

**Grant Thornton UK LLP**

Annual Review and Financial Statements

For the year ended 30 June 2010

**Registered no. OC307742**

# Contents

<b>CEO's review of the year</b>	2
<b>Business and financial review</b>	3
<b>Members' report</b>	9
<b>Principal accounting policies</b>	11
<b>Consolidated profit and loss account</b>	16
<b>Consolidated statement of total recognised gains and losses</b>	17
<b>Consolidated balance sheet</b>	18
<b>Partnership balance sheet</b>	19
<b>Consolidated cash flow statement</b>	20
<b>Notes to the financial statements</b>	21
<b>Independent auditors' report</b>	44

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.

## CEO's review of the year

In last year's review I noted that the 2008/09 financial year was one of transition. I had been appointed half way through the year on 1 January 2009 and the new management team had come into office at a time when the banking crisis and economic recession were having a marked effect on the UK's business environment. In last year's review I set out also our response to this environment which, in summary, had been to drive out cost, improve efficiency and restructure the partner team in addition to a very modest redundancy programme. Notwithstanding those measures we also continued to invest strategically for our future.

I am pleased to report that the benefit of the actions we took in 2008/09, has been seen in 2009/10. For the year to June 2010 our profits improved, in absolute terms, by £22.2m (40.2% increase) which resulted in allocated average partner earnings of £337,000 (which includes a one-off capital gain of £16,000). In addition to the positive impact of the cost reduction programme, our turnover for last year improved by £1.5m (an increase of 0.4%). This was a good performance in the context of both the wider economy and what was happening elsewhere in our profession. However, underlying this overall increase were a range of differing outcomes. Our Assurance and Taxation and financial planning practices contracted by 1.9% and 4.8% respectively whilst our Advisory business revenues (including Recovery and reorganisation) increased by 9.5%. Our financial performance demonstrates the resilience of our business and confirms the confidence that I expressed in last year's review that we would quickly see the benefit of our recent actions and our continued investment.

During the last twelve months, we have recruited 230 new trainees which is a record number for the firm. We have appointed seven new partners and eight new directors and have investment plans across many parts of the business, notably in Corporate Finance and Tax, which we are expecting to grow as the economic outlook begins to improve and corporate activity picks up.

The firm's reputation in the profession continues to grow. Last year we won many prestigious awards including The FD's Excellence Awards 2010 Auditor of the year, Large six, the Annual Audit Commission 2010 Read and Cooksey awards for public sector auditing and we were the highest placed accounting firm in the Rate My Placement Awards 2010 Best Placement & Internship Employer.

The firm has maintained its leading positions in the large privately held business market, on the AIM and the public sector audit market, and it remains a top flight provider of Advisory services to all sectors of the economy including the FTSE 350.

Two years ago, the new management team set out a clear strategy for the three years to 2012. I am pleased to say that at the half way stage we have made significant progress across all areas of our strategy and this progress is clearly demonstrated in our results.

I am a passionate believer in the phrase that the firm's strategy is "held in the hands of the many and not of the few". There is clear evidence that the efforts which we have put into embedding our strategy at all levels within our firm have been rewarded. The progress that we have made is a reflection of the quality of our people and their clear focus on providing a distinctive client experience.

I would like to thank everybody in the firm for their effort and their loyalty. Our improved profitability has enabled us to set aside a bonus pool that is approximately three times the pool for the previous year and this has been used to reward our high performing staff.

Looking to the future I believe that 2010/11 will remain a difficult trading environment with a low degree of predictability. We are determined to maintain a firm control of costs whilst investing in those areas where the firm's brand enables it to compete as a leader. By doing this we will lock in the gains of the last 12 months and put ourselves in a position to prosper and grow despite the challenging economic environment.



Scott Barnes  
Chief Executive Officer

# Business and financial review

## Objectives, strategy and business model

The firm's strategy and roadmap for the next few years continues to revolve around the following four key areas:

- providing distinctive client service and striving to improve our client satisfaction scores
- becoming a magnet for talented people
- having a clear strategy in our four key markets of (i) individuals and SMEs (ii) large private/smaller listed companies (iii) larger listed companies (FTSE 350) and (iv) public sector/not for profit organisations
- having a relentless focus on improving our operations to ensure that we are able to continue to invest for the future, for the benefit of our clients and our people.

A balanced scorecard approach, reflecting the four areas above, has been cascaded throughout the firm, supported by a 'one firm' mind-set and the embedding of the firm's values which underpin our culture and how we do business. These values are more fully described in the firm's 2010 Transparency Report which can be found on the firm's website at:

[http://www.grant-thornton.co.uk/about\\_us/transparency\\_report\\_2010.aspx](http://www.grant-thornton.co.uk/about_us/transparency_report_2010.aspx)

A further fundamental component of the firm's business model is the active participation in a strong international network which it achieves through its membership of Grant Thornton International. This is considered to be a key differentiator for the firm. The current economic decline also highlights the merits of having a diverse service line offering through which market led peaks of activity in one area can help to shelter dips in another. As one might expect, our Recovery and Reorganisation practice has performed particularly well during the recent economic downturn.

## Our credentials in the market place

We continue to seek to develop the firm's brand in our chosen markets and have, once again, received recognition from the business community in a variety of service lines. Perhaps most telling though is that 94.32% of our clients would recommend us to others and we are working hard to further improve on this.

We audit 271 companies listed in the UK and are the largest auditor on the Alternative Investment Market. We are the third largest auditor of the UK's top 2,500 privately held companies and we provide non-audit services to one in six of the companies in the FTSE 100.

Some of the awards we have received over the last year are:

- Accountancy Firm of the Year at the 2010 M&A Awards
- for the second year running, Accountant of the Year Award at the 2010 Growth Company Awards
- Auditor of the Year (large six) Award at the FDs' Excellence Awards, supported by the ICAEW 2010
- Times Top 100 Graduate Recruiters

We continue to develop our expertise in a wide range of industry sectors but with particular focus on the health, property and construction, media, technology, not for profit, financial services and retail sectors in which we can demonstrate a real depth of industry knowledge.

## Corporate governance, risks and uncertainties

Our 2010 Transparency Report sets out in detail how the firm is governed and managed and the key internal controls in place.

## Business and financial review (continued)

### Corporate governance, risks and uncertainties (continued)

In outline, the management of the firm is the responsibility of the CEO, who is elected by the members, and his/her chosen National Leadership Board (NLB). Robust independent oversight on behalf of the members is provided by the firm's Partnership Oversight Board (POB) which, in line with the recommendations of the Audit Firm Governance Code, has appointed three independent non-executives with effect from 1 October 2010.

The NLB has overall responsibility for the management of risk and the establishment of appropriate systems of internal control. Principal risks faced by the business arise from, or relate to:

- client acceptance and continuance of high risk clients or assignments
- compliance with legislation and regulation
- professional negligence claims or the inability to secure adequate professional indemnity cover
- material breach of ethical requirements, including independence, giving rise to an adverse view of the firm by one of its key regulators
- significant events that disrupt business operations, including major information systems failure.

The main methods and systems by which we manage risk include:

- a dedicated Business Risk and Quality Assurance team
- a Risk Assurance Committee
- mandatory quality management systems
- an annual assessment of risks by the senior management of each business area
- ongoing consideration by the NLB of any new and emerging risks and a formal annual review
- an internal audit of each business area at least every three years.

The control systems and training the firm puts in place seek to minimise the incidence of claims made against it for professional negligence. Unfortunately, litigation cannot always be avoided and the firm protects itself with suitable levels of professional indemnity insurance underwritten by either its own captive insurers or external insurers.

The main uncertainty confronting the business is common to many at the moment and concerns the economy. Opinions vary on whether the Government's spending reviews will trigger a 'double dip' recession and when recovery might begin. Business confidence and the availability of finance are integral to the levels of market activity for a number of the services we offer. Our results for the year ended 30 June 2010 demonstrate we can respond effectively to recessionary pressures and an area of focus for us now is to make sure we are equally well prepared to respond to the opportunities that will present themselves once the economy picks up.

### Overall financial performance

As detailed more fully in the CEO's review of the year, the actions taken in 2008/09 have benefited the results for the 2009/10 financial year.

While turnover has only increased by £1.5m (0.4%) compared to 2008/09, against the economic back-drop of the last two years or so, this is considered to be a good result. Critically, the right-sizing of our resource levels (including partners) has improved our gross margin percentage by 3.5% points, thereby increasing gross profits by £14.0m to £209.2m and this has been coupled with savings in other operating costs.

## Business and financial review (continued)

### Overall financial performance (continued)

Headcount (excluding members) decreased by 5.1% and staff employment costs also decreased by 5.1% to £177.7m, despite a significant increase in discretionary bonuses.

Perhaps not surprisingly, the Recovery and Reorganisation practice grew its top line (by £19.9m), aided by significant billings from the portfolio of Individual Voluntary Arrangements acquired from Accuma PLC at the end of the 2008/09 financial year. All other business segments, including Corporate Finance, saw revenues fall but it was pleasing to note that the rate of contraction in Corporate Finance was far less marked than in the previous year, giving some indication that transactional activity levels have largely stabilised.

Other operating income in the year includes a £3.6m one-off capital receipt arising from the surrender of lease options on one of the firm's properties. Taken together with the movements referred to above, operating profits for the year were £83.6m compared to £58.6m for 2008/9, an increase of 42.7%.

The profit on sale of fixed assets in 2008/09 related to the disposal of the freehold property in Leicester.

After net interest costs, which increased by £2.0m despite lower bank borrowing levels because of a £2.4m adverse year on year movement in the net interest on pension scheme assets/liabilities, the profit for the year increased by 40.2% to £77.6m.

The much improved financial performance, together with the reduction in partner headcount, has seen the average amount of profit allocated to each member increase by £136,000 to £337,000. An analysis of the firm's balance sheet and liquidity position follows later in this review. Taking into account the firm's cash position, its cash flow forecasts and the current and future anticipated trading results, the members believe it is appropriate to prepare the financial statements on a going concern basis.

### Future developments

We will continue to focus on the three year strategy to 2012 targeting, amongst other things, a doubling of partner profits.

The improvement in the firm's results has created a platform from which we can consider strategic investments. As a major supplier to the Audit Commission, the government's recent announcement of its future disbanding may have at first seemed a threat, but our credentials in that market leave us well placed to capitalise on gaining further work in that area.

### Accounting policy changes

There were no accounting policy changes in 2009/10.

### Management judgments and estimates

Material elements of the financial statements which are highly dependent upon management judgments and estimates are those in the areas of the firm's defined benefit pension scheme, retirement annuities to partners following retirement, provisions in respect of professional negligence claims and recognition of revenue in relation to unbilled time balances.

## Business and financial review (continued)

### Management judgments and estimates (continued)

#### Defined benefit pension scheme

The group operates two defined benefit pension schemes - The Grant Thornton Pensions Fund and the much smaller Robson Rhodes Retirement Benefit Scheme. Both schemes are closed to new members. The assumptions used to value the schemes are adopted by the firm following discussion with the schemes' actuarial advisers. Key assumptions include those in relation to the discount rate to be applied to liabilities as well as those in relation to mortality. The assumptions in respect of discount rate are consistent with the requirements of FRS17, which requires the use of an applicable yield on AA Corporate Bonds to be applied. We have continued to use the same underlying mortality assumptions as last year, specifically the 92 series tables, except that this year's assumptions reflect 'medium cohort' mortality improvement projections up to 2010 whereas these improvements were only projected up to 2009 last year. Given the ongoing inherent unpredictability of anticipating future improvements in mortality, no allowance for improvements beyond 2010 has been built in to the estimate of future liabilities reflected in the accounts. If instead 'medium cohort' projections were applied beyond 2010, we estimate that the liabilities would increase by circa £12m.

Because increases in life expectancy are considered to vary depending on a person's age and will also depend on how far into the future the change is being measured, it is difficult to derive the financial impact on pension scheme liabilities of a one year change in assumed life expectancy across all age groups. The tables below, however, provide an appreciation of the impact on life expectancy of allowing for longevity improvements beyond 2010 adopting medium cohort assumptions.

Current assumption: no allowance for improvements post 2010

	Life expectancy (years)	
	Male	Female
Currently aged 65	21.0	22.9
Aged 65 in 20 years' time	21.0	22.9

Alternative assumption: allowance for 'medium cohort' improvements post 2010

	Life expectancy (years)	
	Male	Female
Currently aged 65	22.1	24.1
Aged 65 in 20 years' time	23.1	25.1

#### Retirement annuities to partners

The firm also obtains actuarial advice for the purpose of evaluating its annuity obligations to certain current and former members and certain partners in the predecessor partnership. Key areas of estimate include the discount rate, where the SORP provides direction on rates to be applied, and mortality, where the firm has used assumptions consistent with those adopted for its defined benefit pension scheme. Approximate calculations suggest that incorporating future 'medium cohort' improvements would increase the annuity liabilities by about £1.4m.

## Business and financial review (continued)

### Management judgments and estimates (continued)

#### Professional negligence claims provisions

The firm insures itself against professional negligence claims through policies underwritten by its captive insurance subsidiaries and by the external insurance market. All claims are subject to a policy excess (also referred to as a self-insured deductible amount) which is borne by Grant Thornton UK LLP. The next tier of cover for a particular undertaking year is typically borne by the captive insurance subsidiaries, with claims beyond that falling into the cover provided by the external market. All reasonable steps are taken to ensure that the group has appropriate information regarding its claim exposures so that provisions are made on a best estimate basis. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different, albeit not materially so, from the original liability provided for.

#### Revenue recognition

Revenue is recognised by reference to the stage of completion of the contract concerned and the degree of uncertainty inherent in that stage of completion as well as the nature of the assignment. The stage of completion and estimated recoverable value of unbilled time balances are reviewed individually by partners and managers responsible for the assignment. We reflect the inherent uncertainty arising from the stage of completion by discounting the estimated profits attributable to the stage of completion of an assignment. The level of discounting decreases as a contract progresses and its ultimate profitability becomes more predictable. There is then a separate review of material assignments to ensure that the firm's accounts reflect a prudent, but balanced, approach while complying with relevant accounting standards.

### Balance sheet analysis

Net assets attributable to members in the group balance sheet increased by £15.0m giving rise to lower net liabilities at the year end of £7.5m. Total members' interests improved by £12.4m to a deficit of £17.7m. The largest single contributor has been the increase in profits of £22.2m, which are only partly paid out by way of drawings during the year. Other significant factors in the movement in net assets have been the reduction in members' capital balances of £3.9m, the increase in the pension scheme liability of £3.4m and an increase in provisions for liabilities of £2.1m.

Within the totals, fixed assets have decreased by £6.8m from last year. The carrying value of goodwill is being amortised at a rate of £2.4m per annum and capital expenditure during the year on property improvements, furniture and equipment has been exceeded by depreciation charges, giving rise to a book value decrease of £4.0m. The value of fixed asset investments, principally within our captive insurance subsidiary, decreased by £0.5m.

At £96.8m, net current assets were £16.8m higher than at the previous year end with most of the difference explained by a decrease in various creditor balances, including a £5.5m decrease in amounts due to former partners following the paying down of retired partner balances.

Claims provisions and property provisions in aggregate remained broadly constant, while the provision for former members' annuities went up by £2.2m due principally to actuarial losses.

## Business and financial review (continued)

### Balance sheet analysis (continued)

As noted earlier, the firm's defined benefit pension scheme obligations have increased from £75.2m to £78.5m, due mainly to net actuarial losses in the year of £5.0m. Underpinning these net actuarial losses were significant losses arising from changes in the actuarial assumptions underlying the valuation of the scheme liabilities, largely off-set by material gains on the expected return on assets and on experience items arising on scheme liabilities. These movements serve to demonstrate the volatile nature of pension scheme valuations, particularly in the current economic environment.

### Capital, treasury, liquidity

The firm's liquidity risk is managed through periodically undertaking reviews of its short, medium and long term funding requirements as well as continuously monitoring its working capital usage.

Central management exercise control over external treasury using conventional techniques to minimise the firm's total cost of third party borrowing and, where possible, to maximise the return achieved on invested surplus funds, having regard to risk and the need for ready availability to such funds.

A significant part of the firm's funding is from members' capital, which is only repayable following retirement except under very exceptional circumstances. Members' capital requirements are determined from time to time by the CEO and the amount of capital required to be contributed increases depending on the amount of fixed profit share or number of profit sharing units a member has. As has been previously noted, there were a number of partner retirements during the year and arrangements were put in place to spread the repayment of capital balances so as not to cause an immediate large outflow of funds.

Members also contribute to the firm's funding via medium terms loans and undrawn profits. Whilst the value of loans is typically modest, the funding levels provided by way of undrawn profits is significant. Funding from undrawn profits is provided through the combined mechanisms of the timing of taxation payments (which are used to limit partner drawings and where payments are administered by the firm), a prudent drawings policy and post year end allocation of profits.

The borrowing facilities put in place as part of the Robson Rhodes merger on 2 July 2007 are for a five year period to July 2012 and are made up of a combination of term loans and revolving credit facilities. These will be utilised in line with mainly predictable cycles of drawing demand and working capital need. Net debt before loans and other debts due to members decreased from £41.0m at 30 June 2009 to £21.4m at 30 June 2010. The decrease is broadly in accordance with our cash flow projections and remains well within the facilities at the firm's disposal.

Following the conclusion of the actuarial valuation of the Grant Thornton defined benefit scheme as at 30 June 2008, a new schedule of contributions was agreed with the trustees whereby contributions are now expressed as a sum of money rather than a percentage of pensionable salaries. Annual contributions (ignoring those arising under salary sacrifice arrangements) started at £5.6m for the year ended 30 June 2010, and these will increase gradually to £8.3m for the year ending 30 June 2018. Total contributions (including those made under salary sacrifice arrangements) for the year ending 30 June 2011 are expected to be £7.2m which compares with the £6.9m paid in the year to 30 June 2010. The settlement of obligations in respect of annuities to former partners amounted to £3.3m in the year to 30 June 2010 and is expected to increase slightly in the 2010/11 year. Taken together, the projected 2010/2011 settlements for these two significant obligations amounts to approximately £10.7m including the salary sacrifice elements, or 2.8% of the firm's turnover (last year £9.8m or 2.6%). Subject to changes in demographic and financial assumptions and experience in respect of the pension scheme assets, there is no reason why this level of cash commitment to these obligations will vary materially in the medium term.

## Members' report

The members present their report together with the financial statements for the year ended 30 June 2010.

### Principal activity

Grant Thornton UK LLP (the "partnership") and its subsidiary entities (together the "group") are principally engaged in the provision of accounting, business assurance, insolvency and restructuring, transaction advisory and tax services in the UK.

### Designated members

The designated members during the year ended 30 June 2010 and those who have been appointed subsequently are as follows:

S Barnes	- CEO
D A S Maxwell	- National Leadership Board Member
J D Mew	- National Leadership Board Member
S C Morris	- National Leadership Board Member
S V Romanovitch	- National Leadership Board Member
I V Smart	- National Leadership Board Member (appointed 1 July 2009)
S Maslin	- Chairman of the Partnership Oversight Board
T A J Back	
D L Barnes	
J Bowler	
D I H Campbell	(appointed 1 July 2009 and resigned 31 March 2010)
J G Davies	(appointed 1 July 2009)
P Flatley	(appointed 1 July 2009)
C S Hartnell	
T J W Lincoln	
N Morrison	(resigned 1 July 2010)
M A Merali	(appointed 26 July 2010)
R N Proctor	(resigned 1 July 2010)
N Ruddock	(resigned 30 September 2009)
N S Wood	(appointed 1 July 2009)

### 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. Drawings are restricted to prudent levels, taking into account working capital performance, 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 CEO having regard to the short, medium and long term needs of the partnership. The amount of capital required to be contributed increases depending on the amount of fixed profit share or number of profit sharing units a member has. Members may opt to contribute up to the highest required level. Whilst the Membership Agreement provides power to the CEO to repay a member's capital before retirement, such discretion is only exercised in exceptional cases.

## Members' report (continued)

### Statement of members' responsibilities in respect of the financial statements

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnerships Act 2000 require 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required to give a true and fair view of the state of affairs of the limited liability partnership and the group and of the profit or loss of the group for that period. In preparing these financial statements the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 disclose with reasonable accuracy at any time the financial position of the limited liability partnership and the group and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the partnership's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements, and other information included in annual reports, may differ from legislation in other jurisdictions.

### Auditors

PKF (UK) LLP will be proposed for reappointment.

On behalf of the members



S Maslin  
Chairman of the Partnership Oversight Board

8 November 2010

## Principal accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards including the revised Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in March 2010 (United Kingdom Generally Accepted Accounting Practice), 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 and these have remained unchanged from the previous year. However, the comparative year's profit and loss account has been restated to gross up certain income and costs which were previously netted off. There is no change to the total profits recognised and further details are given in note 3.

### 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.

The financial statements of all group entities are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method. At the date of acquisition, which is the date on which the group obtains control of the business acquired, the identifiable assets and liabilities of the entity acquired are included in the balance sheet at their fair value. Where the fair value of the consideration paid exceeds the fair value of the net assets acquired, this excess is recorded as goodwill. The results of entities acquired or disposed of are included in the group profit and loss account from or up to the date that control passes respectively.

### Turnover

Group turnover is the total amount estimated to be receivable for services rendered and disbursements charged to clients during the year, excluding VAT. Client disbursements incurred are deducted from turnover in arriving at net fees in the profit and loss account.

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. Stage of completion is measured by comparing actual contract costs to date with estimated total contract costs unless, exceptionally, there are known inequalities of profitability in the various stages of the contract. 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.

### 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 and the relative uncertainty of predicting ultimate profitability. The approach has been to reflect this relative uncertainty by discounting the estimated profits attributable to the stage of completion of a contract. The level of discounting decreases as a contract progresses and its ultimate profitability becomes more predictable.

### Long term contracts (continued)

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.

### 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 of ten years. This period is the period over which the members estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets.

### 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 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	5-8 years
Office equipment	3-5 years
Motor cars	4 years

### Impairment of goodwill and tangible fixed assets

A review for impairment of goodwill or tangible fixed assets is conducted if events or changes in circumstances indicate that the carrying amount may not be recoverable.

### 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.

The cost of incentives received in connection with property leases are allocated over the lease term, or the period to the next rent review, if shorter.

Where a decision has been made by the end of the financial year to vacate some or all of a leased property, provision is made in that financial year for the estimated future costs arising from the lease, net of any anticipated income from sub-letting. Dilapidation costs in connection with leased properties which the firm expects to continue to occupy are provided for on a straight line basis over the three years to the end of the lease, or to the next lease break date if this is earlier and likely to be actioned.

### **Fixed asset investments**

Investments are included at cost less amounts written off, save for those held by Fulwood Insurances Limited, the group's principal captive insurance company, which are included using mid market prices at the balance sheet date. The nature of Fulwood's business is such that a portfolio of investments is held for the long term even though the individual investments making up the portfolio may be regularly changed in response to market risks and opportunities.

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. Revaluations below historical cost are taken to the profit and loss account where they are considered to be permanent.

### **Professional negligence claim provisions**

Within the captive insurance subsidiaries, provision is made at the best estimate for claims notified in relation to each complete underwriting year. In respect of open underwriting years, provision is made for potential claims up to the level of premium income recognised.

Within the partnership, provision is made for the best estimate of claims notified to the captive insurance subsidiaries up to the limit of the self-insured deductible amount.

All reasonable steps are taken to ensure that the group has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability reserved.

### **Divisible profits and partners' and members' remuneration**

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 certain subsidiary undertakings, the provision for annuities to current and former members, pension scheme charges, the spreading of acquisition integration costs 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.

Remuneration that is paid to salaried partners (who are not members) under an employment contract is expensed to the profit and loss account in arriving at profit before members' remuneration and profit shares.

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 in arriving at profit before members' remuneration and profit shares. For profit sharing purposes, such members' motor expenses are automatically charged to each member on the basis of specific costs incurred. Members' fixed shares of profits (excluding discretionary fixed share bonuses) and interest earned on members' balances are also automatically allocated and, together with members' motor expenses, are treated as members' remuneration charged as an expense to the profit and loss account in arriving at profit available for discretionary division among members.

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 and included within equity reserves.

## Members' interests

Members' capital is repayable and is therefore classified as a liability. Other than in exceptional cases, it is not repaid until after retirement. Because members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year notwithstanding repayment could be made after more than one year at the discretion of the CEO.

Amounts due to members after more than one year comprise provisions for annuities to current members and certain loans from members which are not repayable within twelve months of the balance sheet date.

## Taxation

The taxation payable on the partnership profits is the personal liability of the members, 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.

Amounts identified as taxation in these financial statements relate to corporate subsidiaries.

## Retirement benefits

### Defined Contribution Pension Scheme

The cost of the defined contribution pension scheme is equal to the contributions payable to the scheme for the accounting period. This cost is recognised in the profit and loss account within cost of sales for professional staff and within other operating costs for support staff.

### Defined Benefit Pension Scheme

Scheme assets are measured at fair values which, in the case of quoted investments is at bid price. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the consolidated balance sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

## 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 partnership with annuities following their retirement.

The obligation for all annuities remains with the members for the time being and, in accordance with the requirements of the SORP, the financial statements include obligations for retirement annuities payable in the future to current and retired members. The obligation has been discounted to its net present value. The nature of the annuities contractually payable in the future to current members is such that no further rights will accrue to those members based on further service. The obligation for annuities to former members is included within provisions for liabilities because the annuities carry life contingent elements. The 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 obligation for annuities to current members is included within loans and other debts due to/(from) members.

### **Retirement benefits of former members and partners of the predecessor firm (continued)**

New obligations granted to members on their retirement and changes in estimates and assumptions in respect of existing obligations, together with the unwinding of the discount, are dealt with through the profit and loss account.

### **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.

The financial statements of foreign subsidiaries and the related goodwill are translated at the closing exchange rate at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves through the statement of total recognised gains and losses.

### **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.

## Consolidated profit and loss account

	Note	2010 £'000	Restated 2009 £'000
<b>Turnover</b>	1	379,689	378,172
Other external charges: client disbursements		<u>(22,806)</u>	<u>(23,113)</u>
<b>Net fees</b>		356,883	355,059
Cost of sales	2	<u>(147,662)</u>	<u>(159,822)</u>
<b>Gross profit</b>		209,221	195,237
Other operating costs	2	<u>(130,303)</u>	<u>(137,676)</u>
Other operating income	3	<u>4,706</u>	<u>997</u>
<b>Operating profit</b>	1	83,624	58,558
Income from fixed asset investments		57	29
Profit on sale of fixed assets		103	1,094
Profit on sale of subsidiary	20	141	-
Net interest and other similar charges	4	<u>(6,349)</u>	<u>(4,366)</u>
<b>Profit on ordinary activities before tax</b>		77,576	55,315
Tax on profit on ordinary activities of subsidiaries	6	-	19
<b>Profit for the financial year before members' remuneration and profit shares</b>		<u>77,576</u>	<u>55,334</u>
<b>Profit for the financial year before members' remuneration and profit shares</b>		77,576	55,334
Members' remuneration charged as an expense	17	<u>(15,993)</u>	<u>(21,620)</u>
<b>Profit for the financial year available for discretionary division among members</b>	17	<u>61,583</u>	<u>33,714</u>

Profits have arisen from continuing activities.

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

## Consolidated statement of total recognised gains and losses

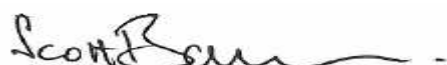
	Note	2010 £'000	2009 £'000
<b>Profit for the financial year available for discretionary division among members</b>		<b>61,583</b>	33,714
Exchange gains/(losses) on translation of foreign operations		159	(251)
Movement in unrealised gains/losses on investments		19	90
Actuarial losses on pension scheme	23	(5,045)	(33,068)
<b>Total recognised gains and losses for the year</b>		<b>56,716</b>	<b>485</b>

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

## Consolidated balance sheet

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Fixed assets</b>					
Intangible assets	8		17,139		19,411
Tangible assets	9		30,275		34,240
Investments	10		9,587		10,136
			<u>57,001</u>		<u>63,787</u>
<b>Current assets</b>					
Debtors	11	157,686		166,448	
Cash at bank and in hand	12	<u>23,532</u>		<u>17,345</u>	
			181,218		183,793
<b>Creditors: amounts falling due within one year</b>	13		<b>(84,423)</b>		<b>(103,767)</b>
			<u>96,795</u>		<u>80,026</u>
<b>Net current assets</b>			<b>153,796</b>		<b>143,813</b>
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(33,789)</b>		<b>(44,238)</b>
<b>Provisions for liabilities</b>	16		<b>(49,006)</b>		<b>(46,942)</b>
<b>Pension scheme liability</b>	23		<b>(78,512)</b>		<b>(75,157)</b>
<b>Net liabilities attributable to members</b>	1		<b>(7,511)</b>		<b>(22,524)</b>
<b>Represented by:</b>					
<b>Loans and other debts due to members within one year</b>					
Members' capital classified as a liability	17		40,029		43,955
Other amounts	17		4,899		6,923
			<u>44,928</u>		<u>50,878</u>
<b>Loans and other debts due to members after more than one year</b>					
Other amounts	17		1,113		2,775
			<u>46,041</u>		<u>53,653</u>
<b>Equity</b>					
Members' other interests - other reserves classified as equity	17		(53,622)		(76,228)
Revaluation reserve	17		70		51
			<u>(7,511)</u>		<u>(22,524)</u>
<b>Total members' interests</b>					
Loans and other debts due to members	17		46,041		53,653
Members' other interests	17		(53,552)		(76,177)
Amounts due from members	17		(10,166)		(7,602)
			<u>(17,677)</u>		<u>(30,126)</u>

The financial statements were approved by the Partnership Committee on 8 November 2010 and signed on behalf of the partnership by:



Scott Barnes Chief Executive Officer



Steve Maslin Chairman of the Partnership Oversight Board

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

## Partnership balance sheet

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Fixed assets</b>					
Intangible assets	8		16,176		18,375
Tangible assets	9		30,206		33,986
Investments	10		4,619		4,522
			<u>51,001</u>		<u>56,883</u>
<b>Current assets</b>					
Debtors	11	151,567		163,204	
Cash at bank and in hand	12	<u>20,841</u>		<u>13,686</u>	
			172,408		176,890
<b>Creditors: amounts falling due within one year</b>	13		<b>(78,269)</b>		<b>(96,959)</b>
<b>Net current assets</b>			<u>94,139</u>		<u>79,931</u>
<b>Total assets less current liabilities</b>			<b>145,140</b>		<b>136,814</b>
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(33,789)</b>		<b>(44,238)</b>
<b>Provisions for liabilities</b>	16		<b>(41,843)</b>		<b>(37,927)</b>
<b>Net assets attributable to members</b>			<u>69,508</u>		<u>54,649</u>
<b>Represented by:</b>					
<b>Loans and other debts due to members within one year</b>					
Members' capital classified as a liability	17		40,029		43,955
Other amounts	17		6,751		11,478
			<u>46,780</u>		<u>55,433</u>
<b>Loans and other debts due to members after more than one year</b>					
Other amounts	17		1,113		2,775
			<u>47,893</u>		<u>58,208</u>
<b>Equity</b>					
Members' other interests - other reserves classified as equity	17		21,615		(3,559)
			<u>69,508</u>		<u>54,649</u>
<b>Total members' interests</b>					
Loans and other debts due to members	17		47,893		58,208
Members' other interests	17		21,615		(3,559)
Amounts due from members	17		(10,166)		(7,602)
			<u>59,342</u>		<u>47,047</u>

The financial statements were approved by the Partnership Committee on 8 November 2010 and signed on behalf of the partnership by:





Scott Barnes Chief Executive Officer

Steve Maslin Chairman of the Partnership Oversight Board

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

## Consolidated cash flow statement

	Note	2010 £'000	2009 £'000
<b>Net cash inflow from operating activities</b>	18	<u>91,592</u>	<u>78,557</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		413	906
Interest paid		(1,416)	(2,325)
Finance lease interest paid		(1,274)	(1,365)
Dividends received		57	29
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(2,220)</u>	<u>(2,755)</u>
<b>Taxation</b>		-	(19)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(64)	(150)
Purchase of tangible fixed assets		(1,362)	(5,625)
Sale of tangible fixed assets		879	2,561
Purchase of investments		(27,159)	(50,325)
Sale of investments		27,717	49,599
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		<u>11</u>	<u>(3,940)</u>
<b>Acquisitions and disposals</b>			
Disposal/(purchase) of businesses	20	<u>1,624</u>	<u>(2,471)</u>
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		<u>1,624</u>	<u>(2,471)</u>
<b>Transactions with members and former members</b>			
Payments to or on behalf of members		(53,881)	(72,222)
Capital contributions by members		1,289	3,373
Annuity payments to former members		(2,633)	(2,455)
Repayments to former members		(16,047)	(9,803)
<b>Net cash outflow from transactions with members and former members</b>		<u>(71,272)</u>	<u>(81,107)</u>
<b>Management of liquid resources</b>			
Net sale of short term deposits		<u>806</u>	<u>2,038</u>
<b>Net cash inflow from management of liquid resources</b>		<u>806</u>	<u>2,038</u>
<b>Financing</b>			
Net (payments)/receipts from bank and other borrowings		(12,970)	11,158
Capital element of finance lease rentals		(652)	(971)
<b>Net cash (outflow)/inflow from financing</b>		<u>(13,622)</u>	<u>10,187</u>
<b>Increase in cash</b>	19	<u>6,919</u>	<u>490</u>

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

## Notes to the financial statements

### 1 Segmental analysis and profit for the financial year

Turnover is attributable to the following classes of continuing business. The analysis is based on the predominant nature of the services provided during an engagement rather than by the technical discipline of those performing the work:

	2010 £'000	2009 £'000
Accountancy and growth and development	15,494	19,535
Assurance	118,911	121,170
Corporate finance	40,899	43,992
Forensic investigation services	15,056	16,698
Other	1,060	3,748
Recovery and reorganisation	95,247	75,353
Taxation and financial planning	93,022	97,676
	<b>379,689</b>	<b>378,172</b>

The destination of turnover was primarily to UK clients although 0.9% (2009: 1.3%) were sales to North America, 2.0% (2009: 1.9%) to mainland Europe and 0.4% (2009: 0.8%) to the rest of the world. The origin of turnover is 99.5% in the UK and 0.5% in the Caribbean.

Analysis of operating profit and net assets are as follows:

	Operating profit		Net liabilities	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Accountancy and growth and development	6,584	7,766	3,104	4,362
Assurance	50,530	48,168	23,820	26,879
Corporate finance	15,141	3,723	8,331	12,981
Forensic investigation services	8,880	10,275	5,966	7,570
Other	450	1,490	173	297
Recovery and reorganisation	46,608	39,208	41,931	40,348
Taxation and financial planning	39,529	38,829	16,403	19,579
	<b>167,722</b>	149,459	<b>99,728</b>	112,016
Unallocated items	<b>(84,098)</b>	(90,901)	<b>(107,239)</b>	(134,540)
	<b>83,624</b>	58,558	<b>(7,511)</b>	(22,524)

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 individual business functions.

### Segmental analysis and profit for the financial year (continued)

Net assets attributed to the business 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 business functions.

The profit for the financial year is stated after:

	2010 £'000	2009 £'000
Auditors' remuneration:		
Audit services - group and partnership	143	143
Other services - subsidiary company audits	16	18
Depreciation and amortisation:		
Goodwill	2,401	2,609
Tangible fixed assets, owned	5,073	6,046
Tangible fixed assets, held under finance leases and hire purchase contracts	783	1,070
Provision for diminution in value:		
Write down of fixed asset investments	-	95
Other operating lease rentals:		
Equipment	2,779	3,005
Land and buildings	12,112	9,649
	<hr/>	<hr/>

## 2 Cost of sales and other operating costs

	2010 £'000	Restated 2009 £'000
Professional staff employment costs	<u>147,662</u>	<u>159,822</u>
Other operating costs:		
Support staff employment costs	37,779	38,366
Property (note 3)	26,205	25,942
IT and other equipment costs	10,295	12,137
Administration	36,547	40,551
Other financial costs including insurance	9,932	12,149
Annuities to former members	3,240	3,936
Other	6,305	4,595
	<hr/> <u>130,303</u>	<hr/> <u>137,676</u>

The above costs are stated net of income received of £7,338,000 (2009: £7,772,000) in respect of non-profit recharges to third parties. These are principally in relation to profit shares and staff employment costs of members or employees on secondment.

### 3 Other operating income

	2010	Restated 2009
	£'000	£'000
Property	<u>4,706</u>	<u>997</u>

The comparative figures for the year ended 30 June 2009 have been restated to show the income received in relation to sub-let property. This income was previously off-set against property costs included within 'Other operating costs'.

The current year income includes a one-off capital receipt of £3,590,000 arising from the surrender of lease options on one of the firm's properties.

### 4 Net interest and other similar charges

	2010	2009
	£'000	£'000
Interest payable on bank loans and overdrafts	915	1,977
Finance charges in respect of finance leases	1,274	1,365
Other interest payable and similar charges	504	377
Unwinding of discount for former member annuity provisions (note 16)	1,200	1,300
Net interest on pension scheme assets/liabilities (note 23)	2,903	461
Other interest receivable and similar income	(447)	(1,114)
Net interest and similar charges	<u>6,349</u>	<u>4,366</u>

### 5 Partners and staff

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

	2010	2009
	£'000	£'000
Wages and salaries	149,589	158,305
Social security costs	15,262	16,227
Other pension costs	12,899	12,736
	<u>177,750</u>	<u>187,268</u>

The average number of full time equivalent members, salaried partners and employees during the year was 3,914 (2009: 4,164), all of whom were engaged in the group's principal activity:

	2010	2009
	Number	Number
Members (of whom 83 were fixed share - 2009: 113)	228	279
Salaried partners	-	9
Professional staff	2,772	2,940
Support staff	914	936
	<u>3,914</u>	<u>4,164</u>

### Partners and staff (continued)

Profits are shared among members in accordance with agreed profit sharing arrangements. The average profit allocation in respect of the year's results, calculated by dividing allocable profits for the financial year by the average number of all members, amounted to £337,000 (2009: £201,000). However, the average profit allocation per variable share member amounted to £406,000 (2009: £217,000).

The profit attributable to the member with the largest entitlement was £1,135,606 (2009: £908,508).

Allocated profits take into account pension and annuity payments rather than pension and annuity charges, the spreading of acquisition integration costs and include sums allocated as interest, members' motor expenses and capital profits but exclude profits in certain subsidiary entities.

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 £340,000 (2009: £198,000).

The table below provides a reconciliation between the average profit per member calculated in accordance with the SORP and the average profit allocation per variable share member.

	2010 £'000	2009 £'000
Average profit per member	340	198
Integration costs, retirement annuities and other items	8	6
Retained profits for the year in subsidiary entities net of consolidation adjustments	<u>(11)</u>	<u>(3)</u>
Average profit allocation per member	337	201
Effect of fixed profit share members	69	16
Average profit allocation per variable share member	<u>406</u>	<u>217</u>

## 6 Tax on profit on ordinary activities

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

	2010 £'000	2009 £'000
United Kingdom corporation tax at 28% (2009: 28%)	3,702	4,536
Compensating payments due from members	<u>(3,702)</u>	<u>(4,555)</u>
Total current tax and tax on profit on ordinary activities	<u>-</u>	<u>(19)</u>

The UK corporation tax charge in relevant subsidiary undertakings includes an additional amount in respect of UK transfer pricing legislation. The cost of this is offset by a compensating payment made by the members of the partnership to those subsidiaries which is dealt with through members' interests.

Fulwood Insurances Limited and Selden Insurance Company Limited are taxable at the standard rate in Guernsey of zero percent. Grant Thornton Specialist Services (Cayman) Limited and Grant Thornton (British Virgin Islands) Limited are not subject to corporation tax or the equivalent overseas tax.

### Tax on profit on ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained as follows:

	2010 £'000	2009 £'000
Profits on ordinary activities before tax of subsidiary undertakings	2,375	1,298
Profits of LLP subsidiary undertakings not subject to corporation tax	<u>(2,725)</u>	<u>(2,091)</u>
	(350)	(793)
Tax on loss on ordinary activities at 28% (2009: 28%)	(98)	(222)
Effect of:		
Losses taxed at zero percent or exempt from tax	199	230
Pension cost charge less than pension cost relief	(92)	(37)
Other timing differences	(9)	10
	<u>-</u>	<u>(19)</u>
Total current tax (credit)/charge	<u>-</u>	<u>(19)</u>

### 7 Profit for the financial period

Grant Thornton UK LLP has taken advantage of Section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own profit and loss account in these financial statements. Its own profit for the year available for discretionary division among members was £59,265,000 (2009: £32,704,000).

### 8 Intangible fixed assets

	The group Goodwill £'000	The partnership Goodwill £'000
Cost:		
At 1 July 2009	24,787	23,241
Additions	194	194
Exchange adjustments	80	-
Disposals	(643)	(643)
	<u>24,418</u>	<u>22,792</u>
At 30 June 2010		
Amortisation:		
At 1 July 2009	5,376	4,866
Provided in the year	2,401	2,263
Exchange adjustments	15	-
Disposals	(513)	(513)
	<u>7,279</u>	<u>6,616</u>
At 30 June 2010		
Net book amount at 30 June 2010	<u>17,139</u>	<u>16,176</u>
Net book amount at 30 June 2009	<u>19,411</u>	<u>18,375</u>

The difference between the goodwill in the group and that in the partnership relates to purchased goodwill in subsidiary undertakings and goodwill arising on consolidation.

### Intangible fixed assets (continued)

The additions in the year relate to the acquisition of a substantial part of the trading activities together with many of the net assets, of Aulren Limited, a company specialising in royalty and distribution agreement auditing.

## 9 Tangible fixed assets

The group	Long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Total £'000
Cost:						
At 1 July 2009	17,783	17,138	11,293	13,195	6,425	65,834
Additions	-	152	201	1,009	1,434	2,796
Exchange adjustments	-	4	6	4	-	14
Disposals	-	(94)	(106)	(256)	(1,982)	(2,438)
At 30 June 2010	<u>17,783</u>	<u>17,200</u>	<u>11,394</u>	<u>13,952</u>	<u>5,877</u>	<u>66,206</u>
Depreciation:						
At 1 July 2009	5,885	6,123	7,043	9,240	3,303	31,594
Provided in the year	178	1,199	1,182	1,823	1,474	5,856
Exchange adjustments	-	-	-	2	-	2
Disposals	-	(91)	(95)	(85)	(1,250)	(1,521)
At 30 June 2010	<u>6,063</u>	<u>7,231</u>	<u>8,130</u>	<u>10,980</u>	<u>3,527</u>	<u>35,931</u>
Net book amount at 30 June 2010	<u><b>11,720</b></u>	<u><b>9,969</b></u>	<u><b>3,264</b></u>	<u><b>2,972</b></u>	<u><b>2,350</b></u>	<u><b>30,275</b></u>
Net book amount at 30 June 2009	<u>11,898</u>	<u>11,015</u>	<u>4,250</u>	<u>3,955</u>	<u>3,122</u>	<u>34,240</u>

**Tangible fixed assets (continued)**

The partnership	Long leasehold property £'000	Short leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor Cars £'000	Total £'000
Cost:						
At 1 July 2009	17,783	17,095	11,223	12,954	6,425	65,480
Additions	-	152	201	1,009	1,434	2,796
Disposals	-	(94)	(91)	(53)	(1,982)	(2,220)
At 30 June 2010	<u>17,783</u>	<u>17,153</u>	<u>11,333</u>	<u>13,910</u>	<u>5,877</u>	<u>66,056</u>
Depreciation:						
At 1 July 2009	5,885	6,123	7,034	9,149	3,303	31,494
Provided in the year	178	1,181	1,151	1,816	1,474	5,800
Disposals	-	(91)	(91)	(12)	(1,250)	(1,444)
At 30 June 2010	<u>6,063</u>	<u>7,213</u>	<u>8,094</u>	<u>10,953</u>	<u>3,527</u>	<u>35,850</u>
Net book amount at 30 June 2010	<u><b>11,720</b></u>	<u><b>9,940</b></u>	<u><b>3,239</b></u>	<u><b>2,957</b></u>	<u><b>2,350</b></u>	<u><b>30,206</b></u>
Net book amount at 30 June 2009	<u>11,898</u>	<u>10,972</u>	<u>4,189</u>	<u>3,805</u>	<u>3,122</u>	<u>33,986</u>

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

The group and the partnership	Long leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Total £'000
Net book amount at 30 June 2010	<u>8,418</u>	<u>450</u>	<u>-</u>	<u>727</u>	<u>9,595</u>
Net book amount at 30 June 2009	<u>8,546</u>	<u>541</u>	<u>-</u>	<u>965</u>	<u>10,052</u>
Depreciation provided in the year	<u>127</u>	<u>91</u>	<u>-</u>	<u>565</u>	<u>783</u>

**10 Fixed asset investments**

The group	Listed investments £'000	Other investments £'000	Total £'000
Cost or valuation			
At 1 July 2009	9,962	420	10,382
Additions	25,483	1,676	27,159
Exchange adjustments	-	(10)	(10)
Disposals	(27,717)	-	(27,717)
Revaluation	19	-	19
At 30 June 2010	<u>7,747</u>	<u>2,086</u>	<u>9,833</u>
Provisions			
At 1 July 2009	246	-	246
At 30 June 2010	<u>246</u>	<u>-</u>	<u>246</u>
<b>Net book amount at 30 June 2010</b>	<b><u>7,501</u></b>	<b><u>2,086</u></b>	<b><u>9,587</u></b>
Net book amount at 30 June 2009	<u>9,716</u>	<u>420</u>	<u>10,136</u>
		<b>2010</b>	2009
		<b>£'000</b>	£'000
Listed investments at market value held by Fulwood Insurances Limited		<u><b>7,243</b></u>	<u>9,441</u>
Market value of all listed investments held by the group		<u><b>7,371</b></u>	<u>9,563</u>
Total listed investments on historical cost basis		<u><b>7,501</b></u>	<u>9,716</u>

**Fixed asset investments (continued)**

The partnership	Investment in group undertakings £'000	Loans £'000	Listed investments £'000	Other investments £'000	Total £'000
Cost					
At 1 July 2009	4,207	168	521	400	5,296
Additions	23	-	30	1,676	1,729
Exchange adjustments	-	-	-	(10)	(10)
Disposals	(1,575)	-	(47)	-	(1,622)
At 30 June 2010	<u>2,655</u>	<u>168</u>	<u>504</u>	<u>2,066</u>	<u>5,393</u>
Provisions					
At 1 July 2009	360	168	246	-	774
At 30 June 2010	<u>360</u>	<u>168</u>	<u>246</u>	<u>-</u>	<u>774</u>
<b>Net book amount at 30 June 2010</b>	<b><u>2,295</u></b>	<b><u>-</u></b>	<b><u>258</u></b>	<b><u>2,066</u></b>	<b><u>4,619</u></b>
Net book amount at 30 June 2009	<u>3,847</u>	<u>-</u>	<u>275</u>	<u>400</u>	<u>4,522</u>
				<b>2010</b>	2009
				<b>£'000</b>	£'000
Listed investments at market value				<u>128</u>	<u>122</u>
Listed investments on historical cost basis				<u>258</u>	<u>275</u>

During the year the partnership made an investment of \$2,500,000 USD in fully and compulsorily convertible debentures which are shown within 'Other investments' above. An additional investment of \$2,500,000 USD in fully and compulsorily convertible debentures was made after the year end.

The partnership has sought to hedge the foreign exchange risk on this investment by way of a series of foreign exchange collars. At 30 June 2010, the fair value of the financial assets relating to the collar was £260,000 and the fair value of the financial liabilities was £323,000.

**Fixed asset investments (continued)**

At 30 June 2010, 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
Fulwood Insurances Limited	Guernsey	Ordinary	100%	Insurance services
Selden Insurance Company Limited	Guernsey	Ordinary	100%	Insurance services
Grant Thornton Services LLP	England	-	100%	Provision of staff to the group
Grant Thornton Business Services	England	Ordinary	100%	Provision of staff to the group
Grant Thornton Specialist Services (Cayman) Limited	Cayman Islands	Ordinary	100%	Provision of insolvency and restructuring services
Grant Thornton (British Virgin Islands) Limited	British Virgin Islands	Ordinary	100%	Provision of insolvency and restructuring services
Grant Thornton Recovery & Reorganisation Europe GmbH	Germany	Ordinary	100%	Provision of insolvency and restructuring services
Grant Thornton Trust Company Limited	England	Ordinary	100%	Provision of corporate trustee services

At 30 June 2010, 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, non-trading or act as holding companies:

Barfreton Limited	Grant Thornton Property Nominees *
Grant Thornton Limited	GT Partner 1 Limited
Grant Thornton Consulting Limited	G.T.I. Limited
Grant Thornton Contracts LLP	GTN1 Limited
Grant Thornton Corporate Finance Limited	GTN2 Limited
Grant Thornton Employee Benefits Consulting LLP	GTPN1 Limited
Grant Thornton Management Consultants Limited	GTPN2 Limited
Grant Thornton Nominees *	Thornton Baker Limited
Grant Thornton Personal Financial Planning Limited	Thornton Baker UK LLP

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

## 11 Debtors

	The group		The partnership	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade debtors	73,768	84,826	73,296	84,352
Amounts owed by group undertakings	-	-	66	60
Amounts recoverable on contracts	52,508	52,477	51,561	52,057
Other debtors	11,403	12,803	9,677	12,275
Amounts due from members	10,166	7,602	10,166	7,602
Prepayments and accrued income	9,841	8,740	6,801	6,858
	<b>157,686</b>	<b>166,448</b>	<b>151,567</b>	<b>163,204</b>

Included in the above for both the group and the partnership are the following amounts which are due after more than one year:

	The group		The partnership	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Other debtors	4,500	6,169	4,500	6,169
Prepayments and accrued income	197	400	197	400
	<b>4,697</b>	<b>6,569</b>	<b>4,697</b>	<b>6,569</b>

## 12 Cash at bank and in hand

	The group		The partnership	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Cash and immediately available bank balances	21,445	14,452	20,841	13,686
Short term deposits at bank, withdrawable at more than 24 hours' notice	2,087	2,893	-	-
	<b>23,532</b>	<b>17,345</b>	<b>20,841</b>	<b>13,686</b>

**13 Creditors: amounts falling due within one year**

	The group		The partnership	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Bank loans	10,669	13,346	10,669	13,273
Excess payments received on account	20,423	20,428	20,423	20,428
Trade creditors	4,729	10,098	4,700	10,021
Amounts owed to group undertakings	-	-	13,949	10,502
Corporation tax	1,852	4,555	-	-
Social security and other taxes	9,664	16,953	5,377	12,017
Other creditors	1,051	2,487	921	1,002
Accruals and deferred income	25,475	20,456	11,670	14,272
Provisions for foreseeable losses	1,741	961	1,741	961
Amounts due to former members	8,318	13,772	8,318	13,772
Amounts due under finance leases and hire purchase contracts	501	711	501	711
	<b>84,423</b>	<b>103,767</b>	<b>78,269</b>	<b>96,959</b>

**14 Creditors: amounts falling due after more than one year**

	The group		The partnership	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Bank loans	21,793	32,086	21,793	32,086
Amounts due under finance leases and hire purchase contracts	11,996	12,152	11,996	12,152
	<b>33,789</b>	<b>44,238</b>	<b>33,789</b>	<b>44,238</b>

**15 Borrowings**

Borrowings are repayable as follows:

	The group		The partnership	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Within one year:				
Bank and other borrowings	10,669	13,346	10,669	13,273
Finance leases and hire purchase contracts	501	711	501	711
After one and within two years:				
Bank and other borrowings	21,793	5,360	21,793	5,360
Finance leases and hire purchase contracts	371	430	371	430
After two and within five years:				
Bank and other borrowings	-	26,726	-	26,726
Finance leases and hire purchase contracts	167	261	167	261
After five years:				
Finance leases and hire purchase contracts	11,458	11,461	11,458	11,461
	<b>44,959</b>	<b>58,295</b>	<b>44,959</b>	<b>58,222</b>

### Borrowings (continued)

Loans totalling £66,000 (2009: £96,000) are secured on endowment policies taken out in the names of individual members. Bank loans totalling £32,396,000 (2009: £45,261,000) are repayable in a mixture of monthly, quarterly and annual instalments between 1 July 2010 and 2 July 2012 (2009: between 1 July 2009 and 2 July 2012), and other borrowings totalling £66,000 (2009: £96,000) are repayable in a single instalment in March 2011 (2009: March 2010).

Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

## 16 Provisions for liabilities

### The group

	Claims provisions £'000	Property provisions £'000	Former members' annuities £'000	Total £'000
At 1 July 2009	12,288	5,048	29,606	46,942
New obligations	-	-	541	541
Amortisation of discount	-	-	1,200	1,200
Settlement of obligations during year	(6,038)	-	(3,321)	(9,359)
Change in assumptions and experience (gains)/losses	-	-	2,700	2,700
Released to profit and loss account	(752)	(380)	-	(1,132)
Provided during year in profit and loss account	6,409	605	-	7,014
Transfer from loans and other debts due to members	-	-	1,100	1,100
	<b>11,907</b>	<b>5,273</b>	<b>31,826</b>	<b>49,006</b>

### The partnership

	Claims provisions £'000	Property provisions £'000	Former members' annuities £'000	Total £'000
At 1 July 2009	3,273	5,048	29,606	37,927
New obligations	-	-	541	541
Amortisation of discount	-	-	1,200	1,200
Settlement of obligation during year	(1,150)	-	(3,321)	(4,471)
Change in assumptions and experience (gains)/losses	-	-	2,700	2,700
Released to profit and loss account	(494)	(380)	-	(874)
Provided during year in profit and loss account	3,115	605	-	3,720
Transfer from loans and other debts due to members	-	-	1,100	1,100
	<b>4,744</b>	<b>5,273</b>	<b>31,826</b>	<b>41,843</b>

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 nature of the claims and property provisions are such that the timing of the utilisation of those provisions is inherently difficult to predict.

### Provisions for liabilities (continued)

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

	2010 £'000	2009 £'000
In less than one year	3,514	3,202
After one and within five years	11,332	10,422
After five and within ten years	9,898	8,955
After ten and within twenty-five years	7,047	6,947
In more than twenty-five years	35	80
	<b>31,826</b>	<b>29,606</b>

## 17 Members' interests

### The group

	Revaluation reserves £'000	Other reserves £'000	Total £'000	Loans and other debts due to/(from) members £'000	Total members' interests £'000
At 1 July 2009	51	(76,228)	(76,177)	46,051	(30,126)
Members' remuneration charged as an expense	-	-	-	15,993	15,993
Profit for the financial year available for discretionary division among members	-	61,583	61,583	-	61,583
Members' interests after profit for year	51	(14,645)	(14,594)	62,044	47,450
Allocated profits in respect of the prior year	-	(34,264)	(34,264)	34,264	-
Tax adjustments on payment of annuities to former members, royalties and interest	-	173	173	-	173
Members' capital introduced	-	-	-	1,289	1,289
Other amounts introduced by members	-	-	-	2,158	2,158
Drawings (including tax payments)	-	-	-	(54,890)	(54,890)
Transfer of capital to former members' balances	-	-	-	(5,215)	(5,215)
Transfer of other amounts to former members' balances	-	-	-	(5,378)	(5,378)
Transfer to provision for former members' annuities	-	-	-	(1,100)	(1,100)
Pension scheme actuarial loss	-	(5,045)	(5,045)	-	(5,045)
Movement in unrealised gains/losses on investments	19	-	19	-	19
Exchange gains on translation of foreign operations	-	159	159	-	159
Movement in compensating payments due to subsidiary undertakings	-	-	-	2,703	2,703
At 30 June 2010	<b>70</b>	<b>(53,622)</b>	<b>(53,552)</b>	<b>35,875</b>	<b>(17,677)</b>

**Members' interests (continued)**

The partnership	Other reserves £'000	Loans and other debts due to/(from) members £'000	Total members' interest £'000
At 1 July 2009	(3,559)	50,606	47,047
Members' remuneration charged as an expense	-	15,993	15,993
Profit for the financial year available for discretionary division among members	59,265	-	59,265
Partners' interests after profit for year	55,706	66,599	122,305
Allocated profits in respect of the prior year	(34,264)	34,264	-
Tax adjustments on payment of annuities to former members, royalties and interest	173	-	173
Members' capital introduced	-	1,289	1,289
Other amounts introduced by members	-	2,158	2,158
Drawings (including tax payments)	-	(54,890)	(54,890)
Transfer of capital to former members' balances	-	(5,215)	(5,215)
Transfer of other amounts to former members' balances	-	(5,378)	(5,378)
Transfer to provision for former members' annuities	-	(1,100)	(1,100)
At 30 June 2010	<b>21,615</b>	<b>37,727</b>	<b>59,342</b>

Allocated profits for the group and the partnership comprise:

	£'000
Profits for the year ended 30 June 2009, allocated in the year ended 30 June 2010	<b>34,264</b>

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

The group	Due within one year £'000	Due after one year £'000	2010 £'000	Due within one year £'000	Due after one year £'000	2009 £'000
Members' capital classified as a liability	40,029	-	40,029	43,955	-	43,955
Other amounts due to members	2,196	613	2,809	11,478	1,175	12,653
Movement in compensating payments due to subsidiary undertakings	2,703	-	2,703	(4,555)	-	(4,555)
Provision for annuities in relation to current members	-	500	500	-	1,600	1,600
Loans and other debts due to members	44,928	1,113	46,041	50,878	2,775	53,653
Amounts due from members included in debtors (note 11)	(10,166)	-	(10,166)	(7,602)	-	(7,602)
	<b>34,762</b>	<b>1,113</b>	<b>35,875</b>	<b>43,276</b>	<b>2,775</b>	<b>46,051</b>

**Members' interests (continued)**

	Due within one year £'000	Due after one year £'000	2010 £'000	Due within one year £'000	Due after one year £'000	2009 £'000
<b>The partnership</b>						
Members' capital classified as a liability	40,029	-	40,029	43,955	-	43,955
Other amounts due to members	6,751	613	7,364	11,478	1,175	12,653
Provision for annuities in relation to current members	-	500	500	-	1,600	1,600
Loans and other debts due to members	46,780	1,113	47,893	55,433	2,775	58,208
Amounts due from members included in debtors (note 11)	(10,166)	-	(10,166)	(7,602)	-	(7,602)
	<b>36,614</b>	<b>1,113</b>	<b>37,727</b>	<b>47,831</b>	<b>2,775</b>	<b>50,606</b>

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, represented above by other reserves, rank after unsecured creditors.

**18 Net cash inflow from operating activities**

	2010 £'000	2009 £'000
Operating profit	83,624	58,558
Depreciation and amortisation	8,257	9,725
Decrease in debtors	9,789	2,343
(Decrease)/increase in creditors	(8,085)	1,761
Increase in provision against investments	-	83
Adjustments in provisions for liabilities	3,084	8,862
Tax withheld from royalty payments	(484)	484
Adjustments in pension liability	(4,593)	(3,259)
Net cash inflow from operating activities	<b>91,592</b>	<b>78,557</b>

**Reconciliation of net cash flow to movement in net debt**

	2010 £'000	2009 £'000
Increase in cash in the year	6,919	490
Cash outflow/(inflow) from financing	12,970	(11,158)
Cash outflow from finance leases	652	971
Cash outflow from transactions with members	52,592	68,849
Cash (inflow) from movement in short term deposits	(806)	(2,038)
Change in net funds resulting from cash flows	72,327	57,114
Exchange movement	74	(419)
Non-cash items	(45,266)	(51,092)
Movement in net debt in the year	27,135	5,603
Net debt at 1 July 2009	(94,603)	(100,206)
Net debt at 30 June 2010	<b>(67,468)</b>	<b>(94,603)</b>

## 19 Analysis of changes in net debt

	At 1 July 2009 £'000	Cash flow £'000	Exchange movement £'000	Other non- cash items £'000	At 30 June 2010 £'000
Cash in hand and at bank	14,452	6,919	74	-	21,445
Short term deposits	2,893	(806)	-	-	2,087
Bank and other borrowings	(45,432)	12,970	-	-	(32,462)
Finance leases	(12,863)	652	-	(286)	(12,497)
Net debt before loans and other debts due to members	(40,950)	19,735	74	(286)	(21,427)
Loans and other debts due to members	(53,653)	52,592	-	(44,980)	(46,041)
Net debt including loans and other debts due to members	(94,603)	72,327	74	(45,266)	(67,468)

Non-cash items within the finance lease movement represent the capital component of new finance leases and hire purchase contracts. Non-cash items within the movement in loans and other debts due to members principally represent allocated profits.

## 20 Disposals

During the year, the partnership disposed of its interest in Moffat Communications Limited. Group profits include £36,000 earned by Moffat Communications Limited up to its date of disposal on 13 August 2009.

	2010 £'000
Net assets disposed of:	
Tangible fixed assets	140
Debtors	1,692
Creditors	(249)
	1,583
Profit on disposal	141
	1,724
Satisfied by:	
Cash	1,724
	1,724

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

	2010 £'000
Cash at bank and in hand disposed of	-
	-
Cash consideration	1,724
Less deferred consideration	(100)
Cash received in the year	1,624

## 21 Capital commitments

There were no capital commitments contracted for but not provided for in these financial statements at 30 June 2010 or at 30 June 2009.

## 22 Contingent liabilities

There were no unprovided contingent liabilities at 30 June 2010 (2009: none) other than those in connection with guarantees given by the partnership relating to the defined benefit pension scheme as more fully described in note 23.

## 23 Retirement benefits

### Defined Contribution Pension Scheme

The group operates defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are administered in funds independent from those of the group.

Employer contributions to the schemes by the group in the year ended 30 June 2010 amounted to £10,472,000 (2009: £9,772,000). The outstanding contributions to the schemes at the year end were £Nil (2009: £843,000) and represented the unpaid contributions for June of the relevant financial year.

### Defined Benefit Pension Scheme

The group operates two defined benefit pension schemes for the benefit of certain employees, the Grant Thornton Pensions Fund and the Robson Rhodes Retirement Benefit Scheme. The assets of the schemes are administered by trustees in funds independent from the assets of the group.

The Robson Rhodes scheme is significantly smaller than the Grant Thornton scheme. Both schemes are closed to new members.

The major assumptions used for the purpose of the FRS 17 valuation at 30 June 2010 were:

	2010	2009
	%	%
Expected return on assets - Robson Rhodes scheme	5.84	7.05
Expected return on assets - Grant Thornton scheme	6.90	7.50
Rate of general increase in salaries	5.20	5.50
Rate of revaluation of accrued and deferred pensions - Grant Thornton scheme	3.20	3.50
Rate of revaluation of accrued and deferred pensions - Robson Rhodes scheme	5.00	5.00
Rate of increase in pensions in payment - pre 1 July 2006	3.00	3.35
Rate of increase in pensions in payment - post 30 June 2006	2.50	2.50
Discount rate	5.30	6.20
Price inflation	3.20	3.50
Mortality assumption	PA92C10MC*	PA92C09MC*

\*Mortality rates are assumed to follow the PA92 series, incorporating medium cohort projections up to 2010 (2009: up to 2009) and adjusted as necessary to reflect the observed rates of mortality amongst members of pension schemes operated in a similar sector.

### Retirement benefits (continued)

The rate of return on each asset class should reflect long term expectations at the beginning of the period. For the financial years commencing on or before 1 July 2009, on gilts, bonds and cash, the expected return is determined by applying the redemption yields to the market value of the assets held at the beginning of the period. For equities, the expected return is calculated by applying the rate of return expected over the long term to the market value of the equities held at the start of the period. The rate of return available on property is assumed to be mid-way between the returns for equities and gilts.

For the financial year commencing 1 July 2010, for gilts and cash the expected return is determined by applying the market yield on long dated gilts to the market value of assets held at the beginning of the period. For corporate bonds, the expected return is determined by applying the discount rate at 30 June 2010 to the market value of assets held at the beginning of the period. For equities, the expected rate of return is calculated as the market yield on long dated gilts plus 4%. This rate is then applied to the market value of assets at the beginning of the period to calculate the expected return. For property, the expected rate of return is calculated as the market yield on long dated gilts plus 3%. This rate is then applied to the market value of assets at the beginning of the period to calculate the expected return.

The assumed rates of mortality have been based on standard tables, themselves derived from an analysis (undertaken by the Continuous Mortality Investigation Bureau (CMI)) of deaths within the insured pensioner population over a four year period centered around 1992. The assumptions build in projections of improvements in mortality rates from 1992 up to 2010, including a projection (again based on analysis done by the CMI) of even higher rates of improvement for individuals born between 1925 and 1945 than for individuals born either side. This differential projection of the rates of improvement is assumed to continue for a certain period before the assumed rates of improvement converge. The actual assumption for the two schemes are derived by fitting this particular standard table to the observed rates of death among members of occupational pension schemes of employers in the financial services sector (of which Grant Thornton and Robson Rhodes pensioners would be a subset) and making adjustments as necessary to obtain the best fit to the financial services sector data.

All 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.

The fair value of the schemes' 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 schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2010		2009		2008	2007	2006
	£'000	%	£'000	%	£'000	£'000	£'000
UK Equities	81,876	41.2	73,193	42.6	89,139	115,100	96,000
Overseas Equities	35,589	17.9	29,185	17.0	34,700	34,500	29,500
Fixed interest Gilts	1,098	0.6	1,044	0.6	968	-	-
Index-linked Gilts	29,599	14.9	24,027	14.0	24,064	20,800	18,500
Corporate Bonds	25,473	12.9	22,437	13.1	22,100	20,700	22,600
Property	24,051	12.1	20,581	12.0	26,800	20,800	18,500
Cash	838	0.4	1,202	0.7	2,637	2,100	900
Total market value of assets	198,524	100.0	171,669	100.0	200,408	214,000	186,000
Present value of scheme liabilities (all funded)	(277,036)		(246,826)		(245,295)	(238,200)	(240,300)
Net pension liability recognised in the consolidated balance sheet	(78,512)		(75,157)		(44,887)	(24,200)	(54,300)

### Retirement benefits (continued)

The history of experience losses and (gains) has been:

	<b>2010</b>	2009	2008	2007	2006
	<b>£'000</b>	£'000	£'000	£'000	£'000
Difference between expected and actual return on scheme assets	<b>(14,765)</b>	42,983	33,639	(13,300)	(12,100)
Experience (gains) and losses on scheme liabilities	<b>(7,702)</b>	(25,772)	6,206	(200)	100
Changes in the actuarial assumptions underlying the present value of the scheme liabilities	<b>27,512</b>	15,857	(13,444)	(13,000)	11,000
Total actuarial losses and (gains)	<b><u>5,045</u></b>	<u>33,068</u>	<u>26,401</u>	<u>(26,500)</u>	<u>(1,000)</u>

Reconciliation of scheme liabilities during the year:

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Scheme liabilities at the beginning of year	<b>246,826</b>	245,295
Interest cost	<b>15,115</b>	16,208
Current service cost	<b>2,732</b>	3,335
Member contributions	<b>3</b>	4
Benefits paid by scheme	<b>(7,450)</b>	(8,101)
Loss on change of actuarial assumptions	<b>27,512</b>	15,857
Experience gain on liabilities	<b>(7,702)</b>	(25,772)
Scheme liabilities at end of year	<b><u>277,036</u></b>	<u>246,826</u>

Reconciliation of scheme assets during the year:

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Market value at beginning of year	<b>171,669</b>	200,408
Benefits paid	<b>(7,450)</b>	(8,101)
Employer contributions	<b>7,325</b>	6,594
Member contributions	<b>3</b>	4
Expected return on assets	<b>12,212</b>	15,747
Actuarial gain/(loss)	<b>14,765</b>	(42,983)
Market value at end of year	<b><u>198,524</u></b>	<u>171,669</u>

Actual return on scheme assets:

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Expected return on scheme assets	<b>12,212</b>	15,747
Actuarial gain/(loss)	<b>14,765</b>	(42,983)
Actual return on scheme assets	<b><u>26,977</u></b>	<u>(27,236)</u>

**Retirement benefits (continued)**

The amount charged to operating profit was:

	2010 £'000	2009 £'000
Current service cost	2,732	3,335
Total operating charge	<u>2,732</u>	<u>3,335</u>

Other finance costs/ (income) comprises:

	2010 £'000	2009 £'000
Expected return on pension scheme assets	(12,212)	(15,747)
Interest on pension scheme liabilities	15,115	16,208
	<u>2,903</u>	<u>461</u>

The amount recognised in the statement of total recognised gains and losses is:

	2010 £'000	2009 £'000
Actual return (better)/less than expected return on pension scheme assets	(14,765)	42,983
Experience gains arising on the scheme liabilities	(7,702)	(25,772)
Changes in the actuarial assumptions underlying the present value of the scheme liabilities	27,512	15,857
Net losses	<u>5,045</u>	<u>33,068</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is a loss of £66.0m (2009 - £61.0m loss).

The movement in the deficit in the year was:

	2010 £'000	2009 £'000
Deficit in schemes at beginning of year	(75,157)	(44,887)
Current service cost	(2,732)	(3,335)
Contributions	7,325	6,594
Other finance costs	(2,903)	(461)
Actuarial loss	(5,045)	(33,068)
Deficit in schemes at end of year	<u>(78,512)</u>	<u>(75,157)</u>

### Retirement benefits (continued)

At the year end, there was a small deficit in the Robson Rhodes scheme so the deficit noted above predominantly arises in the Grant Thornton scheme. The actuarial valuation of the Grant Thornton scheme as at 30 June 2008 was completed during the year ended 30 June 2009 and a schedule of contributions agreed with the trustees. In recognition that the level of pensionable pay will tend to decrease in real terms now that the scheme is closed to new members, total contributions covering the ongoing accrual of benefit by the members, the trustees' costs and an element designed to eliminate the funding shortfall by June 2018, have now been expressed as a sum of money rather than a percentage of pensionable salaries. Annual contributions of £5.6m were made for the year ended 30 June 2010, and these will increase gradually to £8.3m for the year ending 30 June 2018, although in reality the position and funding required will be reassessed as at 30 June 2011 (at the latest) when the next triennial review is carried out. In addition to these contributions, the firm pays 5% of pensionable salaries in respect of members who have opted into the salary sacrifice arrangement. Aggregate employer contributions for both schemes in the year commencing 1 July 2010 are expected to be £7.2m (1 July 2009: £6.9m) and member contributions for the same period are expected to be £Nil (2009: £Nil).

### Guarantee and recognition of obligations

A subsidiary entity, Grant Thornton Services LLP ("GT Services"), is the principal employer to both the Grant Thornton Pensions Fund and the Robson Rhodes Retirement Benefit Scheme. Both schemes are defined benefit pension schemes. GT Services is the sole participating employer of the active members of the GT scheme. Its immediate parent company, Grant Thornton Business Services ("GT Business Services") is the sole participating employer of the active members of the Robson Rhodes scheme. The FRS 17 obligations in respect of the schemes are set out above. The partnership pays GT Services and GT Business Services for the supply of staff to the partnership in accordance with the terms of a Staff Supply Agreement between the partnership and GT Services, such charges being sufficient to cover all of the employment costs of the staff, including all pension payments made by GT Services or GT Business Services to the scheme.

On 28 June 2004, the partnership provided a guarantee to the trustees of the Grant Thornton Pensions Fund under which it has undertaken to pay immediately, following a demand properly served on it by the trustees, any amount which becomes due and payable by GT Services and which remain unpaid by GT Services for a period of not less than two months from the due date.

In addition, on 29 March 2006, the partnership provided a further guarantee to the trustees of the Grant Thornton Pensions Fund in connection with the contributions payable to it by GT Services. The guarantee is to enable the trustees to provide a Type 1 Contingent Asset (as defined in section 6.1 of the document 'Guidance in relation to contingent assets' issued by the Board of the Pension Protection Fund in September 2006) to the Board of the Pensions Protection Fund. The guarantee was provided in connection with the Pensions Protection Fund Risk Based Levy and resulted in a significant reduction in the amount of the Risk Based Levy chargeable by the Pensions Protection Fund on the pension scheme. The obligation is limited to all present and future obligations and liabilities of GT Services to make payments to the scheme up to a maximum amount which, when added to the assets of the scheme, would result in the scheme being 105% funded on the date on which any liability under the guarantee arises, calculated on the basis set out in section 179 of the Pensions Act 2004.

On 2 July 2007, the partnership provided a guarantee to the trustees of the Robson Rhodes Retirement Benefit Scheme under which it has undertaken to pay immediately, following a demand by the trustees, any amount which becomes due and payable by GT Business Services in respect of its guaranteed obligations. Such obligations are defined and limited in the same way as those for GT Services set out above.

## Retirement benefits (continued)

The obligations to the schemes are reflected in the respective balance sheets of GT Services and GT Business Services as the participating employers. The obligations are not reflected in the individual entity balance sheet of the partnership because, apart from the contingent liability, no obligation or liability in connection with the scheme or the contributions payable to it exist within the individual entity either to the scheme or the principal/participating employers at the balance sheet date.

## 24 Leasing commitments

Operating lease payments amounting to £15,467,000 (30 June 2009: £14,652,000) are due within one year. The leases to which these amounts relate expire as follows:

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	415	177	94	462
Between one and five years	3,609	2,132	3,508	826
In five years or more	9,086	48	9,756	6
	<b>13,110</b>	<b>2,357</b>	<b>13,358</b>	<b>1,294</b>

## 25 Transactions with related parties

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

Mayshill Limited ("Mayshill") is beneficially owned by those continuing members of the partnership who were members on 30 June 2007. On 2 July 2007, the partnership loaned Mayshill £8,812,500 to enable Mayshill to acquire the customer goodwill of RSM Robson Rhodes LLP. The loan is repayable over 10 years in equal instalments and attracts interest at 2% over base rate. An addendum to the loan agreement was made on 29 March 2010 stating that the VAT element of the original loan was to be repaid in full as it was the intention that only the VAT exclusive amount be repaid over ten equal instalments. The VAT component was repaid in the year and the loan principal outstanding at 30 June 2010 was £5,250,000 (2009: £7,050,000). Other unsettled transactions between Mayshill and the partnership are carried in a loan account which also attracts interest at 2% over base rate. At 30 June 2010, the balance on this loan was £5,000 owed to the partnership (2009: £922,166 owed by the partnership). The net interest receivable by the partnership on these two loans for the year ended 30 June 2010 was £157,000 (2009: £314,000) although interest payments and receipts are subject to deduction of basic rate income tax.

On 2 July 2007, the partnership also entered into a 10 year agreement with Mayshill under which Mayshill has granted an exclusive licence to the partnership to use the customer goodwill acquired from RSM Robson Rhodes LLP. An annual royalty is payable by the partnership to Mayshill and this amounted to £910,000 (2009: £1,070,000) for the year ended 30 June 2010.

# Independent auditors' report to the members of Grant Thornton UK LLP

We have audited the group and parent entity financial statements ('the financial statements') of Grant Thornton UK LLP for the year ended 30 June 2010 which comprise principal accounting policies, the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and partnership balance sheets, the consolidated cash flow statement and the related notes. The 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 (the LLP), as a body, in accordance with the provisions of Chapter 3 of Part 16 of the Companies Act 2006, as applied by regulations 39 and 40 of 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 members of the LLP those matters we are required to state to them in an auditors' 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 LLP and the members of the LLP 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 annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been prepared in accordance with the Companies Act 2006. We also report to you if, in our opinion, the LLP has not kept adequate accounting records, if the LLP's individual financial statements are not in agreement with those records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only CEO's review of the year, Business and financial review and the Members' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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.

# Independent auditors' report to the members of Grant Thornton UK LLP

45

## Opinion

In our opinion the financial statements

- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006; and
- give a true and fair view of the state of the group's and the parent entity's affairs as at 30 June 2010 and of the group's profit for the year then ended.

PKF (UK) LLP

Stuart Collins (Senior statutory auditor)  
for and on behalf of PKF (UK) LLP, Statutory auditors  
London, UK

8 November 2010