>	<u>5,175</u>	<u>3,988</u>	<u>7,384</u>	<u>9,631</u>	<u>2,214</u>	<u>28,392</u>
Net book amount at 30 June 2005	<u>100</u>	<u>13,365</u>	<u>2,387</u>	<u>4,148</u>	<u>2,011</u>	<u>2,354</u>	<u>24,365</u>
Net book amount at 30 June 2004	<u>100</u>	<u>13,543</u>	<u>2,305</u>	<u>3,956</u>	<u>1,102</u>	<u>2,161</u>	<u>23,167</u>

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For the year ended 30 June 2005

Freehold and long leasehold property at net book value at the balance sheet date in the above table is comprised of freehold property of £756,000 (2004: £756,000) and long leasehold property £12,609,000 (2004: £12,787,000).

The partnership	Freehold and long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Total £'000
Cost						
At 1 July 2004	18,090	5,759	10,291	10,138	3,935	48,213
Additions	-	616	1,197	1,563	1,695	5,071
Reclassifications	-	-	106	(106)	-	-
Disposals	-	-	(67)	(7)	(1,062)	(1,136)
At 30 June 2005	<u>18,090</u>	<u>6,375</u>	<u>11,527</u>	<u>11,588</u>	<u>4,568</u>	<u>52,148</u>
Depreciation						
At 1 July 2004	4,997	3,454	6,335	9,075	1,774	25,635
Provided in the year	178	534	1,019	620	1,020	3,371
Reclassifications	-	-	95	(95)	-	-
Eliminated on disposals	-	-	(70)	(7)	(580)	(657)
At 30 June 2005	<u>5,175</u>	<u>3,988</u>	<u>7,379</u>	<u>9,593</u>	<u>2,214</u>	<u>28,349</u>
Net book amount at 30 June 2005	<u>12,915</u>	<u>2,387</u>	<u>4,148</u>	<u>1,995</u>	<u>2,354</u>	<u>23,799</u>
Net book amount at 30 June 2004	<u>13,093</u>	<u>2,305</u>	<u>3,956</u>	<u>1,063</u>	<u>2,161</u>	<u>22,578</u>

Freehold and long leasehold property at net book value at the balance sheet date in the above table is comprised of freehold property of £306,000 (2004: £306,000) and long leasehold property of £12,609,000 (2004: £12,787,000).

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

The group and the partnership	Freehold and long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Total £'000
Net book amount at 30 June 2005	<u>9,052</u>	<u>204</u>	<u>449</u>	<u>99</u>	<u>1,097</u>	<u>10,901</u>
Net book amount at 30 June 2004	<u>9,180</u>	<u>296</u>	<u>624</u>	<u>321</u>	<u>1,073</u>	<u>11,494</u>
Depreciation provided in the year	<u>128</u>	<u>86</u>	<u>207</u>	<u>126</u>	<u>543</u>	<u>1,090</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

The investment property held in G A Bruce Limited was revalued during 2004 by Mike Neville estate agents at £100,000. The basis of the valuation used was open market value. The surplus has been transferred to revaluation reserve.

Freehold property held in Camm Services Limited was revalued in February 1989 by a firm of chartered surveyors at £450,000. The basis of the valuation used was open market value. The surplus arising has been transferred to revaluation reserve. Advantage has been taken of the transitional arrangements of Financial Reporting Standard 15 and the valuation of £450,000 has been retained as the book amount on implementation of the standard.

If properties held in subsidiaries had not been revalued, they would have been included on the historical cost basis at the following amounts:

	The group	
	Investment property G A Bruce Limited £'000	Freehold property Camm Services Limited £'000
Cost	12	5
Accumulated depreciation	-	(3)
Net book amount at 30 June 2005	<u>12</u>	<u>2</u>
Net book amount at 30 June 2004	<u>12</u>	<u>2</u>

10 FIXED ASSET INVESTMENTS

The group	Listed investments £'000	Other investments £'000	Total £'000
Cost			
At 1 July 2004	6,746	365	7,111
Additions	26,628	210	26,838
Disposals	(26,105)	(295)	(26,400)
At 30 June 2005	<u>7,269</u>	<u>280</u>	<u>7,549</u>
Provisions			
At 1 July 2004	260	70	330
Provided in the year	3	-	3
Written back in year	(124)	-	(124)
At 30 June 2005	<u>139</u>	<u>70</u>	<u>209</u>
Net book amount at 30 June 2005	<u>7,130</u>	<u>210</u>	<u>7,340</u>
Net book amount at 30 June 2004	<u>6,486</u>	<u>295</u>	<u>6,781</u>
		2005	2004
		£'000	£'000
Listed investments at market value		<u>7,130</u>	<u>6,486</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

The partnership	Investment in group undertakings £'000	Loans £'000	Listed investments £'000	Other investments £'000	Total £'000
Cost					
At 1 July 2004	843	142	293	70	1,348
Additions	-	38	8	-	46
Disposals	(40)	-	(20)	-	(60)
At 30 June 2005	<u>803</u>	<u>180</u>	<u>281</u>	<u>70</u>	<u>1,334</u>
Provisions					
At 1 July 2004	-	-	189	70	259
Provided in the year	-	-	3	-	3
Written back in year	-	-	(13)	-	(13)
At 30 June 2005	<u>-</u>	<u>-</u>	<u>179</u>	<u>70</u>	<u>249</u>
Net book amount at 30 June 2005	<u>803</u>	<u>180</u>	<u>102</u>	<u>-</u>	<u>1,085</u>
Net book amount at 30 June 2004	<u>843</u>	<u>142</u>	<u>104</u>	<u>-</u>	<u>1,089</u>
				2005	2004
				£'000	£'000
Listed investments at market value				<u>102</u>	<u>104</u>

At 30 June 2005 the group held an economic interest of 20% or more of the allotted share capital of the following companies:

Subsidiary undertaking	Country of incorporation	Class of share capital held	Proportion held by the partnership and the group	Nature of business
The Grant Thornton Centre for Families in Business Limited	England	Ordinary	100%	Provision of learning and educational services
G A Bruce Limited	England	Ordinary	100%	Property investment
Camm Services Limited	England	Ordinary	100%	Property investment
Grant Thornton Asset Management Limited	England	Ordinary	100%	Discretionary fund management
Fulwood Insurances Limited	Guernsey	Ordinary	100%	Insurance services

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

At the 30 June 2005, the group also held 100% of the ordinary share capital of, or interest in, the following companies and LLPs incorporated in England, which are either dormant or act as holding companies:

Barfreston Limited	GTI Limited
Cape & Dalglish Limited	GTPN1 Limited
Grant Thornton Limited	GTPN2 Limited
Grant Thornton Corporate Finance Limited	Grant Thornton Securities Nominees Limited
Grant Thornton Management Consultants Limited	Grant Thornton Nominees *
Grant Thornton Personal Financial Planning Limited	Grant Thornton Property Nominees *
GTN1 Limited	Grant Thornton Contracts LLP
GTN2 Limited	Grant Thornton Services LLP

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

11 DEBTORS

	The group		The partnership	
	2005	Restated 2004	2005	Restated 2004
	£'000	£'000	£'000	£'000
Trade debtors	58,933	53,760	58,898	53,675
Amounts owed by group undertaking	-	-	116	99
Amounts recoverable on contracts	30,417	25,786	30,417	25,786
Other debtors	1,036	1,281	1,025	1,234
Amounts due from members	3,211	3,501	3,211	3,501
Deferred tax asset	1	-	-	-
Prepayments and accrued income	10,159	6,226	8,758	6,158
	103,757	90,554	102,425	90,453

All the above are due within 12 months.

The comparative amount for amounts recoverable on contracts has been restated and increased by £13,808,000 arising from the reclassification of work-in-progress and certain creditor balances and profit adjustments following the publication of UITF 40.

12 CASH AT BANK AND IN HAND

	The group		The partnership	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Cash and immediately available bank balances	7,902	9,161	6,857	8,352
Short term deposits at bank	18,800	16,000	18,800	16,000
	26,702	25,161	25,657	24,352

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The partnership	
	2005 £'000	Restated 2004 £'000	2005 £'000	Restated 2004 £'000
Bank overdrafts	570	405	570	405
Bank loans	1,084	1,025	1,084	1,025
Excess payments received on account	9,338	9,432	9,336	9,432
Trade creditors	3,089	2,877	3,077	2,860
Amounts owed to group undertakings	-	-	12	28
Corporation tax	55	27	-	-
Social security and other taxes	7,383	6,723	7,350	6,690
Other creditors	1,455	1,210	1,429	1,191
Accruals and deferred income	18,505	16,897	17,317	16,736
Provisions for foreseeable losses	2,285	1,079	2,285	1,079
Amounts due to former members	1,026	725	1,026	725
Amounts due under finance leases and hire purchase contracts	614	790	614	790
	45,404	41,190	44,100	40,961

Within the above table, amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate. Bank loans and overdrafts are unsecured.

The comparative figures within creditors falling due within one year have been restated and reduced in total by £1,539,000 in respect of the following items. There has been an increase of £4,798,000 in those amounts relating to long term contract balances arising from reclassifications and profit adjustments following the publication of UITF 40. Claims provisions amounting to £2,292,000 and property provisions totalling £1,327,000, previously included within other creditors and accruals, have now been included in provisions for liabilities and charges. £2,718,000 previously shown as annuities payable to former members has also been transferred to provisions for liabilities and charges. Other creditors have now been disclosed separately from accruals.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group		The partnership	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank loans	7,868	7,729	7,868	7,729
Amounts due under finance leases and hire purchase contracts	12,094	12,526	12,094	12,526
	19,962	20,255	19,962	20,255

Within the above table, amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate as are bank loans totalling £6,300,000 (2004: £6,300,000).

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

15 BORROWINGS

Borrowings are repayable as follows:

	The group		The partnership	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Within one year				
Bank and other borrowings	1,084	1,025	1,084	1,025
Finance leases	614	790	614	790
After one and within two years				
Bank and other borrowings	693	529	693	529
Finance leases	377	631	377	631
After two and within five years				
Bank and other borrowings	7,175	7,200	7,175	7,200
Finance leases	245	410	245	410
After five years				
Bank and other borrowings	-	-	-	-
Finance leases	11,472	11,485	11,472	11,485
	<u>21,660</u>	<u>22,070</u>	<u>21,660</u>	<u>22,070</u>

Bank loans totalling £6,300,000 are secured by a charge over certain leasehold property and loans totalling £361,000 are secured on endowment policies taken out in the names of individual members. Loans totalling £2,291,000 are repayable in a mixture of monthly and quarterly instalments between 1 July 2005 and 30 June 2010, amounts totalling £361,000 are repayable in a single instalment in March 2006 and amounts totalling £6,300,000 are repayable in a single instalment in July 2007.

16 PROVISIONS FOR LIABILITIES AND CHARGES

The group	Deferred taxation £'000	Claim provisions £'000	Property provisions £'000	Former members' annuities £'000	Other provisions £'000	Total £'000
At 1 July 2004	1	5,176	1,327	27,900	57	34,461
Amortisation of discount	-	-	-	1,300	-	1,300
Settlement of obligations during year	-	(796)	-	(2,672)	-	(3,468)
Change in assumptions and experience gains/losses	-	-	-	1,700	-	1,700
Released to profit and loss account	-	(1,950)	(99)	-	(57)	(2,106)
Transferred to debtors	(1)	-	-	-	-	(1)
Provided during year in profit and loss account	-	1,442	-	-	-	1,442
Provided during year in STRGL	-	-	-	1,219	-	1,219
At 30 June 2005	<u>-</u>	<u>3,872</u>	<u>1,228</u>	<u>29,447</u>	<u>-</u>	<u>34,547</u>

GRANT THORNTON UK LLP

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For the year ended 30 June 2005

The partnership	Claim provisions £'000	Property provisions £'000	Former members' annuities £'000	Other provisions £'000	Total £'000
At 1 July 2004	2,292	1,327	27,900	57	31,576
Amortisation of discount	-	-	1,300	-	1,300
Settlement of obligation during year	(796)	-	(2,672)	-	(3,468)
Change in assumptions and experience gains/losses	-	-	1,700	-	1,700
Released to profit and loss account	(594)	(99)	-	(57)	(750)
Provided during year in profit and loss account	1,432	-	-	-	1,432
Provided during year in STRGL	-	-	1,219	-	1,219
At 30 June 2005	<u>2,334</u>	<u>1,228</u>	<u>29,447</u>	<u>-</u>	<u>33,009</u>

The balances brought forward for claim provisions, property provisions and former members' annuities have been restated, as more fully described at the foot of note 13.

The provision for claims is in respect of the estimated amounts for commercial settlements and professional indemnity claims.

Property provisions are in respect of dilapidations and surplus properties.

The former members' annuity provision has been actuarially calculated using a discount rate based on Government bonds and estimates of the expected payment period covered by the annuities.

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

	2005 £'000	2004 £'000
In less than one year	2,705	2,709
Between two and five years	9,592	9,132
Between six and ten years	9,109	8,504
Between eleven and twenty-five years	7,933	7,449
In more than twenty-five years	108	106
	<u>29,447</u>	<u>27,900</u>

Other provisions represent the remaining balance from the proceeds of a claim settlement with former advisers in respect of future losses arising from excess annuity payments on joint and survivor annuities payable to members who retired between 1976 and 1982. The settlement has previously been amortised in equal instalments of £50,000 per annum and the final release has been made in the year ending 30 June 2005.

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

17 MEMBERS' INTERESTS

The group

	Members' capital £'000	Revaluation reserves £'000	Other reserves £'000	Total £'000	Loans and other debts due to/(from) members £'000	Total £'000
At 1 July 2004 - as previously stated	20,610	500	18,624	39,734	3,845	43,579
Prior year adjustment (note 1)	-	-	2,722	2,722	-	2,722
Members interests as restated	20,610	500	21,346	42,456	3,845	46,301
Profit for the financial year	-	-	54,936	54,936	-	54,936
Members' interests after profit for year	20,610	500	76,282	97,392	3,845	101,237
Allocated profits	-	-	(49,463)	(49,463)	49,463	-
Introduced by members	6,336	-	-	6,336	885	7,221
Drawings (including tax payments and motor expenses)	-	-	-	-	(46,022)	(46,022)
Repayment of capital	(1,446)	-	-	(1,446)	(56)	(1,502)
Repayment of other balances	-	-	-	-	(1,239)	(1,239)
Retirement benefits due to former members	-	-	(1,219)	(1,219)	-	(1,219)
Tax adjustments on payment of retirement benefits to former members	-	-	586	586	-	586
At 30 June 2005	25,500	500	26,186	52,186	6,876	59,062

The partnership

	Members' capital £'000	Other reserves £'000	Total £'000	Loans and other debts due to/(from) members £'000	Total £'000
At 1 July 2004 - as previously stated	20,610	15,122	35,732	3,845	39,577
Prior year adjustment (note 1)	-	2,722	2,722	-	2,722
Members interests as restated	20,610	17,844	38,454	3,845	42,299
Profit for the financial year	-	52,582	52,582	-	52,582
Partners' interests after profit for year	20,610	70,426	91,036	3,845	94,881
Allocated profits	-	(49,463)	(49,463)	49,463	-
Introduced by members	6,336	-	6,336	885	7,221
Drawings (including tax payments and motor expenses)	-	-	-	(46,022)	(46,022)
Repayment of capital	(1,446)	-	(1,446)	(56)	(1,502)
Repayment of other balances	-	-	-	(1,239)	(1,239)
Retirement benefits due to former members	-	(1,219)	(1,219)	-	(1,219)
Tax adjustments on payment of retirement benefits to former members	-	586	586	-	586
At 30 June 2005	25,500	20,330	45,830	6,876	52,706

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For the year ended 30 June 2005

Allocated profits for the group and the partnership comprise:

	£'000
Profits for the year ended 30 June 2004, allocated in the year ended 30 June 2005	45,277
Fixed shares for the year ended 30 June 2005	1,599
Interest on members' balances for the year ended 30 June 2005	3,716
Members' motor expenses for the year ended 30 June 2005	(1,129)
	<u>49,463</u>

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

	The group		The partnership	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts due from members included in debtors	(3,211)	(3,501)	(3,211)	(3,501)
Loans and other debts due to members	10,087	7,346	10,087	7,346
	<u>6,876</u>	<u>3,845</u>	<u>6,876</u>	<u>3,845</u>

Within loans and other debts due to members, £9,437,000 is payable within 12 months (2004: £7,346,000), £275,000 is repayable on 14 January 2007 (2004: nil) and £375,000 is repayable on 14 January 2008 (2004: nil).

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

18 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005	Restated
	£'000	2004
	£'000	£'000
Operating profit	56,947	51,311
Depreciation and amortisation	3,483	3,577
Increase in debtors	(13,627)	(4,698)
Increase in creditors	3,862	340
Decrease in provisions against investments	(121)	-
Adjustments in provisions for liabilities and charges	240	1,278
Net cash inflow from operating activities	<u>50,784</u>	<u>51,808</u>

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For the year ended 30 June 2005

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £'000	2004 £'000
(Decrease)/increase in cash in the year	(1,424)	10,090
Cash (outflow)/inflow from financing	(198)	328
Cash outflow from finance leases	1,188	1,327
Cash outflow/(inflow) from movement in liquid resources	2,800	(1,300)
Change in net debt resulting from cash flows	2,366	10,445
Non-cash items	(580)	(674)
Movement in net debt in the year	1,786	9,771
Net funds/(debt) at 1 July 2004	2,686	(7,085)
Net funds at 30 June 2005	4,472	2,686

19 ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2004 £'000	Cash flow £'000	Non-cash items £'000	At 30 June 2005 £'000
Cash in hand and at bank	9,161	(1,259)	-	7,902
Overdraft	(405)	(165)	-	(570)
	8,756	(1,424)	-	7,332
Liquid resources	16,000	2,800	-	18,800
Debt	(8,754)	(198)	-	(8,952)
Finance leases	(13,316)	1,188	(580)	(12,708)
	2,686	2,366	(580)	4,472

Non-cash items represent the capital component of new finance leases and hire purchase contracts.

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

20 DISPOSALS

During the year, the partnership disposed of its interest in MSP Secretaries Limited. Group profits include £7,200 earned by MSP Secretaries Limited up to its date of disposal on 3 March 2005.

	2005 £'000
Net assets disposed of:	
Tangible fixed assets	9
Debtors	135
Cash at bank and in hand	45
Creditors	(25)
Minority shareholder's interests	(82)
	<hr/>
	82
Loss on disposal	(32)
	<hr/>
	50
	<hr/>
Satisfied by:	
Cash	50
	<hr/>
	50
	<hr/>

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

	2005 £'000
Cash at bank and in hand disposed of	(45)
	<hr/>
	(45)
Cash consideration	50
	<hr/>
	5
	<hr/>

21 CAPITAL COMMITMENTS

	The group		The partnership	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Contracted for but not provided in these financial statements	1,440	328	1,440	328
	<hr/>	<hr/>	<hr/>	<hr/>

22 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2005 (2004: none).

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

23 RETIREMENT BENEFITS

Defined Contribution Pension Scheme

The group operates a defined contribution pension scheme for the benefit of certain employees of Grant Thornton UK LLP and certain subsidiary entities. The assets of the scheme are administered in a fund independent from those of the group.

Employer contributions to the scheme by the partnership in the year ended 30 June 2005 amounted to £773,475 (2004: £639,000)

Defined Benefit Pension Scheme

The group operates a defined benefit pension scheme for the benefit of certain employees of Grant Thornton UK LLP and certain subsidiary entities. The assets of the scheme are administered by trustees in a fund independent from the assets of the group.

The actuarial valuation carried out as at 30 June 2002 indicated that, at that date, the value of the accumulated assets of the fund (£129.4m excluding AVCs) was 87% of the amount needed to cover the cost of the benefits earned to 30 June 2002 on the assumption that the fund continued. To make good the deficit over the members' expected average future working lifetime, a funding rate of 4.9% was required. The long term rate of employer contributions to cover the accrual of future service benefits was 9.3%. In aggregate the rates amount to 14.2% and the firm has contributed to the scheme at a rate of 15% per annum since 1 July 2002. An actuarial valuation as at 30 June 2005 is in the process of being carried out but had not been finalised by the date of approval of these accounts.

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pensions Costs', under Financial Reporting Standard 17 'Retirement Benefits' (FRS17) the following transitional disclosures are required in respect of the Grant Thornton Pensions Fund.

A full valuation of the membership data as at 30 June 2005 has been carried out by the actuary on a FRS17 basis at 30 June 2005 and information in this respect is set out below.

The major assumptions used for the purpose of the FRS17 valuation at 30 June 2005 were:

	2005	2004	2003
	%	%	%
Rate of general increase in salaries	4.60	4.80	4.50
Rate of revaluation of accrued and deferred pensions	2.60	2.80	2.50
Rate of increase in pensions in payment	2.60	2.80	2.50
Discount rate	5.10	5.80	5.25
Inflation assumptions	2.60	2.80	2.50

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

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

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

	Long term rate of return expected			Value		
	2005 %	2004 %	2003 %	2005 £'000	2004 £'000	2003 £'000
Equities	8.0	8.6	8.7	104,500	88,700	77,900
Bonds	4.7	5.1	4.5	38,700	18,000	16,500
Property	6.1	6.8	6.6	15,900	12,000	-
Cash	3.6	4.0	4.0	1,500	19,200	27,000
Total market value of assets				<u>160,600</u>	137,900	121,400
Present value of scheme liabilities				<u>(218,000)</u>	(189,500)	(185,900)
Net pension liability				<u>(57,400)</u>	<u>(51,600)</u>	<u>(64,500)</u>

An analysis of the movement in the deficit is set out below:

	2005 £'000	2004 £'000
Deficit in the scheme at the beginning of the year	(51,600)	(64,500)
Movement during the year:		
Current service cost	(2,000)	(4,200)
Contributions	5,100	5,000
Other finance costs	(600)	(1,000)
Actuarial (loss)/profit	<u>(8,300)</u>	<u>13,100</u>
Deficit in the scheme at the end of the year	<u>(57,400)</u>	<u>(51,600)</u>

Under FRS 17 the amount of the net pension liability would have a consequential effect on net assets and other reserves.

The projected unit method has been used to determine the present value of the scheme's liabilities. As the scheme is closed to new entrants, under the projected unit method the annual service cost will increase as a percentage of pensionable pay as the members of the scheme approach retirement, assuming no change in actuarial assumptions.

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

The profit and loss account for the year ended 30 June 2005 includes a charge for contributions paid of £5,100,000. If FRS 17 had been fully in force for this accounting period the charge would have been £2,600,000 comprised as set out below:

	2005	2005	2004	2004
	£'000	£'000	£'000	£'000
Current service cost		2,000		4,200
Expected return on scheme assets	(10,300)		(8,700)	
Interest cost on scheme liabilities	10,900		9,700	
Net other financial costs		600		1,000
Total profit and loss account charge under FRS 17 if fully in force		2,600		5,200
Total profit and loss account charge in the accounts on the basis of contributions paid		5,100		5,000
(Reduction)/increase in profit and loss account charge which would have arisen if the full requirements of FRS 17 had been in force		(2,500)		200

Similarly, if FRS 17 had been fully in force for this accounting period, certain items would have fallen to be included within the statement of total recognised gains and losses as follows:

	2005	2004	2003	2002
Difference between expected and actual return on assets:				
- Amounts (£'000)	10,500	4,400	(22,600)	28,000
- As a percentage of the scheme assets at the balance sheet date	6.54%	3.19%	18.62%	21.64%
Experience gains & losses arising on the scheme liabilities:				
- Amounts (£'000)	5,400	(1,700)	(1,700)	3,200
- As a percentage of the present value of the scheme liabilities at the balance sheet date:	2.48%	0.90%	0.91%	1.76%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:				
- Amounts (£'000)	(24,200)	10,400	(9,500)	20,300
- As a percentage of the present value of the scheme liabilities at the balance sheet date	11.10%	5.49%	5.11%	11.16%
Total actuarial profit/(loss):				
- Amounts (£'000)	(8,300)	13,100	(33,800)	51,500
- As a percentage of the present value of the scheme liabilities at the balance sheet date	3.81%	6.91%	18.18%	28.36%

GRANT THORNTON UK LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

24 LEASING COMMITMENTS

Operating lease payments amounting to £8,020,000 (30 June 2004: £8,559,000) are due within one year. The leases to which these amounts relate expire as follows:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	387	257	69	388
Between one and five years	1,457	2,186	2,070	2,583
In five years or more	3,733	-	3,449	-
	<u>5,577</u>	<u>2,443</u>	<u>5,588</u>	<u>2,971</u>

25 POST BALANCE SHEET EVENTS

Details of significant events which have occurred since the balance sheet date are as follows.

The entire share capital of Grant Thornton Asset Management Limited was disposed of on 31 October 2005. The consideration will partly be determined by reference to events post completion, but is expected to amount to approximately £2.5m.

26 TRANSACTIONS WITH RELATED PARTIES

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

Loans from twelve (2004: eleven) members' spouses totalled £1,100,000 (2004: £865,000) at the balance sheet date. Interest payable on these loans is charged at commercial rates of 1.5% over base rate and amounted to £60,875 (2004: £67,910) for the year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

GRANT THORNTON UK LLP

We have audited the financial statements of Grant Thornton UK LLP for the period ended 30 June 2005 which comprise the consolidated profit and loss account, the consolidated balance sheet, the balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the limited liability partnership, as a body, in accordance with Section 235 of the Companies Act 1985, as modified by the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the members of the limited liability partnership 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 members of the limited liability partnership as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as modified by the Limited Liability Partnership Regulations 2001. We also report to you if, in our opinion, the partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the partnership's and the group's affairs as at 30 June 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as modified by the Limited Liability Partnership Regulations 2001.

PKF (UK) LLP
REGISTERED AUDITORS
LONDON, UK
24 November 2005