Grant Thornton

Grant Thornton UK LLP report and accounts

For the year ended 31 December 2020

Registered no. OC307742

March 2021

Contents

CEO review:

Moving forward with confidence

In 2020, despite the headwinds presented by COVID-19, on a like for like basis our trading profits were ahead of 2019. This was a result of the hard work of our people, the continued support of our clients and the changes we made to our business in preceding years.

Dave Dunckley
CEO

As reported within the last Annual Report, these changes started in 2019, when we introduced an operating model that would enable us to thrive – structuring our business in such a way that quality, talent and value were built into everything we do.

2019 was about change and building confidence and momentum in our firm; continuing to build a sustainable and resilient business. Despite the six months to December traditionally being our quietest time of the year, our financial results to 31 December 2019 were well ahead of the ambitious and challenging budget we set – evidence that the changes we made were working.

This enabled us to start 2020 in a strong position. Throughout 2020 we have retained this focus, keeping quality, talent and value at the forefront of our decision-making. As a result – despite a worldwide pandemic – we delivered strong results and are continuing to move forward with confidence.

Any year-on-year comparison is difficult because of the 18 months comparative amounts. We set out below a comparison of results for the years to 31 December 2020, 2019 and 2018 from our internal management accounts to aid readers in understanding our business performance.

Calendar Year (£m)	2018	2019	2020
Net income	471	483	471
Trading profit*	61	68	72
Wealth Advisory	(4)	(5)	–
Underlying Trading profit	**57**	**63**	**72**
Year on Year growth (%)		**11%**	**14%**

*The only material differences between our management and statutory accounts numbers relate to the defined benefit pension scheme, the retirement annuities due to former partners and an unusually positive result on a long-standing contingent revenue matter. Pensions and annuity liabilities are accounted for on a cash basis within the management accounts whereas statutory accounts include the impact of actuarial assumptions .

The analysis above clearly demonstrates significant progress in our financial performance and should be read in conjunction with the analysis of the statutory accounts numbers on pages 9 and 10. In summary in 2020 our management accounts show Net revenue down £12m (2.5%) with a £9m (14.3%) increase in profitability. The improved profitability has been driven by a combination of increased service line margin following the changes we implemented in 2019 and overhead reduction. The overhead reductions reflect a combination of the benefit of the structural changes implemented in 2019 enhanced by the impact of COVID-19.

Based on our underlying trading, our average profit per member was £388,000 (2019 - £332,000). Differences between these numbers and the numbers in Note 9 reflect the differences between our management accounts and statutory accounts numbers set out above.

Back in 2019 we made a specific provision for certain ongoing legacy matters which allowed us to focus on the future with renewed confidence. These one-off provisions, and our continued strong trading performance have allowed us to continue to invest in our business focusing our investment decisions around Quality, Talent and the Value we bring to our clients.

Our consistent focus in 2020 was on doing the right thing for our people, our clients and our firm. At the outset of the pandemic we recognised that many of our client's priorities had changed. At the same time we identified the need to support our people to adapt to new circumstances, both at home and work. As a result of this focus, in the height of the first lockdown we took the positive decision not to use the Government's Furlough scheme and, while we took the difficult decision to ask some of our people to temporarily reduce their contractual hours, we've now been able to repay these employees and they have now received their full salary entitlement.

The pandemic has presented many challenges, but this has still been a year in which our people have shone. The following pages are just some of the highlights from 2020.

In conclusion I am proud of the way our people responded to the challenges of 2020. To deliver such a strong result has taken a monumental effort for which I would like to thank each and every member of the team.

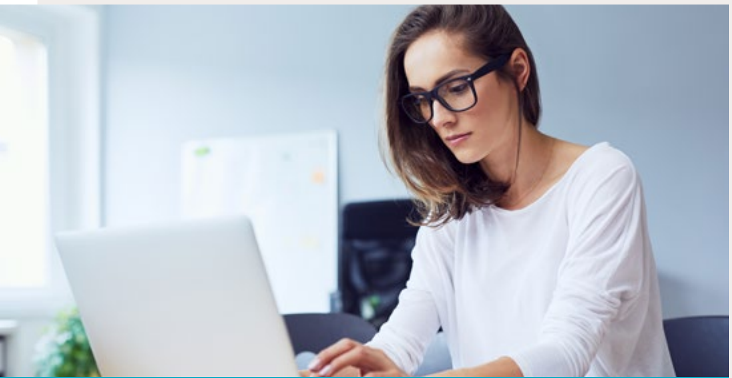
Whilst we know we have a small number of important legacy matters to deal with in 2021, the underlying strength and resilience of our business has meant that we have continued to invest in our future. As a result we will continue to move forward with confidence.

Dave Dunckley
Chief Executive Officer

Established a new Audit Quality Board, with full details in our Transparency Report

Adapted and adopted digital tools across all service lines to deliver quality and value to our clients, and enable our people to work efficiently and effectively

Quality



Pivoted our training to deliver a virtual comprehensive training program in place across all service lines to support the provision of quality in all that we do

7 new audit partners

Continued developing our audit strategy by investing in 7 new partners to ensure we are able to capitalise on opportunities which may arise as the market continues to evolve

Developed and implemented a new **quality assessment framework** for all our partners and directors

Invested in our Ethics team, expanding the team by 40% during the year

Completed a collective virtual walking challenge, covering more than 414,084 km – allowing our people to compete and connect while they were apart.

RANKED **#2** Social Mobility Index

Provided all of our 4,500 people with the **equipment they need** to safely and effectively work from home.

123 places on the Stonewall Index

Talent

We continued our drive to be the most inclusive business through the creation of our Inclusion Advisory Board comprising 12 members from across the business with diversity of background and experience

Provided resources to support our people in all areas of their **physical and mental health** and launched **Wellbeing days** for all of our people

Helped to build a more inclusive culture by sharing unique stories from our people from a range of backgrounds and experiences

791 new people recruited

13	Partners
320	Trainees

Expanded and adapted our employee communication channels, with our people rating our communications as 4.2 out of 5

We have successfully launched an Enterprise Application Strategy and Implementation practice, supporting clients deliver organisational strategy by defining, planning and implementing Enterprise Application requirements.

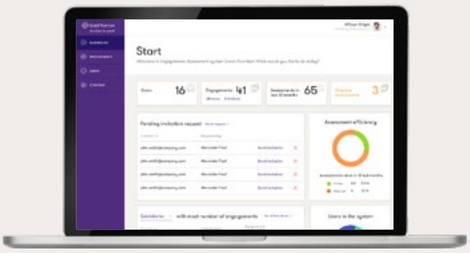
We moved quickly to run a series of **COVID-19 diagnostic workshops and webinars,** to support clients' plans in a rapidly changing environment.

Since the pandemic, public services teams advised on the sustainability of bus and rail services across the country

Value

The healthcare advisory team have been appointed to a **steady stream of engagements** to support the NHS's healthcare priorities and capital investment

In 2020 our corporate finance team completed 140 deals with an aggregate deal value of £2.5bn



We are providing support to central government programmes to ensure easier access in to overseas markets, increasing export growth

Digital tax tools

We launched new digital tools that help businesses to navigate the complex tax environment and provide a wealth of information to assist them manage and plan their tax risk

- R&D claims platform
- Capital allowances health check
- IR35 tool

Report to members

The Strategic Leadership Team present their report together with the financial statements of Grant Thornton UK LLP (the LLP) and its subsidiary entities (together the Group) for the year ended 31 December 2020.

The firm

Structure

Grant Thornton UK LLP is incorporated under the Limited Liability Partnership Act 2000 and registered in England and Wales and is referred to in these financial statements as "the firm" or "the LLP". It is the UK member firm of Grant Thornton International Limited. Each member firm is a separate and independent legal entity.

Principal activity

The principal activity of the LLP and the Group is the provision of audit, tax and advisory services. The Group operates primarily through the UK LLP and subsidiary undertakings.

Governance

During the year ended 31 December 2020 the governance structure continued to include:
- The Strategic Leadership Team which is responsible for developing and implementing the strategy and day to day management of the firm
- The Partnership Governance Board (formerly named the Partnership Oversight Board) which is responsible for overseeing the work of the Strategic Leadership Team on behalf of the members. The Board is chaired by one of our three independent non-executives.

Members of the Strategic Leadership Team are designated members of the firm. Full details of the governance structures and related sub-committees can be found in the separately published Transparency Report which is available on the firm's website.

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

The firm operates a drawings policy based on a prudent estimate of budgeted profits. Drawings are restricted to cautious levels, taking into account working capital performance, until the results for the period and individual members' allocations have been determined. The Membership Agreement provides a framework for further restriction of drawings under circumstances where the cash requirements of the firm need to take priority over those of individual members.

Members' capital requirements are determined from time to time by the CEO based on the short, medium and long term needs of the firm. There are three levels of capital contribution depending on the member's status and number of profit sharing units although all members may, and often do, opt to contribute up to higher levels. Whilst the Membership Agreement provides power to the CEO to repay a member's capital before retirement, such discretion is not exercised in practice.

Designated members

The designated members during the year ended 31 December 2020, and those who have been appointed or resigned subsequently, are as follows:

Strategic Leadership Team and current roles

Dave Dunckley	CEO
Fiona Baldwin	Head of Audit
Perry Burton (appointed 1st July 2020)	Head of People and Culture
Darren Bear	Head of Deals and Business Consulting
Mark Byers	Head of Strategic Relationships
Kathleen Campbell-Williams	Head of Tax
Malcolm Gomersall	COO
Robert Hannah	Head of Large and Complex
Andrew Howie (appointed 1st July 2020)	Head of International
Dave Munton	Head of UK Markets and Clients
Jonathan Riley stood down on 30th June 2020	

Financial position

Trading performance

The analysis here should be read in conjunction with the management accounts commentary on pages 2 and 3 which will aid readers in understanding our relative performance across 2020 and 2019. Profit from continuing operations in the 12 months to 31 December 2020 of £81.1m is 19.1% up on the equivalent number of £68.1m for the 18 months to 31 December 2019. We set out below a review a brief overview of the 2020 performance in each of our four service lines.

As ever our financial performance reflects a combination of factors by service line.

Audit
The business has had a strong year, despite the backdrop of significant disruption caused by the pandemic and additional work on client's going concern reviews. Our investment into Audit Quality has seen its first full year and we will continue with this significant and important investment in future years which will enable us to grow in the current buoyant market. Further details are set out in our separately published Transparency Report.

Tax
The business had a difficult first half due to the combination of challenges from the slow down in demand for tax services due to Covid and the results of the operational refocusing. However the benefits of strategic and operational actions taken led to a building of momentum in the second half, which positions Tax for growth in 2021.

Deals and Business Consulting
The business had an excellent first quarter, but then was the most impacted by the contraction in demand in the second quarter. In reality, some work was paused and restarted by clients in the second half, whereas the volatility within the market and the pent-up demand from Q2 then unwound positively in Q3 and Q4. This business continues to be core to our future in terms of both short and medium term opportunity despite the current market volatility.

Large and Complex
The business continues to be robust and our teams include market leading talent and propositions. The team continued to win work throughout, but with start dates delayed or postponed the business had challenges to address during 2020. The size of certain projects within Large & Complex can mean a natural ebb and flow in its performance, and this year is no exception, with the delivery of significant profit from a set of key projects this year meaning a strong year in 2020.

The 2020 trading year can be split into three distinct portions. The first quarter trading was strong but following the UK national lockdown at the end of the quarter the second quarter was significantly slower. The second half of the year showed year on year income growth and significant profit growth. These positive second half trends continue into Q1 of 2021.

Profit per member

The average profit per member calculated in accordance with IFRS for the period ended 31 December 2020 was £449,000 (18 months to December 2019: £566,000). The average allocable profit per member in accordance with IFRS for the period 31 December 2020 was £417,000 (18 months to December 2019: £513,000). The CEO report contains like for like numbers for average profit per member on the basis of our management accounts.

Environment and sustainability

In accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the members present their energy and carbon report of Grant Thornton UK LP for the financial year ended 31 December 2020. The Greenhouse Gas Protocol Corporate Greenhouse Gas Accounting and Reporting Standard has been used as the methodology for the SECR calculations and this has been externally verified.

Emissions source	**(location based)**	**12 months to 31 December 2020**
Scope 1	Natural gas	180
Scope 2	Electricity	1,154
Scope 3	Road transport	674
Total tCO2e		**2,008**
Total energy usage	**kWh**	**7,142,753**
Intensity ratio	tCO2e per £m of turnover	4.26

We are committed to reducing emissions by 21% by 2023. We were the first accountancy firm in the world to set science-based targets to reduce our environmental impact, and our commitment is to reach real net-zero by 2050 without relying on offsetting. Our team of environmental champions across the UK help to educate, drive change and encourage positive behaviours, which all help us to meet our targets. Right now, our main areas for impact reduction are waste and recycling, business travel, energy and paper. Offices around the country are driving change through a variety of initiatives. Our teams identify ways in which we can all reduce our consumption and make small changes to make a big difference.

Due to the global pandemic our emissions in 2020 from energy consumption and travel naturally reduced due to the shift to homeworking and the travel restrictions. In unoccupied offices procedures were put in place to ensure minimal energy consumption whist continuing to meet health and safety requirements.

In 2021 we will assess the behaviour change and differences in energy use and GHG emissions associated with the shift to home working. We will also be looking into the way we work going forward to ensure travel occurs when is necessary rather than as the norm.

Capital, treasury, liquidity

We manage liquidity risk by regularly undertaking reviews of short, medium and long-term funding requirements as well as continuously monitoring and improving our working capital usage. The Group's funding consists of a £111m revolving credit facility (of which £75m was unutilised at 31 December 2020) and capital introduced by members which amounted to £40m at 31 December 2020. It is important to understand that whilst this members' capital is only repayable following retirement, it is included within current liabilities in our balance sheet. Net debt (excluding lease obligations) reduced during the year from £49m to £12m at 31 December 2020. The components of net debt are set out in note 19.

The pension scheme liability remains a large exposure for the firm. We continue our dialogue with the Trustees around the best way to balance meeting our employer covenant to the pension scheme whist continuing to invest in the business for the long term. Our next triennial valuation is due at 30 June 2020 and will reflect the additional pension fund payments we made in 2019 as part of the enhanced transfer value arrangements. This triennial valuation is due to be finalised later in 2021.

Brexit

We have looked at the uncertainties arising from Brexit and believe the impact on our business to be modest and manageable given our business model.

We continue to monitor political and economic developments both from the Group's perspective and that of our clients, and assess potential risks and any necessary mitigations.

Going concern

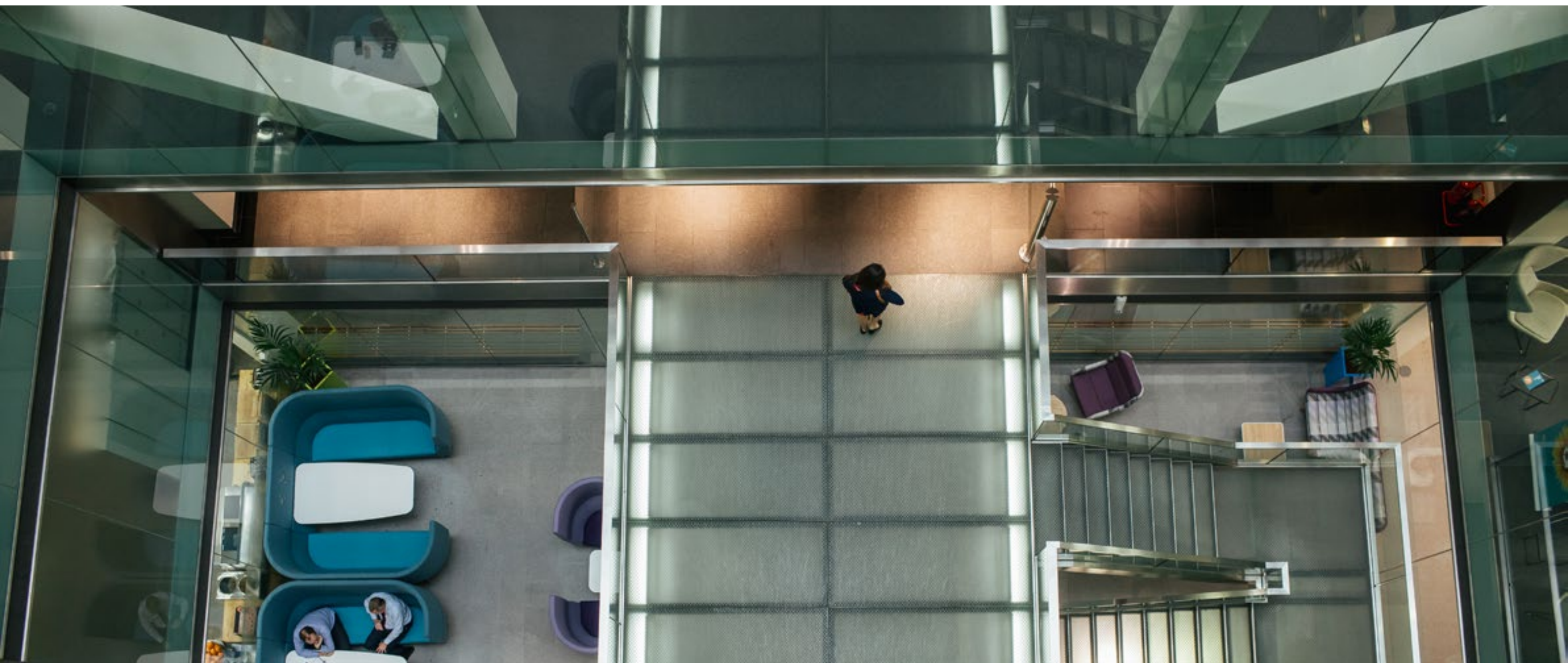
At 31 December 2020, the Groups financing arrangements consisted of a revolving credit facility of £111m (of which £75m was undrawn) along with member capital of £40m. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group will be able to operate within the level of its facilities and in compliance with all covenants for a forecast period of at least 12 months from the approval date of these financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its Consolidated financial statements.

Although the continued pandemic has restricted income growth in the 12 months to 31st December 2020, we have successfully improved margin and carefully managed our overheads to deliver a strong financial performance. Our people have continued to work largely remotely and we have ensured they can do so safely and effectively. We have and will continue to take steps to monitor and assure the health and welfare of our people. The steps we have taken have minimised any potential impact to our client service and allowed us to continue to invest in quality and talent whilst not taking advantage of any of the government support mechanisms introduced in 2020 to help businesses through the pandemic.

As we moved from response in the first half of 2020, to recovery throughout the second half of 2020, our business planning processes returned our focus to our strategic priorities, which remain unchanged. We expect the backdrop of uncertainty to continue throughout 2021 and into 2022 due to the ongoing pandemic. These uncertainties have been considered in our forecasts and through a range of downside scenarios. In preparing our forecasts, the following key assumptions were used; the impact of reduced margin caused by a downturn in the economic environment impacting most parts of our business; and increased competition for Talent in several areas that are key for strategic growth. A combination of all scenarios has formed the basis of our reverse stress testing.

As part of our assessment, we have considered the specific nature of work performed by each part of our business (using our experience from the past 12 months as well as references to the Global Financial Crisis) to form our assumptions of the impact team by team within the Group.

Even under the worst case downside scenario comprising our reverse stress testing, we forecast that our current facilities will remain sufficient over the forecast period and that we will maintain compliance with our covenants.



Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Members' Report 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 (the '2008 Regulations') require the members to prepare financial statements for each financial period. Under the law the members have elected to prepare consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and single entity financial statements under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework". The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the LLP 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs for the consolidated financial statements, and UK Accounting Standards for the single entity, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP or the Group 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 LLP and the Group and enable them to ensure that the financial statements comply with the 2008 Regulations. The members are also responsible for safeguarding the assets of the LLP and the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members confirm that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The members' responsibilities set out above are discharged by the Designated Members on behalf of the members.

Signed on behalf of the members on 31 March 2021:

Dave Dunckley
Chief Executive Officer

Malcolm Gomersall
Chief Operating Officer

Independent Auditor's Report to the Members of Grant Thornton UK LLP

Opinion

We have audited the financial statements of Grant Thornton UK LLP (the 'parent LLP') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the following:

- consolidated statement of comprehensive income,
- consolidated statement of financial position,
- consolidated statement of changes in equity,
- consolidated statement of cash flows,
- parent entity statement of financial position,
- parent entity statement of changes in equity, and
- notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent LLP financial statements, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships and:

- give a true and fair view of the state of the group's and of the parent LLP's affairs as at 31 December 2020 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

Basis for opinion

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

Conclusions relating to going concern

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

Our audit procedures to evaluate the members' assessment of the group and the parent LLP's ability to continue to adopt the going concern basis of accounting included, but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group and the parent LLP's ability to continue as a going concern;
- Evaluating the methodology used by the members to assess the group and the parent LLP's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the members' going concern assessment;
- Reviewing the members' going concern assessment, which incorporated severe but plausible scenarios, evaluating the key assumptions used and judgements applied;
- Examining the projected minimum committed facility headroom and projected covenant compliance, and evaluating whether the management's conclusion that liquidity headroom and covenant compliance remained in all events was reasonable; and
- Reviewing the appropriateness of the members' disclosures in the financial statements.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on:

- the overall audit strategy
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter: 1. Revenue recognition and the value of contract assets

The group's accounting policy in respect of revenue recognition is set out in note 1.3 'Revenue recognition' on page 31, with the commentary on the related judgements and estimates set out in note 2 "Revenue Recognition" on page 41. Contract assets are included on the statement of financial position within Trade and other receivables.

Under the group's revenue recognition accounting policy, the amount of revenue recognised in a period will represent the group's entitlement to consideration in respect of professional services provided in that period. In determining the entitlement to consideration, engagement teams estimate both the proportion of each engagement that is complete at the period-end, and the total consideration expected to be received under the engagement.

Some engagements, such as those that are longer term or that have complex contractual criteria determining entitlement to revenue, have a higher degree of uncertainty over the level of billable fees and/or engagement costs, and hence over profitability. The Recovery & Reorganisation (R&R) practice has a higher concentration of such contracts and accounts for 72% (2019: 62%) of contract assets at the period end. There is a risk that the complex and bespoke revenue recognition policies adopted for specialist areas of the business are not in accordance with IFRS 15 'Revenue from contracts with customers.

The level of uncertainty is also considered to be higher in the early stages of a long-term engagement, and estimated profits on certain longer term engagements are discounted, based on stage of completion, to reflect this uncertainty.

Reflecting the judgmental nature of the assessments required by engagement teams and the complex nature of some contractual arrangements, we have identified the occurrence and cut-off of revenue recognition and the associated valuation of contract assets, in particular in relation to longer term and more complex engagements, as a significant risk that requires special audit consideration.

1a. How our scope addressed this matter

Our audit procedures over revenue recognition and contract assets included general procedures on the methodology adopted and related control environment and control procedures, and substantive testing on a sample of engagements.

General procedures included, but were not limited to:

- assessing the design and implementation of controls that we considered to be key in the determination of revenue to be recognised;
- considering the appropriateness of the methodology adopted, with reference to IFRS15; and
- testing the integrity of revenue recognition models utilised for complex engagements, such as those in the R&R practice.

Substantive sampling procedures included:

- substantive testing on a sample of engagements to assess the occurrence of revenue had been achieved through engagement letters and performance of the agreed services;
- selection of a sample of engagements, focusing on but not limited to longer term and more complex engagements; and
- for each sample engagement:
    - assessing the right to consideration by reference to contractual terms; and
    - discussing and challenging the assumptions and estimates applied by engagement teams in determining the level of revenue recognised including cut-off and the contract asset value in the financial statements.

1b. Our observations

Our sample-based audit work indicated that revenue has been recognised when a right to consideration had been obtained through performance of the agreed services.

Overall, our assessment is that the methodology and models used in estimating the level of revenue and the valuation of contract assets are appropriate and in accordance with IFRS 15, and that the level of revenue and value of contract assets in the financial statements are appropriate.

Key Audit Matter: 2. Provisions for professional negligence claims and regulatory matters

The group's accounting policy in respect of provisions for professional negligence claims and regulatory matters is set out in note 1.6 'Provisions' on page 33 and the commentary on the related judgements and estimates is set out in note 2 "Claims provisions" on page 41.

The group makes a provision for regulatory matters and for uninsured and self-insured costs for settling negligence claims as 'Claims provisions' within 'Provisions', as set out in note 2 "Claims provisions" on page 41. The determination of provisions required can be highly judgmental. Generally, the level of provision in respect of claims considered to have merit is limited to the insurance excess plus any self-insured amount. The level of provision for regulatory matters is determined through assessment on a case-by-case basis.

Claims provisions is a key audit matter because of the potential financial impact that a major claim or regulatory proceeding could have on the group and because of the uncertainties involved, including the need to exercise judgement.

2a. How we addressed the matter in the audit

Our audit procedures included, but were not limited to:

- confirming the nature and level of insurance in place by reference to insurance certification, and considering the financial strength of the insurance providers;
- reviewing and assessing the provision methodology;
- assessing the professional claim notification procedures;
- consideration of significant ongoing regulatory matters and a sample of claims in progress, reviewing publicly available information and information held in-house, and challenging the group's legal team on the level of provision made; and
- considering the outturn of regulatory matters and claims settled during the period.

2b. Our observations

Based on our audit work, we consider the judgements made by management in determining the provision for claims and regulatory proceedings to be reasonable.

Key Audit Matter: 3. Valuation of defined benefit pension scheme liabilities and partners' annuities

The group's accounting policy in respect of the defined benefit pension scheme is set out in note 1.5 "Defined benefit pension" on page 32 and the commentary on the related judgements and estimates set out in note 2 "Defined benefit pension schemes" on page 42. The group's accounting policy in respect of partners' annuities is set out in note 1.6 'Provisions' on page 30, and the commentary on the related judgements and estimates is set out in note 2 "Retirement annuities to members" on page 42.

There is a significant liability recorded in respect of the Grant Thornton Pension Fund, included on the consolidated statement of financial position as 'Pensions'. Details of the assumptions used and the calculation of the liabilities are included on note 10 'Pensions and other employee obligations' on page 50.

The group's obligations under partners' annuity arrangements give rise to a material provision which is included on the consolidated statement of financial position as 'Former members' annuities' within 'Provisions', with further details set out in note 21 "Provisions" on page 75. The calculation of the liabilities in respect of the valuation of defined benefit pension scheme and partners' annuities, is performed by Grant Thornton's internal actuarial team and is subject to complex assumptions that involve significant judgement.

3a. How we addressed the matter in the audit

Our audit procedures included, but were not restricted to:

- assessing the qualification and objectivity of the Grant Thornton internal actuarial team, and the scope of their work;
- in conjunction with our internal actuarial specialists, considering the appropriateness of the valuation methodologies and challenging the Grant Thornton actuarial team and management on the appropriateness of the valuation assumptions;
- assessing the appropriateness of information sources used for the valuation of scheme liabilities; and
- reviewing the associated financial statement disclosures in the context of the requirements of IAS 19.

3b. Our observations

Based on our audit procedures, we found the actuarial assumptions to be both balanced and consistent with the expectations of our internal actuarial specialists when considered individually and when taken as a suite of assumptions. The valuation of the defined benefit pension scheme and partners' annuities was considered reasonable.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality aspect	Response
Overall materiality for the group and the parent LLP	£6.5m (2019: £7.0m)
How we determined it	We determined materiality for the consolidated financial statements to be £6.5m (2019: £7m), representing approximately 9% (2019: 7.5%) of the profit before members' remuneration and profit shares.
Rationale for benchmark applied	We establish materiality by reference to the profit before members' remuneration and profit shares, which we consider to be one of the principal considerations of the members' in assessing the financial performance of the group.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Performance materiality for the group was determined to be £5.2m (2019: £5.6m), being 80% of materiality.
Reporting threshold	We agreed with the Risk & Audit Committee that we would report to them misstatements identified during our audit above £0.2m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the members made subjective judgements, such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the group and parent LLP, their environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit included an audit of the financial statements of the parent LLP, together with audits for group reporting purposes of its principal subsidiary undertakings. 98% of group revenues and 94% of group total assets attributable to members' were subject to audit based upon group materiality, with the remaining group net assets being subject to targeted audit procedures or analytical review. Substantially all the subsidiary undertakings are subject to audit by us, directly, as the group auditor.

At the parent LLP level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and the parent LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and the parent LLP's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the members' responsibilities statement set out on page 13, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent LLP and the professional services sector, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, pensions legislation, employment and health and safety regulation, anti-bribery, corruption and fraud, regulation regarding professional responsibilities and, money laundering and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated the members' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the members and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and parent LLP which were contrary to the applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the members and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

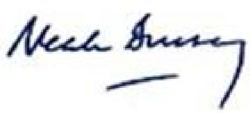
The primary responsibility for the prevention and detection of irregularities including fraud rests with both the Audit and Risk Commitee and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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

Use of the audit report

This report is made solely to the parent LLP's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent LLP and the Parent LLP's members as a body for our audit work, for this report, or for the opinions we have formed.



William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London, E1W 1DD

31 March 2021

Consolidated statement of comprehensive income

for the period ended 31 December

	Note	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Revenue	3	496,446	728,421
Client expenses and disbursements		(22,580)	(42,414)
Net revenue		473,866	686,007
Other operating income	4	527	314
Operating expenses	5	(386,563)	(601,032)
Operating profit		87,830	85,289
Share of (loss) from equity accounted investments	17	(55)	(6,502)
Finance costs	6	(4,025)	(6,983)
Finance income	6	1,339	856
Loss on disposal of non-financial assets	4	(350)	(263)
Profit before tax		84,739	72,397
Taxation charge for the year/period	8	(3,600)	(4,269)
Profit for the year/period from continuing operations		81,139	68,128
Profit and gain from discontinued operations before members' remuneration	7	3,218	39,539
Members' remuneration charged as an expense	9	(15,157)	(22,505)
Profit for the period available for discretionary division among members		69,200	85,162
Other comprehensive income/(expense):			
Items that may not be reclassified subsequently to profit or loss			
Remeasurement losses on the defined benefit obligations	10	(15,797)	(23,564)
Items that may be reclassified subsequently to profit or loss			
Fair value through other comprehensive income - financial assets gains		2	3
Exchange differences on translating foreign operations		(125)	(160)
Other comprehensive expense for the year/period		(15,920)	(23,721)
Total comprehensive income for the year/period		53,280	61,441

Consolidated statement of financial position

as at 31 December

ASSETS	Note	31 December 2020 £'000	31 December 2019 £'000
Non-current assets			
Goodwill	11	13,009	13,009
Other intangible assets	12	8,122	4,855
Property, plant and equipment	13	12,899	17,327
Right-of-use assets	14	45,938	-
Right-of-use assets held as Investment Property	15	1,611	-
Other long-term financial assets	20	294	-
Investments accounted for using the equity method	17	1,059	600
Total non-current assets		82,932	35,791
Current assets			
Trade and other receivables	18	249,635	258,568
Restricted fixed-term call deposits	20	5,207	4,201
Cash and cash equivalents	19	24,190	16,886
Total current assets		279,032	279,655
Total assets		361,964	315,446

EQUITY & LIABILITIES	Note	31 December 2020 £'000	31 December 2019 £'000
Equity			
Members' other interests – other reserves classified as equity	9	(39,365)	(30,187)
Translation reserve	9	1,658	1,784
Revaluation reserve	9	(318)	(320)
Total equity		(38,025)	(28,723)

Consolidated statement of financial position (continued)

as at 31 December

EQUITY & LIABILITIES	Note	31 December 2020 £'000	31 December 2019 £'000
Non-current liabilities			
Pensions	10	99,951	89,660
Borrowings	24	-	479
Lease liabilities	14	32,870	-
Provisions	21	51,999	46,597
Total non-current liabilities		184,820	136,736
Current liabilities			
Loans and other debts due to members within one year			
Members' capital classified as a liability	9	40,375	42,550
Other amounts due to members	9	33,285	17,263
		73,660	59,813
Other current liabilities			
Borrowings	19	36,000	66,248
Trade and other payables	22	90,466	79,506
Lease liabilities	14	13,178	-
Current tax liabilities		1,865	1,866
Total current liabilities		215,169	207,433
Total liabilities		399,989	344,169
Total equity and liabilities		361,964	315,446

The financial statements of Grant Thornton UK LLP (Registered no. OC307742) on pages 22 to 27 were approved and authorised for issue on 31 March 2021 by the Designated Members of Grant Thornton UK LLP.

Dave Dunckley
Chief Executive Officer

Malcolm Gomersall
Chief Operating Officer

Consolidated statement of changes in equity

for the period ended 31 December

	Revaluation reserve £'000	Translation reserve £'000	Other reserves £'000	Total equity £'000
Balance as at 1 January 2020	(320)	1,784	(30,187)	(28,723)
Allocated profits in respect of the prior period	-	-	(63,003)	(63,003)
Tax adjustments on payment of annuities to former members	-	-	424	424
Transactions with members	-	-	(62,579)	(62,579)
Profit for the financial year available for discretionary division among members	-	-	69,200	69,200
Other comprehensive income/(expense)	2	(125)	(15,797)	(15,920)
Total comprehensive income/(expense) for the year	2	(125)	53,403	53,280
Balance as at 31 December 2020	(318)	1,659	(39,365)	(38,025)

	Revaluation reserve £'000	Translation reserve £'000	Other reserves £'000	Total equity £'000
Balance as at 1 July 2018	(323)	1,944	(36,199)	(34,578)
Allocated profits in respect of the prior year	-	-	(56,275)	(56,275)
Tax adjustments on payment of annuities to former members	-	-	688	688
Transactions with members	-	-	(55,587)	(55,587)
Profit for the financial period available for discretionary division among members	-	-	85,163	85,163
Other comprehensive income/(expense)	3	(160)	(23,564)	(23,721)
Total comprehensive income/(expense) for the period	3	(160)	61,599	61,442
Balance as at 31 December 2019	(320)	1,784	(30,187)	(28,723)

Consolidated statement of cash flows

for the period ended 31 December

	Note	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Operating activities			
Profit for the year/period for discretionary division among members		69,200	85,162
Members' remuneration charged as an expense		15,157	22,505
Taxation		3,600	4,269
Non-cash adjustments	23	20,563	25,279
Contributions to defined benefit plans		(7,227)	(10,578)
Net changes in working capital	23	15,767	(19,110)
Net cash from operating activities before tax paid and discontinued operations		117,060	107,527
Net cash (used in) discontinuing operations	7	-	(35,529)
Taxes paid		(3,600)	(3,649)
Net cash from operating activities		113,460	68,349
Investing activities			
Purchase of property, plant and equipment		(755)	(3,930)
Proceeds from disposal of property, plant and equipment		771	41
Purchase of other intangible assets		(614)	(2,805)
Proceeds from investments accounted for using the equity method		-	3,999
Acquisition of other long term assets		(294)	-
Acquisition of investments accounted for using the equity method		(515)	(1,011)
Purchase of restricted fixed term call deposits	20	(5,207)	(4,201)
Proceeds from disposal of restricted fixed term call deposits	20	4,203	8,900
Proceeds from discontinued operations	7	--	39,670
Interest received		1,339	856
Net cash (used in)/generated from investing activities		(1,072)	41,519

Consolidated statement of cash flows (continued)

for the period ended 31 December

	Note	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Financing activities			
Proceeds from borrowings and lease liabilities		36,000	66,248
Repayments of borrowings and lease liabilities		(80,459)	(67,878)
Interest paid		(2,304)	(3,374)
Payments to members		(47,985)	(88,299)
Capital contribution by members		4,075	7,375
Annuity payments to former partners		(1,796)	(2,764)
Repayments to former members		(12,492)	(18,211)
Net cash used in financing activities		(104,961)	(106,903)
Net change in cash and cash equivalents		7,427	2,965
Cash and cash equivalents, beginning of year/period		16,886	13,846
Exchange differences on cash and cash equivalents		(123)	75
Cash and cash equivalents, end of year/period		24,190	16,886

Notes to the consolidated financial statements

1 Accounting policies

1.1 Basis of preparation

The principal activities of Grant Thornton UK LLP (the LLP) and its subsidiary entities (together the Group) are the provision of audit, tax and advisory services largely (but not exclusively) within the UK. The LLP, the Group's ultimate parent entity, is a limited liability partnership registered in England and Wales. Its registered office is 30 Finsbury Square, London, EC2A 1AG.

The consolidated financial statements are presented in Pounds Sterling (£) which is also the functional currency of the LLP and have been presented in round thousands (£'000).

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretation Committee interpretations, in conformity with the requirements of the Companies Act 2006 as applied by LLPs.

Consolidation

The Group financial statements consolidate those of the LLP and all entities over which the LLP has control as at 31 December 2020. All Group entities have a reporting date of 31 December.

All transactions and balances between Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between Group entities. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of Group entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The profit or loss of entities acquired or disposed of during the year are recognised in the Income Statement and the Statement of Other Comprehensive Income of the Group from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Foreign currency considerations

The consolidated financial statements are presented in Pounds Sterling (£) which is also the functional currency of the parent company and have been presented in round thousands (£'000). The assets, liabilities and transactions of Group entities with a different functional currency are translated into Pounds Sterling upon consolidation. The income statements of these entities are translated into Pounds Sterling at the actual exchange rates at the date of the relevant transaction and the year-end net assets are translated at year end exchange rates. Exchange differences arising from retranslation of the opening net assets are reported in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Exposure to foreign exchange differences resulting from the re-translation of the assets and liabilities of the Group's foreign operations are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity.

Going concern

At 31 December 2020, the Group's financing arrangements consisted of a revolving credit facility of £111m (of which £75m was undrawn) along with members' capital of £40m. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group will be able to operate within the level of its facilities and in compliance with all covenants for a forecast period of at least 12 months from the approval date of these financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements. Further detail is provided in the Member's Report.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.2 Changes in accounting policies

One new standard is applicable in these financial statements. The transition and impact of adopting IFRS 16 – Leasing is detailed below and also in Notes 14 and 15.

Due to the extended 18 month reporting period from 1 July 2018 to 31 December 2019, the Group adopted IFRS 16 Leases for the period commencing 1 January 2020. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group's new accounting policy for leases, following the adoption of IFRS 16 Leases, together with the policy applied in the comparative period, is set out in section 1.11 below.

The Group has adopted IFRS 16 using a modified retrospective approach. Under this approach, the Group has opted to measure the initial right-of-use assets at an amount equal to the lease liabilities on the date of adoption. The lease liabilities are measured as the present value of future lease payments. The right-of-use assets are adjusted to take account of any prepaid lease payments and incentives relating to the relevant leases that are recorded on the balance sheet at the date of initial application of IFRS 16, being 1 January 2020. The impact of the adoption of IFRS 16 on the balance sheet as at 1 January 2020 is set out in the table below.

The Group had no onerous lease provisions at 1 January 2020.

There has been no restatement of comparative information in the financial statements as a result of adopting IFRS 16 under the modified retrospective approach. For contracts in place at this date of adoption, the Group continued to apply its existing definition of leases under the previous standards, IAS 17 and IFRIC 4, instead of reassessing whether existing contracts were or contained a lease at the date of application of the new standard.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 1.4%.

The Group is using the following practical expedients on transition to leases previously classified as operating leases:

- Electing to not apply the retrospective treatment to leases for which the term ends within 12 months of initial application and for leases of low value assets and account for the lease expense on a straight-line basis over the remaining lease term;
- Excluding initial direct costs from measuring the right-of-use assets at the transition date;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

Adjustments recognised on adoption of IFRS 16

As at 1 January 2020	£'000	Description of change
Right-of-use assets held as Investment Property	811	Classification of property sublease interests at transition
Property, Plant & Equipment	(873)	Reclassification of assets held under finance leases from Property, plant and equipment to Right-of-use assets
Right-of-use assets	56,152	Initial right-of-use assets recognised on adoption of IFRS 16
Trade and other receivables	(3,238)	Reclassification of prepayments, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Trade and other payables	5,780	Reclassification of lease incentives, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Borrowings	726	Reclassification of finance lease liabilities at transition
Lease liabilities	(59,358)	Net present value of lease liabilities recognised on adoption of IFRS 16
Reserves		

The most significant differences between the Group's operating lease commitments of £68,833,000 at 1 January 2020 and lease liabilities upon adoption of IFRS 16 of £59,358,000 are set out below:

As at 1 January 2020	£'000
Operating lease commitments reported at 31 December 2019 under IAS 17	68,833
Commitments relating to low value/short term leases not in scope at transition	(3,413)
Adjustments as a result of a different treatment of extension and termination options	(5,307)
Liabilities in excess of the minimum commitment to the end of the lease term	895
Reclassification of finance lease liabilities	726
	61,734
Effect of discounting on payments included in the calculation of the lease liability	(2,376)
Lease liability opening balance as at 1 January 2020 under IFRS 16	59,358

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

1.3 Revenue recognition

The Group's revenue streams involve the provision of professional services.

To determine whether to recognise revenue, the Group follows the IFRS 15 five step process. Revenue from contracts with customers is recognised when the Group satisfies a performance obligation for a contracted service.

The Group generates revenues from a wide variety of contracts for the provision of Audit, Tax, and Advisory services. Where it enters into revenue transactions involving a range of its services the Group applies the revenue recognition criteria set out in this policy to each separately identifiable component of the transaction.

Audit fees are typically fixed fees. Tax, and Advisory services can involve fixed, variable and contingent fees. All of the Group's services follow the IFRS 15 five step process, detailed in this accounting policy.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct service or a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

The Group evaluates the separability of the promised services based on whether they are distinct.

Transaction price

At the start of the contract, the total transaction price is estimated as the consideration to which the Group expects to be entitled to for satisfying performance obligations and transferring the promised services to the customer, including expenses and excluding value added taxes and discounts.

The transaction price is determined either by using an estimation of the costs to complete a performance obligation plus a margin, or where there are observable stand-alone selling prices, available market data and tender processes. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices.

Revenue in respect of variable consideration performance obligations, which is over and above any agreed minimum fee, is included in the transaction price when it is highly probable that there will be no significant reversal of the revenue. Revenue above the agreed minimum fee may be constrained by the probability that there will be no significant reversal of the revenue. The probability is based on historical evidence. Variable revenue is based on the expected value approach.

Approach

Performance obligations can be satisfied in a variety of ways upon completion of specific obligations, or as services are rendered. Revenue recognised is the value allocated to the satisfied performance obligation over time or at a point in time.

Revenue from a contract to provide services, which is typically recognised over time, is recognised by reference to the stage of completion of the contract. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment of cost plus margin for performance completed to date.

The Group typically uses percentage of completion calculations which are based on labour hours expended and, therefore, costs incurred. This is a faithful representation of the completion status because the labour hours expended, and expenses incurred are an accurate record of the work performed.

Measuring the timing and the progress of performance obligations is performed on a consistent basis to similar performance obligations in similar circumstances, using either a contract by contract or portfolio approach.

As further information is received calculations for estimates are updated. Any revenue or cost changes brought about from changes to estimates are included in the income statement in the period it relates to.

The Group recognises the different revenue types as follows:

- Performance-fee contracts are recognised when the Group meets the performance obligations and there is a contractual right to payment.
- Time-and-materials contracts are recognised over time as services are delivered where there is a contractual right to payment for services delivered to date.
- Fixed fee revenue is recognised over time based on the actual service provided to the end of the reporting period relative to total services to be provided, generally assessed by reference to actual inputs of time and expenses as a proportion of the total expected inputs, and where there is an enforceable right to payment for performance completed to date.
- Variable revenue is recognised on an expected value basis unless it related to a contingent event happening. The Group recognises revenue relating to a contingent event over and above a minimum fee to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

If the Group satisfies a performance obligation before it receives the consideration, this is reported either as trade receivables or as a contract asset in the Statement of Financial Position. The Group recognises a contract asset where something other than the passage of time is required before the consideration is due. In all other cases, the Group recognises a receivable for the consideration due.

Payments on account in excess of the relevant amount of revenue are included in excess payments received on account within trade payables in the Statement of Financial Position. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the Statement of Financial Position.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense. These losses are categorised as 'Provisions for foreseeable losses' within trade and other payables.

Material costs to fulfil contracts are capitalised, amortised, annually reviewed for impairment and are recognised on satisfaction of the performance obligation. Expenses for obtaining a contract with a customer such as pre-bidding or tendering are expensed as incurred, regardless of whether a contract is awarded.

1.4 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement and are expected to be settled in the next 12 months.

1.5 Defined benefit pension

The Group takes professional advice from its own actuaries when estimating the assumptions used to value the Group’s obligations under the schemes. Key assumptions include those in relation to the discount rate to be applied to liabilities, inflation, as well as those in relation to mortality.

The Group’s obligation is calculated by estimating the amount of future retirement benefit that eligible employees have earned in return for their services. That benefit which is payable in the future is discounted to today’s value (the defined benefit obligation) and then the fair value of the scheme assets at the year-end is deducted, which results in the defined benefit pension deficit recognised in the Statement of Financial Position. No corresponding deferred tax asset is recorded in these accounts as can be recorded in the accounts of a corporate entity.

The defined benefit obligation of the ongoing plan is measured by discounting the best estimate of future cash flows to be paid using the ‘projected unit’ method. This method is an accrued benefits valuation method which makes allowance for projected earnings of members in the future up to retirement. These calculations are performed annually by qualified actuaries and involve many judgements and estimates, the main assumptions are set out later in this section. A sensitivity of the principal assumptions is also set out below. Movements in assumptions during the period are called ‘remeasurement gains and losses’ and these are recognised in the period in which they arise through other comprehensive income.

The areas which impact the defined benefit obligation position at the period end are as follows:

- The interest expense is the unwinding of one year's movement in the present value of the defined benefit obligation and is essentially determined by multiplying the discount rate by the defined benefit obligation at the beginning of the year and updated for contributions to the scheme and benefit payments made by the scheme. The interest expense is recognised through net finance costs in the income statement.
- Remeasurement gains and losses arise from experience adjustments and changes in actuarial assumptions (demographic and financial). Experience adjustments arise from comparing assumptions made when estimating the obligations to actual experience. Key assumptions are explained in detail later in this section. Remeasurements gains and losses are recognised through other comprehensive income.
- Benefits paid out to pension scheme members by the plans reduce the obligation.

1.6 Provisions

Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. The unwinding of the discount is expensed in the Income Statement.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions recognised at acquisition date in a business combination are included in additions.

Claim provisions

The Group maintains professional indemnity insurance and premiums are expensed as they fall due. Reimbursements are recognised as they become receivable. Where a potential outflow of resources becomes probable and can be reliably estimated it is included within the Claim provision. The inherently subjective nature of the issues involved means the timing of the utilisation of those provisions is inherently difficult to predict.

Property provisions

Property provisions are in respect of dilapidations and surplus properties. These provisions are generally expected to be utilised within five years.

Retirement benefits of former members and partners of the predecessor firm

The Group (and LLP members) has a contractual obligation to make payments to certain former members and certain partners of the predecessor partnership following their retirement. The Group's obligations in respect of these future payments are referred to as 'annuities' for which further detail is provided below.

The obligation for all annuities remains with the Group and the financial statements include obligations for retirement annuities payable in the future to retired members. The obligation has been discounted to its net present value.

The obligation for annuities to former members include elements that are dependent on the life expectancy of the former members (mortality rates are assumed to follow the 110% S2PA Light mortality base table). The annuity provision has been actuarially calculated using a discount rate of 0.7% (2019: 1.5%) based on Government bonds and estimates of the expected payment period covered by the annuities.

Changes in estimates and assumptions in respect of obligations, together with the unwinding of the discount, are recognised in the Income statement.

1.6 Goodwill

Goodwill recognition and impairment review

Goodwill represents the future economic benefits expected to arise from a business combination that cannot be attributed to individually identifiable and separable assets. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is tested annually for impairment. The process of impairment testing for goodwill involves:

- Allocating goodwill to those cash generating units (CGU's) that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill;
- Calculating the recoverable amount of that CGU. The recoverable amount is the higher of the CGU's fair value less costs of disposal and value-in-use;
- Reviewing the recoverable amount for each CGU by comparing it to the carrying amount of both goodwill and corporate assets assigned to the CGU, and recognising an impairment loss where the carrying value of the CGU is higher than its recoverable amount;

The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on year 1 budgeted cash flows which takes in to account the impact of COVID-19. Cash flows for the periods beyond existing budgets have been extrapolated using a 3% long-term GDP annual regional growth rate (2019: 3%). Cash flow scenarios with nil growth show no indication of impairment. The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 8% (2019: 8%), which reflects the risks of all the CGUs being in line with the Group in aggregate.

Estimates have been used in calculating the one-year financial budgets. The growth rates used in the value in use calculations reflect a prudent view, applying any impairment loss to write down first the goodwill in that CGU and then pro-rata to the other assets in the cash-generating unit.

Management is not currently aware of any reasonably possible changes to its key estimates that would result in an impairment. The recoverable amounts are less than two years of the current year expected cash flows and are not particularly sensitive to either the discount rate or growth rate.

1.7 Investments

Investments in joint ventures and associates are accounted for using the equity method. The investment is initially recognised at cost and the carrying value adjusted to recognise the Group's share of the profit or loss of the jointly controlled entity or associate after the date of acquisition. The Group's share of profit or loss is recognised in the income statement with a corresponding adjustment to the carrying value of the investment. Further details relating to each of these investments are contained in Note 17.

1.8 Intangible assets

Initial recognition of other intangible assets

Expenditure on the research phase of projects is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably;
- The project is technically and commercially feasible;
- The Group intends to and has sufficient resources to complete the project;
- The Group has the ability to use or sell the other intangible asset;
- The software will generate probable future economic benefits;
- Development costs not meeting these criteria for capitalisation are expensed as incurred;
- Directly attributable costs include employee costs incurred on the other intangible asset development along with an appropriate portion of relevant overheads.

Amortisation

Amortisation is recognised on a straight-line basis to write down the value of an asset from cost to its estimated residual value over its estimated useful economic life. The useful live for software has been estimated at between 2 and 10 years and is amortised over this period.

All finite-lived intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs less residual values are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Any capitalised internally developed software that is not yet complete is not amortised until it is ready for use but is subject to impairment testing during this time.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets and are included within operating expenses in the consolidated statement of comprehensive income.

Subsequent measurement

Subsequent expenditure on the maintenance is expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in the Income Statement within other income or other expenses.

1.9 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. It is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the value of an asset from cost to its estimated residual value over its estimated useful economic life.

Material residual value estimates and estimates of useful lives are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the Income Statement within gain or loss on sale of non-financial assets.

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets, and are included within operating expenses in the Consolidated Statement of Comprehensive Income.

Repairs and maintenance costs arising on property, plant and equipment are charged to the income statement as incurred.

The following useful lives are applied:

Category	Useful economic life
Leasehold improvements	Period of the lease*
Furniture and equipment	5-8 years
Office equipment	3-5 years
Motor cars	4 years

* In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets of over the term of the lease, if shorter.

1.10 Leases

Leased assets

The Group makes use of leasing arrangements principally for the provision of office property, IT equipment and motor vehicles. Leases of property generally have a lease term ranging from 5 years to 20 years and some of these have break options. Lease terms for IT equipment and motor vehicles have lease terms of between 3 and 5 years. Lease payments are generally fixed. The Group does not enter into sale and leaseback arrangements.

For new contracts entered into, the Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at offices and servicing and repair contracts in respect of IT equipment and motor vehicles. The Group has elected to not separate its leases into lease and non-lease components and instead accounts for these contracts as a single lease component.

Measurement and recognition of leases as a lessee

The Group recognises all lease liabilities and the corresponding right-of-use assets on the balance sheet, with the exception of short-term leases (12 months or less) and leases of low value assets, which are expensed on a straight-line basis over the lease term.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate and any payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, including changes in market rental rates following a market rent review. or, as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in the Income Statement.

The Group has applied judgement to determine the lease term for those contracts that include a renewal or break option. The assessment of whether the Group is reasonably certain to exercise a renewal option or not exercise a break option can impact the value of the lease liability and right-of-use assets recognised on the balance sheet. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not utilise a break clause. Extension options (or periods after break clauses) are only included in the lease term if the lease is reasonably certain to be extended (or break clause not utilised). Considerations include, but are not limited to, ongoing assessment of the office portfolio and its suitably for the Group, including the effects of the COVID-19 pandemic where this has resulted in greater use of home working, costs that would be incurred to change assets where a break option is taken, past practice and other commercial considerations.

Judgement is required in determining the discount rate, which is based on the incremental borrowing rate. The judgement applied required a consideration of the appropriate factors to take into account when assessing the incremental borrowing rate of the Group and its subsidiaries. An increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and higher interest expense over the term of the lease.

The Group as lessor

The Group's accounting policy is unchanged under IFRS 16 in relation the group acting as lessor.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Right-of-use assets held as Investment Property

Right-of-use assets held as investment properties are properties held by the Group as lessee that are subleased to third parties on operating leases to earn rentals and are accounted for using the cost model.

The Group depreciates right-of-use assets held as Investment properties on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Leases accounting policy applied in the comparative period

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

The cost of incentives received in connection with property leases are allocated over the lease term on a straight-line basis, or to the period to the next break clause, if shorter.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease. Finance lease liabilities are secured by the related assets held under those finance leases. The lease agreements generally include fixed lease payments.

All non-financing leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Lease incentives were recognised on a straight-line basis over the lease term as a reduction of rental expense.

1.11 Members' interests

Divisible profits and members' remuneration

For a LLP, the basis of calculating profits for allocation may differ from the profits reflected in the financial statements, 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 former members, pension scheme charges 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 are not allocated to members as part of the division of profits but instead are effectively included within other reserves in the Statement of Financial Position.

Depreciation and profits or losses on disposal of cars used by members, together with members' other motor expenses, are charged through the Income Statement 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 Income Statement in arriving at profit available for discretionary division among members.

The remainder of profit shares, which have not been allocated until after the Statement of Financial Position date, are treated in these financial statements as unallocated at the Statement of Financial Position date and included within other reserves.

1.12 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the Income Statement are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss, applies only if the assets have contractual cash flows that are not meeting the SPPI test. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in the Income Statement. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The broad range of information is used for the assessment of the different stages.

The definition of default is when a client or member or other party are unable to pay the amounts due based on internal credit risk management procedures and information.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Other receivables

The Group's investment in debentures is measured at fair value through the Income Statement due to the debenture being able to be converted into equity of the business.

Amounts due from members

Amounts due from members use the IFRS 9 model of collecting contractual cash flows and as such is measured at amortised cost. The contractual requirements, as set out in the Membership Agreement requires the repayment of any deficit on a partners current account within 30 days, together with interest, which it is considered meets the 'solely the payment of principal and interest' condition.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the Income Statement are included within finance costs or finance income.

Fair values

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value through profit and loss includes other receivables measured at fair value using unobservable inputs (Level 3), comprising of debt investments in the Grant Thornton global network of firms, litigation funding balances and equity investments.

There have been no transfers between Levels 1, 2, and 3 during the current year or prior period.

For other financial assets and liabilities, fair value approximates their carrying value in the current and prior financial periods.

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Operating Officer and to the Risk and Audit Committee of the Partnership Governance Board. Valuation processes and fair value changes are discussed among the Risk and Audit Committee at least every year, in line with the Group's reporting dates. The valuation techniques for the Level 3 instruments are as follows:

- Debt investments in Grant Thornton global network of firms (Level 3) – These are listed as 'Fully and compulsory convertible debentures'. The fair value of the debt investments is determined based on future cash flow modelling which takes into account the investee's expected future performance. The significant unobservable inputs are the future performance of the entities.
- Litigation funding – The fair value for funding balances is determined using an income approach applying a probability-weighted average of future cash flows. The Group's senior professionals in this area of the business are responsible for developing the policies and procedures for fair value measurement and at each reporting date the movements in the values of assets and liabilities are required to be re-assessed as per the Group's accounting policies. The quantum of change depends on the potential future stages of asset progression. The consequent effect when an adjustment is made is that the fair value of an asset with few remaining stages is adjusted closer to its predicted final outcome than one with many remaining stages. The significant unobservable inputs are the outcomes of future litigation.
- Investment in Grant Thornton Asset Recovery Fund Limited – The fair value is determined based on future cash flow modelling that takes into account the investee's expected future performance. The significant unobservable inputs are the future performance of the entities.

1.13 Tax

Recognition and measurement

In relation to the income tax payable by the members of Grant Thornton UK LLP, neither partnership taxation nor related deferred taxation are accounted for in the financial statements. This means that no deferred tax asset is recorded against the firm's deferred tax liabilities or the firm's pension liabilities. Sums set aside in respect of members' tax obligations are included in the Statement of Financial Position within loans and other debts due to members or set against amounts due from members as appropriate.

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

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

2 Significant management judgements or estimates

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Management base their assessment for judgements and estimates on historic experience, market insights, and rational estimates of future events. Those which have the most significant effect are summarised below.

2.1 Critical judgements

Revenue recognition

Revenue is recognised on the basis of the satisfaction of performance obligations. The identification of and accounting for these performance obligations requires judgement. This judgement is needed to determine the value and timing of revenue in relation to when performance obligations are satisfied, the allocation of transaction prices and the recognition of variable (on an expected value basis) and contingent revenue.

Further judgements are needed with contracts where the collectability is uncertain or there is contingency on the occurrence of a future event. The judgements in these instances relate to the value of revenue that needs to be constrained so that it is highly probable that a significant reversal of revenue will not occur. Management regularly reviews the collectability of revenue and the likelihood of events occurring. Where revenue is not collectable or where there it is highly probable that a significant reversal of revenue will occur, revenue is not recognised.

Judgements are made to allocate revenue to performance obligations. Further judgements are made in the valuation of contract assets and potential variable consideration which results in the recognition of contract assets.

If different judgements were made on any of the above areas this could affect both the timing and extent of revenue and assets recognised within a financial period.

Claims provision

In assessing the potential outcome of a claim or regulatory investigation management makes judgements to assess the probable outcome. Both internal and external legal opinion is considered as part of these judgements. A different judgement may affect both the timing and extent of the recognition of expenses and liabilities as well as the disclosures within these financial statements.

2.2 Estimates

Revenue recognition

The Group estimates the contract completion point, costs yet to be incurred and the potential outcome of the contract. A different estimate could affect both the timing and extent of revenue and assets recognised within a financial period.

Claims provision

Provisions for professional negligence claims and any related regulatory proceedings are inherently difficult to estimate. In making any provision management make estimates by reference to:

- The number of claims and proceedings notified at the period end. In establishing this number, the legal team canvases the member and director population quarterly to establish whether any new notifications are expected.
- An estimate of any likely outflow. This is based on an assessment of the merits of any notification and past experience.
- The time value of money based on the yield of a similar duration liability.

These estimates depend on the outcome and timing of future events and may need to be revised as circumstances change. A different assessment of the likely outcome of each case or of the probable cost involved may result in a different level of provision recognised.

The firm insures itself against professional negligence claims though policies underwritten by its captive insurance subsidiary and by the external insurance market. All claims are subject to a policy excess (also referred to a self-insured deductible amount) which is borne by the Group. No separate disclosure is made of the detail of such claims and proceedings as to do so could seriously prejudice the position of the Group in any related proceedings.

Retirement annuities to members

The firm has an obligation to former members in the form of retirement annuities. This obligation must be estimated as the ultimate cash flow depends on various variables, principally interest rates and mortality. Our internal actuarial specialists support management to estimate the obligation. Changes in estimates may result in a different value in relation to expenses and liabilities.

Defined benefit pension schemes

The Group's obligation involves estimating the amount of future retirement benefit that eligible scheme members have earned in return for their service. These calculations are performed annually by qualified actuaries and involve many assumptions and estimates. The assumptions are set out in detail in Note 10, including sensitivity analysis on the three most critical estimates.

3 Revenue

3.1 Disaggregation of revenue

The Group's revenue has been disaggregated by business unit and by the place of destination of the service to show how it could be affected by economic uncertainty.

12 months to 31 December 2020	United Kingdom £'000	Rest of Europe £'000	Rest of World £'000	Total £'000
Audit	137,931	2,128	1,688	141,747
Deals & Business Consulting - Advisory	98,532	5,326	4,978	108,836
Large & Complex - Advisory	135,559	8,389	13,360	157,308
Tax	77,123	6,990	4,442	88,555
	449,145	22,833	24,468	496,446

18 months to 31 December 2019	United Kingdom £'000	Rest of Europe £'000	Rest of World £'000	Total £'000
Audit	201,345	3,042	2,920	207,307
Deals & Business Consulting - Advisory	131,380	15,621	7,433	154,434
Large & Complex - Advisory	174,354	14,601	33,147	222,102
Tax	126,182	11,860	6,536	144,578
	633,261	45,124	50,036	728,421

3.2 Contract balances

Contract assets and liabilities are set out in Notes 18 and 22. £29.1m (2019: £14.4m) of revenue has been recognised during the current financial period that was included in the contract liability balance as of 31 December 2019.

The typical timing of payment from the raising of invoices is 36 days (2019: 48 days). Payments are due upon receipt of the invoice however payment terms can vary contract by contract. The raising of invoices can reduce the contract asset balance.

The Group has applied the practical expedient in IFRS 15 not to disclose information in respect of partially completed contracts where the period of the contract is one year or less. The Group has also applied the practical expedient in respect of the presentation of prior financial year comparatives for unsatisfied long-term contracts.

The expected credit losses are noted in Note 20.

The Group's contract related balances are:

	31 December 2020 £'000	31 December 2019 £'000
Trade receivables, gross	77,427	107,096
Allowance for credit losses	(4,192)	(3,416)
Trade receivables, net	73,235	103,680
Contract assets	101,380	70,027
Contract related assets	174,615	173,707
Contract liabilities	29,986	17,276
Deferred income	5,937	3,530
Provisions for foreseeable losses	1,474	1,535
Contract related liabilities	37,397	22,341
Total of contract related balances	**137,218**	**151,366**

4 Other operating income and other financial items

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Other operating income		
Property sub-let income	233	314
Commissions	231	-
Other	63	-
Total other operating income	**527**	**314**
Other financial items		
(Loss) on disposal of non-financial assets	(350)	(263)

5 Operating expenses

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Cost of services rendered		
Employment and related costs of fee earners	222,159	328,806
Other cost of services rendered	35,691	32,617
Total cost of services rendered	257,850	361,423
Other operating costs		
Employment and related costs of non-fee earners	56,631	84,325
Other operating costs	72,082	155,284
Total other operating costs	128,713	239,609
Total operating expenses	**386,563**	**601,032**

Operating expenses are stated after charging:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Auditor's remuneration (including disbursements)		
Audit services – Group and LLP	195	197
Other services – subsidiary LLP and company audits	55	50
Depreciation, amortisation and impairment of non-financial assets	20,690	10,568
Net foreign exchange losses / (gains)	726	(435)

6 Finance costs and finance income

Finance costs for the reporting periods consisting of the following:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Interest expense for borrowings at amortised cost:		
Bank loans and overdrafts	1,309	2,760
Other borrowing at amortised cost	18	20
	1,327	2,780
Interest expense for lease arrangements	751	-
Net interest expense on defined benefit liability	1,721	3,609
Unwinding of the discount relating to former member annuity provisions	226	594
	2,698	4,203
Finance costs	4,025	6,983

Finance income for the reporting periods consists of the following:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Interest income from cash and cash equivalents	1,339	856

Interest income and expenses are reported on an accruals basis using the effective interest method.

7 Discontinued operations

On 26 June 2019, Grant Thornton UK LLP disposed of its Wealth Advisory business to 1825, Standard Life Aberdeen's wholly owned financial planning and advice business. During the year an additional £3m of consideration that was contingent on performance in 2020 has been earned and recognised, along with the release of a provision for costs of £0.2m.

The results of the Wealth Advisory discontinued operation are as follows:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Net revenue	-	14,946
Operating expenses	-	(10,936)
Gain on disposal of discontinued operations	3,218	35,529
Profit for the year/period from discontinued operations	3,218	39,539

The statement of cash flow includes the following amounts relating to the discontinued operations:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Net cash from operating activities	-	(35,529)
Net cash used in investing activities	-	39,670
Cash flow from discontinued operation	-	4,141

8 Tax expenses

Taxation arises within the subsidiary undertakings of the Group and represents:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Profits on ordinary activities before tax	84,739	72,397
Profits of LLP's not subject to corporation tax	(48,324)	(39,418)
	36,415	32,979
Domestic tax rate	19.00%	19.00%
Expected tax expense	6,919	6,266
(Profits) / losses taxed at zero percent or exempt from tax	(2,373)	531
Pension cost charge less than pension cost relief	(1,046)	(1,324)
Net losses in subsidiary undertakings relieved	-	(781)
Over provision from earlier years	-	(423)
Other timing differences	100	-
Total tax expense	3,600	4,269

9 Members' Interests

	Revaluation reserve £'000	Translation reserve £'000	Other reserves £'000	Total members' other interests £'000	Loans and other debts due to/(from) members £'000	Total members' interests £'000
As at 1 January 2020	(320)	1,784	(30,187)	(28,723)	32,020	3,297
Members' remuneration charged as an expense	-	-	-	-	15,157	15,157
Profit for the financial year available for discretionary division among members	-	-	69,200	69,200	-	69,200
Members' interests after profit for the year	(320)	1,784	39,013	40,477	47,177	87,654
Allocated profits in respect of the prior period	-	-	(63,003)	(63,003)	63,003	-
Tax adjustments on payment of annuities to former members	-	-	424	424	-	424
Members' capital introduced	-	-	-	-	4,075	4,075
Other amounts withdrawn by members	-	-	-	-	(446)	(446)
Drawings (including tax payments)	-	-	-	-	(46,430)	(46,430)
Transfer of capital to former members' balances	-	-	-	-	(6,250)	(6,250)
Transfer of other amounts to former members' balances	-	-	-	-	(5,515)	(5,515)
Pension scheme actuarial loss	-	-	(15,797)	(15,797)	-	(15,797)
Movement in unrealised gains on investments	2	-	-	2	-	2
Exchange gains on translation of foreign operations	-	(125)	-	(125)	-	(125)
As at 31 December 2020	**(318)**	**1,658**	**(39,365)**	**(38,025)**	**55,614**	**17,592**

Members' interests (continued)

	Revaluation reserve £'000	Translation reserve £'000	Other Reserves £'000	Total members' other interests £'000	Loans and other debts due to/(from) members £'000	Total members' interests £'000
As at 1 July 2018	(323)	1,944	(36,199)	(34,578)	50,482	15,904
Members' remuneration charged as an expense	-	-	-	-	22,505	22,505
Profit for the financial period available for discretionary division among members	-	-	85,162	85,162	-	85,162
Members' interests after profit for the period	(323)	1,944	48,964	50,585	72,987	123,572
Allocated profits in respect of the prior year	-	-	(56,275)	(56,275)	56,275	-
Tax adjustments on payment of annuities to former members	-	-	688	688	-	688
Members' capital introduced	-	-	-	-	7,375	7,375
Other amounts withdrawn by members	-	-	-	-	485	485
Drawings (including tax payments)	-	-	-	-	(85,984)	(85,984)
Transfer of capital to former members' balances	-	-	-	-	(9,100)	(9,100)
Transfer of other amounts to former members' balances	-	-	-	-	(10,018)	(10,018)
Pension scheme actuarial loss	-	-	(23,564)	(23,564)	-	(23,564)
Movement in unrealised gains on investments	3	-	-	3	-	3
Exchange gains on translation of foreign operations	-	(160)	-	(160)	-	(160)
As at 31 December 2019	**(320)**	**1,784**	**(30,187)**	**(28,723)**	**32,020**	**3,297**

Total members' interests include all amounts that the members have an interest in regardless of whether those amounts are classified as debt or equity in the Statement of Financial Position.

Total members' other interests show the total members' interests classified as equity in the Statement of Financial Position.

The loans and other debts due to or from members are shown as loans and other debts due to members within one year in the Statement of Financial Position and can be analysed as follows:

	31 December 2020 £'000	31 December 2019 £'000
Members' capital classified as a liability	40,375	42,550
Amounts due to members – profits	33,285	17,263
Loans and other debts due to members	73,660	59,813
Amounts due from members included in trade and other receivables	(18,046)	(27,793)
	55,614	32,020

9.1 Members' profit share

The LLP does not finalise the division of profits amongst members until after the financial statements have been finalised and approved by the members. The estimated profit entitlement due to the partnership's key management in respect of the current year totalled £7.0m (2019: £11.2m).

The following table provides a reconciliation between the average profit per member calculated in accordance with IFRS and the average profit allocation per member. Profits are shared among members in accordance with agreed profit-sharing arrangements. The average profit per member is calculated by dividing the profit for the financial year before members' remuneration and profit shares by the average number of members.

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Average profit per member	449	566
Retirement annuities and other items	(2)	(58)
Retained profits for the year/period in subsidiary entities net of consolidation adjustments	(30)	5
Average allocable profit per member	417	513

The profit attributable to the member with the largest entitlement was £2.7m (2019: £2.3m).

Allocable profits include pension and annuity payments, interest, members' motor expenses and capital profits but exclude profits in certain subsidiary entities.

10 Employee remuneration

Employee remuneration above includes wages and salaries, bonuses, employee benefits, defined contribution pension costs and the administration costs of the defined benefit scheme, as follows:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Salaries	213,838	317,725
Social security costs	23,745	35,597
Pensions	27,618	40,009
	265,201	393,331

10.1 Employee numbers

The average number of full-time equivalent members and employees during the year, all of whom were engaged in the Group's principal activities, were as follows:

	12 months to 31 December 2020	18 months to 31 December 2019
Members (of whom 63 are entitled to a fixed amount of profit share – 2019: 51)	188	190
Fee earning	3,326	3,469
Non-fee earning	1,075	1,142
	4,589	4,801

10.2 Pensions and other employee obligations

The liabilities recognised for pensions and other employee remuneration are:

	31 December 2020 £'000	31 December 2019 £'000
Non-current:		
Defined benefit liability (net)	99,951	89,660
Former members annuities (Note 21)	15,189	15,813
	115,140	105,473
Current		
Other short term employee obligations*	3,099	3,221

*Included within accruals and deferred income in trade and other payables in Note 22.

Defined contribution plans

The Group makes fixed payments into separate funds on behalf of scheme members that have elected to save for their retirement in respect of the defined contribution plans. The Group has no further legal or constructive obligations to make additional payments over and above the fixed payments made on behalf of the employees. Any risks and rewards associated with these plans including investment risk are borne solely by the members of the defined contribution scheme and not the Group.

The Group's obligation to make fixed contributions to the defined contribution plans is recognised as an operating cost in the income statement as the services are received from the scheme members. For 2020 total contributions in respect of such plans recognised as an expense were £25.7m (2019: £37.3m).

Defined benefit plan

Defined benefit pension scheme members receive cash payments during their retirement and death benefits, the value of which is dependent upon the fund members' length of service and final salary. The Group operated a defined benefit pension plan, the Grant Thornton Pensions Fund. The scheme is closed to new entrants and was closed to further benefit accrual with effect from 31 October 2014.

The assets of the continuing plan are administered by trustees in pension funds independent and legally separate from the assets of the Group. It is the responsibility of the trustees of the plan to manage and invest the assets of the plan. The trustees of the plan are required to act in the best interest of the fund and be guided by the Fund's Trust deed and rules dated 1 March 2011. The Group has no representation on the boards of the fund.

The pension scheme is a registered scheme under UK legislation and was contracted out of the state second pension. The pension scheme is subject to the scheme funding requirements outlined in UK legislation.

The legal obligation for benefits payable to fund members on retirement under the plan remains with the Group and, as such, in the event of insufficient investment returns, the Group may need to address this through a combination of increased levels of contributions or by making adjustments to the plans.

Defined benefit obligation

The details of the Group's defined benefit obligation are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Defined benefit obligation 1 January / 1 July	432,722	387,724
Interest expense	8,510	15,697
Remeasurements – actuarial losses/(gains) from changes in demographic assumptions	1,699	(3,723)
Remeasurements – actuarial losses from changes in financial assumptions	52,872	48,511
Remeasurements - actuarial losses/(gains) from experience	(8,727)	3,491
Benefits paid	(14,525)	(19,770)
Past service cost	-	792
Defined benefit obligation as at 31 December	**472,551**	**432,722**

Plan assets

Plan assets are measured at fair value and can change due to the following:

- Interest income on plan assets is determined by multiplying the fair value of the plan assets at the start of the year by the discount rate taken as at the beginning of the year. This is recognised through net finance costs in the income statement.
- Return on plan assets arise from differences between the actual return and interest income on plan assets and is recognised through other comprehensive income.
- Employer contributions represent the cash payments made by the Group to the funds to be managed and invested.
- Benefits paid represents cash paid to eligible pension scheme members and administrative fees are administrative expenses paid by the funds.

The actual return on plan assets including interest income was £36.8m in 2020 (2019: £37.6m).

	31 December 2020 £'000	31 December 2019 £'000
Fair value of plan assets 1 January / 1 July	343,062	314,659
Interest income	6,789	12,880
Return on scheme assets excluding amounts included in interest income	30,047	24,715
Employer contributions	7,227	10,578
Benefits paid	(14,525)	(19,770)
Fair value of plan assets as at 31 December	**372,600**	**343,062**

Plan assets can be broken down into the following categories of investments:

Total plan assets	**31 December 2020 £'000**	**31 December 2019 £'000**
Equities	143,847	126,920
Corporate bonds	161,448	152,740
Alternative investments	37,204	32,871
Hedge funds	11,028	10,406
Cash	2,146	1,290
Buy in policy*	16,927	18,835
	372,600	343,062

** This asset is a bulk annuity contract which provides income to match exactly the benefits, in terms of timing and amount, due to plan pension scheme members who were 70 or more years old at the time of its purchase in February 2013. The asset is valued at the same amount as the present value of the plan liabilities it matches and has the effect of de-risking the liabilities relating to that part of the scheme's pensioner population.*

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies.

All equity and debt instruments, including alternative investments (managed funds) have quoted prices in active markets and so represent Level 1 valuations in the fair value hierarchy.

Significant actuarial assumptions

These assumptions were developed by management with the assistance of internal actuaries. Discount factors are determined close to each year end by reference to market yields for high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

	31 December 2020 %	**31 December 2019 %**
Rate of revaluation of accrued and deferred pensions	2.40	2.15
Rate of increase in pensions in payment – pre 1 July 2006	2.95	3.00
Rate of increase in pensions in payment – post 30 June 2006	2.00	2.00
Discount rate	1.30	2.00
Retail price inflation	3.10	3.15
Consumer price inflation	2.40	2.15
Mortality assumption	110% S2PA Light*	110% S2PA Light

**Mortality rates were assumed to follow the 110% S2PA Light (2019: 110% S2PA Light), incorporating the CMI_2019 projections with a long-term rate of improvement of 1% per annum for past and future years.*

Life expectancy	**Male**	**Female**
Currently aged 65	87.0	88.0
Aged 65 in 20 years	87.9	89.3

Changes in the significant actuarial assumptions

Comparatively small changes in the assumptions used for measuring the defined benefit obligations for the continuing plan may have a significant effect on the Group's Income Statement and Statement of Financial Position.

The following table shows the sensitivity of the defined benefit deficit to reasonably possible changes in the key assumptions underlying the valuation, with all other assumptions remaining unchanged.

	Impact on plan liability increase £'000
0.5% decrease to discount rate	42,810
0.5% increase to inflation	27,024
One year increase to life expectancy	14,177

The sensitivity analysis is based on a change in one assumption while all other assumptions are kept the same. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Defined benefit plan expenses

The information above provides an explanation for the key movements in both the plan's liabilities and plan's assets during the year. The following sets out how these movements in the year have impacted the income statement and other comprehensive income.

Amounts recognised in Income Statement related to the Group's defined benefit plan are as follows:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Net interest expense	1,721	2,817
Plan changes	-	792
Total expenses recognised in Income Statement	1,721	3,609

Amounts recognised in other comprehensive income related to the Group's defined benefit plan are as follows:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Actuarial (loss)/gain - changes in demographic assumptions	(1,699)	3,723
Actuarial (loss) - changes in financial assumptions	(52,872)	(48,511)
Actuarial(loss)/gain - experience	8,727	(3,491)
Return on assets excluding amounts included in interest expense	30,047	24,715
Total expense recognised in other comprehensive income	(15,797)	(23,564)

Other defined benefit plan information

The ongoing Grant Thornton Pension plan exposes the Group to actuarial risks, the most significant of which are:

- Asset volatility relative to discount rate changes – the fund liabilities are calculated using a discount rate set with reference to corporate bond yields. If Fund assets underperform this yield, this will create a balance sheet deficit. If Fund assets underperform the discount rate used for the scheme funding valuation Recovery Plan, it is likely to lead to an increase in the required contribution rate from the Group;
- Life expectancy – Future mortality rates cannot be predicted with certainty. Unanticipated increases in life expectancy will lead to an increase in the Fund's liability;
- Inflation risk – Pensions in deferment and in payment are linked to inflation. An increase in inflation will lead to an increase in the Fund's liability value.

In order to reduce some of the risks associated with the Fund, a bulk annuity in respect of a proportion of the pensioner membership was purchased in 2012. The Trustees have also adopted a liability-driven investment strategy, which hedges a large proportion of the inflation and interest rate risk.

The duration of the Fund liabilities is around 17.5 years.

A subsidiary entity, Grant Thornton Services LLP, is the principal employer to the Grant Thornton Pensions Fund, a defined benefit pension scheme. Grant Thornton UK LLP pays Grant Thornton Services LLP and Grant Thornton Business Services for the supply of employees in accordance with a Supply of Services Agreement between Grant Thornton UK LLP and Grant Thornton Services, such charges being sufficient to cover the employment costs of the employees.

On 29 March 2006, the LLP provided a guarantee to the Trustees of the Grant Thornton Pensions Fund in connection with the contributions payable to it by Grant Thornton Services LLP. 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 Grant Thornton Services LLP 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.

The obligation to the continuing scheme is reflected in the Statement of Financial Position of Grant Thornton Services LLP as the participating employer. The obligations are not reflected in the individual entity Statement of Financial Position of Grant Thornton UK LLP 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 reporting date.

Pension ageing

As none of the employees are eligible for early settlement of pension arrangements, the remaining element of pension obligations for defined benefit plans is considered non-current. The non-current portion of the defined benefit liability is presented net of plan assets.

Defined benefit pensions future funding obligations

The ongoing funding of the defined benefit pension scheme is based on the last actuarial valuation at 30 June 2017.

As a result of the actuarial deficit of £99.7m the Firm agreed to a Recovery Plan to eliminate the deficit by 31 December 2028 by paying additional contributions which have increased from £7.00m during 2018/19 to £7.15m in 2019/20, rising to £7.30m p.a. from 30 June 2020 to 30 June 2028 and then finally £3.65m over the six-month period to 31 December 2028.

11 Goodwill

The movements in the net carrying amount of goodwill are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Gross carrying amount		
Balance 1 January / 1 July	13,009	13,101
Acquired through business combination	-	458
Disposal	-	(550)
Balance as at 31 December	**13,009**	**13,009**

Goodwill has not been impaired in the year ending 31 December 2020 and in prior periods.

Cash Generating Units (CGU)

Goodwill was generated on the acquisition of the following entities, all of which have been integrated into the LLP across the four business units. The goodwill is allocated across a number of CGU's, none of which is considered individually significant in comparison to the total carrying value of goodwill.

The smallest CGUs reviewed by the chief operating decision maker, has been identified and considered annually for impairment by comparing its carrying value to the forecast future cashflows based on the following year budget and growth assumptions.

	31 December 2020 £'000	31 December 2019 £'000
Robson Rhodes	9,562	9,562
Other	3,447	3,447
	13,009	13,009

12 Other intangible assets

	Software £'000	Assets under development £'000	Total £'000
Gross carrying amount			
Balance as at 1 January 2020	16,190	-	16,190
Additions, internally developed	-	5,443	5,443
Transfers	5,740	(5,443)	297
Disposals	(3,978)	-	(3,978)
Balance as at 31 December 2020	17,952	-	17,952
Amortisation and impairment			
Balance as at 1 January 2020	11,335	-	11,335
Amortisation	2,473	-	2,473
Disposals	(3,978)	-	(3,978)
Balance as at 31 December 2020	9,830	-	9,830
Carrying amount as at 31 December 2020	**8,122**	**-**	**8,122**

	Software (Total) £'000
Gross carrying amount	
Balance as at 1 July 2018	14,078
Additions, internally developed	2,805
Disposals	(693)
Balance as at 31 December 2019	16,190
Amortisation and impairment	
Balance as at 1 July 2018	8,461
Amortisation	3,567
Disposals	(693)
Balance as at 31 December 2019	11,335
Carrying amount 31 December 2019	**4,855**

13 Property, plant and equipment

	Leasehold property improvements £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Assets under construction £'000	Total £'000
Gross carrying amount						
Balance 1 January 2020	19,831	6,123	1,420	5,820	4	33,198
Initial application of IFRS 16	-	-	(443)	(430)	-	(873)
Additions	-	17	4	1,090	756	1,867
Transfer to Intangibles	-	-	-	-	(297)	(297)
Disposals	(1,293)	(301)	-	(1,465)	-	(3,059)
Net exchange differences	(15)	(5)	(5)	-	-	(25)
Balance 31 December 2020	18,523	5,834	976	5,015	463	30,811
Depreciation and impairment						
Balance 1 January 2020	10,539	2,496	710	2,127	-	15,872
Initial application of IFRS 16	-	-	-	-	-	-
Disposals	(814)	(262)	-	(681)	-	(1,757)
Depreciation	1,973	1,034	130	684	-	3,821
Net exchange differences	(14)	(5)	(5)	-	-	(24)
Balance 31 December 2020	11,684	3,263	835	2,130	-	17,912
Carrying amount 31 December 2020	**6,839**	**2,571**	**141**	**2,885**	**463**	**12,899**

	Leasehold property improvements £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Assets under construction £'000	Total £'000
Gross carrying amount						
Balance 1 July 2018	20,741	5,887	2,985	5,375	183	35,171
Additions	-	40	633	2,977	3,079	6,729
Transfers	2,186	1,072	-	-	(3,258)	-
Disposals	(3,096)	(876)	(2,198)	(2,532)	-	(8,702)
Balance 31 December 2019	19,831	6,123	1,420	5,820	4	33,198
Depreciation and impairment						
Balance 1 July 2018	9,985	1,571	2,451	2,065	-	16,072
Disposals	(2,409)	(682)	(2,190)	(1,302)	-	(6,582)
Depreciation	2,962	1,606	448	1,364	-	6,381
Balance 31 December 2019	10,539	2,496	710	2,127	-	15,871
Carrying amount 31 December 2019	**9,291**	**3.627**	**711**	**3,694**	**4**	**17,327**

14 Leases

The Group has leases for office property, IT equipment and motor vehicles.

Except for short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated Statement of Financial Position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 13).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated Statement of Financial Position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with break/ termination options
Property	29	1-12 years	3 years	-	-	-	13
Office equipment	3	2-5 years	3 years	2	1	-	-
Motor cars	24	1-4 years	1 year	-	14	-	-

Right-of-use assets

Net Book Value	Property £'000	Office equipment £'000	Motor cars £'000	Total £'000
As at 31 December 2019	-	-	-	-
Adjustment on initial application of IFRS 16	54,532	1,142	478	56,152
Adjusted balance as at 1 January 2020	54,532	1,142	478	56,152
Additions	4,906	-	76	4,982
Transfer to Investment Property	(1,187)	-	-	(1,187)
Depreciation for the year	(13,157)	(311)	(186)	(13,654)
Net impairment charge on assets	(355)	-	-	(355)
Balance as at 31 December 2020	**44,739**	**831**	**368**	**45,938**

For income from subleasing office premises, refer to Note 15 - Investment Property.

Lease liabilities

Lease liabilities are presented in the consolidated Statement of Financial Position as follows:

	31 December 2020 £'000
Current	13,178
Non-current	32,870
	46,048

	Property £'000	Office equipment £'000	Motor cars £'000	Total £'000
As at 31 December 2019	-	-	-	-
Adjustment on initial application of IFRS 16	57,885	1,093	380	59,358
Adjusted balance as at 1 January 2020	57,885	1,093	380	59,358
Created during the year	-	-	121	121
Amounts paid	(13,681)	(304)	(209)	(14,194)
Discounts unwound	742	8	13	763
Balance as at 31 December 2020	**44,946**	**797**	**305**	**46,048**

The maturity profile of the Group's lease liabilities is as follows:

	31 December 2020 £'000
Within one year	13,658
In more than one year but less than two years	11,830
In more than two years but less than three years	9,935
In more than three years but less than four years	6,517
In more than four years but less than five years	2,032
In more than five years	3,699
	47,671
Effect of discounting (finance charge)	(1,623)
Lease liability	46,048

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. Total cash outflow for leases for the year ended 31 December 2020 was £14.2m.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 December 2020 £'000
Expense relating to short-term leases	682
Expense relating to leases of low value assets	1,638

For interest expense in relation to leasing liabilities, refer to Note 6.

15 Right-of-use assets held as investment property

Investment property includes real estate properties that are subleased to third parties on operating leases.

Net Book Value	Total £'000
As at 31 December 2019	-
Adjustment on initial application of IFRS 16	811
Adjusted balance as at 1 January 2020	811
Transfer from Right-of-use assets	1,187
Depreciation for the year	(387)
Balance as at 31 December 2020	**1,611**

Rental income from subleasing of £233,000 is shown within operating income and direct operating expenses of £468,000 are reported within other expenses.

Although the risks associated with rights the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear-and-tear during the lease term.

The lease contracts are all non-cancellable for 2 to 7 years from the commencement of the lease.

Future undiscounted minimum lease rentals are as follows:

	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	After 5 years £'000
As at 31 December 2020	669	801	323	-	-	-

16 Group interests

16.1 Joint ventures and associates

Investments in joint ventures

During the year the Group held a 50% interest in Grant Thornton Debt Solutions Limited in the form of a joint venture which was initially and subsequently measured at fair value. On 4 December 2020 Grant Thornton UK LLP's shareholding rights, title and interest in this was sold to Grant Thornton Holdings Limited which is part of the Grant Thornton Member firm in Ireland.

The Group has one remaining joint venture, being 50% of all voting shares of Grant Thornton Singapore HoldCo Limited, registered in the British Virgin Islands. Grant Thornton Singapore HoldCo Limited's registered office is Ritter House, Wickhams Cay II, Road Town, Tortola, VG110, British Virgin Islands.

Investments in associates

The Group has two associates:

- a 49% shareholding of Grant Thornton Specialist Services (Cyprus) Limited, an intermediate holding company registered in Cyprus. The registered office is 41-49 Agiou Nicolaou Street, Nimeli Court, Block C, Engomi 2408, 1687 Nicosia, Cyprus.
- shares in Grant Thornton E.U. Services NV, giving the Group an 8% equity interest. The registered office of Grant Thornton E.U. Services NV is Haren (1130 Brussels), Metrologielaan 10 box 15.

16.2 Interest in subsidiaries

Set out below are details of the wholly owned trading subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation & principal place of business	Principal activity
Fulwood Insurances Limited[1]	Guernsey	Insurance services
Grant Thornton (British Virgin Islands) Limited	British Virgin Islands	Insolvency and restructuring services
Grant Thornton Acquisitions No. 2 Limited[1]	England	Intermediate holding company
Grant Thornton ARF Limited	England	Intermediate holding company
Grant Thornton Business Services	England	Provision of personnel to the Group and intermediate holding company
Grant Thornton Forensic Services Limited	England	Provision of personnel to the Group
Grant Thornton Limited	England	Intermediate holding company
Grant Thornton Services LLP	England	Provision of personnel to the Group
Grant Thornton Specialist Services (Cayman) Limited	Cayman Islands	Insolvency and restructuring services
GTSS Corporate Director No. 1 Limited	Cayman Islands	Insolvency and restructuring services
GTSS Corporate Director No. 2 Limited	Cayman Islands	Insolvency and restructuring services
GTSS Corporate Director No. 3 Limited	Cayman Islands	Insolvency and restructuring services

At 31 December 2020, the Group also held 100% of the ordinary share capital of, or interest in, the following companies and LLPs incorporated or registered in England, which are either dormant or non-trading:

Barfreston Limited[4]	Grant Thornton Pension Trustees Limited
Carnoustie Consultants Limited[4]	Grant Thornton Personal Financial Planning Limited
Geniac Holdings Limited[4]	Grant Thornton Property Nominees[3]
Geniac UK Limited[4]	Grant Thornton Trust Company Limited
Grant Thornton Agile Talent Solutions Limited	GTN1 Limited
Grant Thornton Advisory Limited	GTN2 Limited
Grant Thornton Consulting Limited	GTPN1 Limited
Grant Thornton Contracts LLP[1]	GTPN2 Limited
Grant Thornton Corporate Finance Limited[1]	Inderies Limited[4]
Grant Thornton Employee Benefits Consultancy LLP	Local Knowledge (UK) Limited[1,4]
Grant Thornton Management Consultants Limited	The Local Futures Group Limited[4]
Grant Thornton Nominees[3]	Thornton Baker Limited

1) directly owned by Grant Thornton UK LLP. 2) ownership is in the ordinary share capital of the unlimited company and limited companies, and memberships of LLP's. 3) unlimited liability nominee companies in which Grant Thornton UK LLP has a 100% interest. 4) in the process of being struck off the Companies House register

The registered office of the above subsidiaries is 30 Finsbury Square, London, EC2A 1AG, other than the following entities which are not incorporated in England:

- Fulwood Insurances Limited - PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT.
- Grant Thornton (British Virgin Islands) Limited - Intertrust Fiduciary Services BVI Limited, Ritter House, Wickhams Cay II, P.O. Box 4041, Road Town, Tortola, British Virgin Islands VG1110.
- Grant Thornton Specialist Services (Cayman) Limited - HSM Corporate services Ltd, PO Box 31726, 68 Fort Street, George Town, Grand Cayman KY1 1207.
- GTSS Corporate Director No. 1, No. 2 and No. 3 - HSM Corporate services Ltd, PO Box 31726, 68 Fort Street, George Town, Grand Cayman KY1 1207.
- Grant Thornton Advisory Limited - 110 Queen Street, Glasgow, Scotland, G1 3BX.

17 Investments accounted for using the equity method

The carrying amount of investments accounted for using the equity method is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Investments in joint ventures	993	578
Investments in associates	66	22
Carrying amount of equity accounted investments	1,059	600

The Group's share of cash flows from equity accounted investments is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Investments in joint ventures	(515)	-
Investments in associates	-	-
Total investments accounted for using the equity method	(515)	-

The Group's share of profit/(loss) from equity accounted investments is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Investments in joint ventures	(100)	-
Investments in associates	45	(6,502)
Total share of (loss) from equity accounted investments	(55)	(6,502)

17.1 Joint ventures

Investment in Grant Thornton Singapore HoldCo Limited

During the year, the Group held shares in Grant Thornton Singapore HoldCo Limited giving the group 50% equity interest. Due to the joint control that the Group considers it has over this company, it is classified as a joint venture and accounted for using the equity method.

No dividends were received from Grant Thornton Singapore HoldCo Limited during the year and as Grant Thornton Singapore HoldCo Limited is a private company, there are no quoted market prices available for its shares.

Summarised financial information for Grant Thornton Singapore HoldCo Limited is set out below:

	31 December 2020 £'000	31 December 2019 £'000
Non-current assets	3,626	1,156
Current assets	1	-
Total assets	3,627	1,156
Non-current liabilities	-	-
Current liabilities	(1,640)	(1,156)
Total liabilities	(1,640)	(1,156)
Net assets	**1,987**	**-**
Revenue	-	-
(Loss) and total comprehensive expense for the year/period	(7)	-

17.2 Associates

The Group has a 49% shareholding of Grant Thornton Specialist Services (Cyprus) Limited and an 8% interest in Grant Thornton E.U. Services NV. Neither associate is material to the Group.

Summarised aggregated financial information of the Group's share in these associates is set out below:

	31 December 2020 £'000	31 December 2019 £'000
Profit and total comprehensive income for the year/period	45	-
Aggregate carrying amount of the Group's interest in these associates	66	-

18 Trade and other receivables

Trade and other receivables consist of the following:

	31 December 2020 £'000	31 December 2019 £'000
Due in < 1 year		
Trade receivables, gross	77,427	107,096
Allowance for credit losses	(4,192)	(3,416)
Trade receivables, net	73,235	103,680
Contract assets	101,380	70,027
Amounts due from members	18,046	27,793
Other receivables	-	1,104
Financial assets	192,661	202,604
Other receivables	24,705	18,154
Prepayments	28,704	33,094
Non-financial assets	53,409	51,248
Trade and other receivables due < 1 year	246,070	253,852
Due in > 1 year		
Financial assets – fully and compulsory convertible debentures	2,930	3,932
Non-financial assets – prepayments	635	784
Trade and other receivables due > 1 year	3,565	4,716
Total trade and other receivables	**249,635**	**258,568**

19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Fair values of cash and cash equivalents approximate to carrying value owing to the short maturity of these instruments.

	31 December 2020 £'000	31 December 2019 £'000
Cash at bank and in hand:		
GBP	14,450	11,678
USD	9,070	4,921
Euro	670	287
	24,190	16,886

Bank borrowings are initially recognised at fair value and then subsequently they are recognised at amortised cost. Borrowing costs are expensed as incurred.

Net debt (excluding lease obligations) comprises cash and cash equivalents and borrowings:

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	24,190	16,886
Bank loans and overdrafts	(36,000)	(66,000)
Net debt (excluding lease obligations)	(11,810)	(49,114)

20 Financial assets and liabilities

20.1 Financial assets at period end

The carrying amounts of trade and other receivables and cash and cash equivalents is considered a reasonable approximation of fair value.

31 December 2020	Non-financial asset £'000	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Non-current assets				
Goodwill	13,009	-	-	13,009
Other intangible assets	8,122	-	-	8,122
Property, plant and equipment	12,899	-	-	12,899
Right-of-use assets	45,938	-	-	45,938
Right-of-use assets held as Investment Property	1,611	-	-	1,611
Other long-term financial assets	-	294	-	294
Investments accounted for using the equity method	1,059	-	-	1,059
Total non-current assets	82,638	294	-	82,932
Current assets				
Trade and other receivables	29,339	14,997	205,299	249,635
Restricted fixed term call deposits	-	-	5,207	5,207
Cash and cash equivalents	-	-	24,190	24,190
Total current assets	29,339	14,997	234,696	279,032
Total Assets	**111,977**	**15,291**	**234,696**	**361,964**

31 December 2019	Non-financial asset £'000	Fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Non-current assets				
Goodwill	13,009	-	-	13,009
Other intangible assets	4,855	-	-	4,855
Property, plant and equipment	17,327	-	-	17,327
Investments accounted for using the equity method	600	-	-	600
Total non-current assets	35,791	-	-	35,791
Current assets				
Trade and other receivables	50,593	5,416	202,560	258,568
Restricted fixed term call deposits	-	-	4,201	4,201
Cash and cash equivalents	-	-	16,886	16,886
Total current assets	50,593	5,416	223,647	279,655
Total Assets	**86,384**	**5,416**	**223,647**	**315,446**

Level 3 Financial assets at Fair Value through Profit and Loss have increased as follows:

	Long-term financial assets £'000	Trade and other Receivables £'000	Level 3 Financial assets £'000
Financial Assets at FVTPL as at 31 December 2019	-	5,416	5,416
Amount recognised in profit or loss – operating expenses	-	1,750	1,750
Amount recognised in profit or loss – revenue	-	8,025	8,025
Other movements	294	(194)	100
Financial Assets at FVTPL as at 31 December 2020	**294**	**14,997**	**15,291**

20.2 Financial liabilities at period end

The carrying amounts of trade and other payables is considered a reasonable approximation of fair value. The below amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

31 December 2020	Non-financial liability £'000	Liabilities at amortised cost £'000	Total £'000
Non-current liabilities			
Pension obligation	99,951	-	99,951
Lease liabilities	-	32,870	32,870
Provisions	51,999	-	51,999
Total non-current liabilities	151,950	32,870	184,820
Current liabilities			
Loans and other debts due to members within one year	-	73,660	73,660
Current borrowings	-	36,000	36,000
Lease liabilities	-	13,178	13,178
Trade and other payables	32,937	57,529	90,466
Current tax liabilities	1,865	-	1,865
Total current liabilities	34,802	180,367	215,169
Total liabilities	**186,752**	**213,237**	**399,989**

31 December 2019	Non-financial liability £'000	Liabilities at amortised cost £'000	Total £'000
Non-current liabilities			
Pension obligation	89,660	-	89,660
Non-current borrowings	-	479	479
Provisions	46,597	-	46,597
Total non-current liabilities	136,257	479	136,736
Current liabilities			
Loans and other debts due to members within one year	-	59,813	59,813
Current borrowings	-	66,248	66,248
Trade and other payables	28,515	50,992	79,507
Current tax liabilities	1,866	-	1,866
Total current liabilities	30,381	177,052	207,433
Total Liabilities	**166,638**	**177,531**	**344,169**

As at 31 December 2020, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 December 2020	Current Less than 12 months £'000	Non-current 1 to 5 years £'000	Non-current Later than 5 years £'000	Total £'000
Bank loans and overdrafts	36,000	-	-	36,000
Lease obligations	13,178	29,171	3,699	46,048
Trade and other payables	57,529	-	-	57,529
Loans and other debts due to members	73,660	-	-	73,660
Total	180,367	29,171	3,699	213,237

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

31 December 2019	Current Less than 12 months £'000	Non-current 1 to 5 years £'000	Non-current Later than 5 years £'000	Total £'000
Bank loans and overdrafts	66,000	-	-	66,000
Lease obligations	248	479	-	727
Trade and other payables	50,992	-	-	50,992
Loans and other debts due to members	59,813	-	-	59,813
Total	177,053	479	-	177,532

The amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

20.3 Financial instruments risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial risk management is coordinated by its finance shared service centre in close cooperation with the Strategic Leadership Team (SLT) and focuses on actively securing the Group's short to medium-term cash flows by minimising the risk described below. The long-term financial management is the responsibility of the SLT with oversight from the Partnership Governance Board and ultimately the members.

The main types of risks are market risk, credit risk and liquidity risk.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options, nor does it enter into derivatives. The most significant financial risks to which the Group is exposed are described below.

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk, which result from both its operating and investing activities.

Foreign currency sensitivity

Currency risk exists when a financial transaction is denominated in a currency other than that of the functional currency of the LLP and arises from the change in price of one currency in relation to another. The majority of the Group's transactions are carried out in Pounds Sterling (GBP) and as such currency risk does not exist on these transactions. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD) and Euros (EUR).

To mitigate the Group's exposure to foreign currency risk, non-sterling cash flows are regularly monitored. This review distinguishes the short-term foreign currency cash flow requirements from longer-term foreign currency cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further action is undertaken as this naturally eliminates the risk; where they do not, the surplus currency is converted to Pounds Sterling (GBP) and it is the rate that this is converted at that may change and results in risk exposure. This level of risk is accepted by management and not mitigated further.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into Pounds Sterling (GBP) at the closing rate:

	Short term exposure EUR £'000	Short term exposure USD £'000	Long term exposure USD £'000
31 December 2020			
Financial assets	1,840	14,446	401
Financial liabilities	(1,790)	(372)	-
Total exposure – 31 December 2020	50	14,074	401
31 December 2019			
Financial assets	-	7,038	-
Financial liabilities	-	(2,127)	-
Total exposure – 31 December 2019	-	4,911	-

Given the limited exposure to short term foreign currency risk, average market volatility in exchange rates are not expected to result in material impacts on either profit or reserves.

Exposures to foreign currency exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

The following table illustrates the sensitivity of the Group's financial assets and financial liabilities to movements in the USD/GBP exchange rate and EUR/GBP exchange rate 'all other things being equal'. It assumes a +/- 5% change of the GBP/USD and GBP/EUR exchanges rate for the year ended 31 December 2020 (2019: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the GBP had strengthened against the USD by 5% (2019: 5%) and EUR by 5% (2019: 5%) respectively then this would have had the following impact:

Impact on profit for the period/year	USD £'000	EUR £'000
31 December 2020	724	2
31 December 2019	246	-

Interest rate sensitivity

The Group's policy is to minimise cash flow interest rate risk and volatility on long-term financing. At 31 December 2020, the Group is exposed to changes in market interest rates through bank borrowings on its revolving credit facilities (1.4% over LIBOR); and members' capital (5.0% over Bank of England Base Rate).

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1% (2019: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Impact on profit for the period/year	Bank borrowings £'000	Members' capital £'000
31 December 2020	380	429
31 December 2019	728	454

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. In the current low interest rate environment, the principal financial risk associated with trade receivables is credit risk.

The Group is exposed to this risk on receivables from customers, and cash at bank. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December 2020.

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions with high quality external credit ratings.

The Group continuously monitors the credit quality of customers and other counterparties, identified either individually or collectively, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The credit terms for customers as negotiated with customers are subject to an internal approval process. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk from exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas, which reduces any potential risk concentrations. The Group does not hold any security on the trade receivables balance.

In addition, the group does not hold collateral relating to other financial assets (e.g. derivative assets, cash and cash equivalents held with banks).

Impairment of financial assets

The group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables
- contract assets.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over a historical period as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The group has identified gross domestic product (GDP) to be the most relevant factor and accordingly adjusts historical loss rates for expected changes in this factor. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

On the above basis the expected credit loss for trade receivables as at 31 December 2020 was determined as follows:

	Expected credit loss rate 2020	2020 £'000	Expected credit loss rate 2019	2019 £'000
Current	0.25%	45,191	0.30%	51,502
More than 30 days	0.45%	15,672	0.55%	28,440
More than 60 days	1.13%	5,523	1.36%	10,992
More than 90 days	8.71%	11,041	10.49%	16,162
Trade receivables		77,427		107,096
Contract assets	0.25%	101,380	0.30%	70,027
Total trade receivables and contract assets		178,807		177,123
Expected credit losses		(4,192)		(3,416)
Trade receivable and contract assets		**174,615**		**173,707**

The closing balance of the trade receivables loss allowance as at 31 December 2020 reconciles with the trade receivables loss allowance opening balance as follows:

	2020 £'000	2019 £'000
Balance at beginning of financial year / period	3,416	4,922
Net increase/(decrease) in allowance	2,543	(10)
Amounts written off	(1,767)	(1,496)
Balance at end of financial year / period	**4,192**	**3,416**

Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations as they fall due. The Group manages its liquidity needs by periodically undertaking reviews of short, medium and long term financing requirements as well as continually monitoring working capital usage. A significant part of the Group's funding is from members' capital and a revolving credit facility of £111m in place through to December 2023. Members' capital is only repayable following retirement. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient.

The Group's objective is to maintain cash balances sufficient to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to call upon additional members' capital, in line with the Membership Agreement.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its trade receivables and cash and cash equivalents as detailed in Notes 18 and 19. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern
- To provide an adequate return to members.

The Group monitors capital on the basis of the total members' interests, comprising reserves (excluding the pension deficit) and loans and other debts due to or from members, as presented on the face of the Statement of Financial Position. The net debt to members' interests (excluding the pension deficit) ratio is a key covenant in the Group's revolving credit facility.

In addition, the Group targets a structure of members' capital equal to net debt (measured at the lowest point in the Group's annual cash cycle).

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the returns to members, increase capital from the members, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	24,190	16,886
Bank loans	(36,000)	(66,000)
Net debt (excluding lease obligations)	**(11,810)**	**(49,114)**
Members' total interests	17,592	3,298
Pension deficit	99,951	89,660
Total members' interests (excluding pension deficit)	**117,543**	**92,958**
Percentage of net debt to members' interests (excluding pension deficit)	10%	53%

The Group has honoured its covenant obligations during the year and after year-end.

21 Provisions

	Claims provision £'000	Property provision £'000	Retirement annuities to former members £'000	Total £'000
Balance as at 1 January 2020	27,188	3,596	15,813	46,597
New annuity obligations	-	-	785	785
Amortisation of discount	-	-	226	226
Settlements during the year	(4,780)	(946)	(2,219)	(7,945)
Change in assumptions and experience losses	2,538	-	584	3,122
Released to profit and loss account	(1,648)	(205)	-	(1,853)
Provided during the year	5,787	5,280	-	11,067
Balance as at 31 December 2020	**29,085**	**7,725**	**15,189**	**51,999**

	Claims provision £'000	Property provision £'000	Retirement annuities to former members £'000	Total £'000
Balance as at 1 July 2018	23,397	4,378	18,193	45,968
New annuity obligations	-	-	(22)	(22)
Amortisation of discount	-	(145)	594	449
Settlements during period	(12,437)	(582)	(3,452)	(16,471)
Change in assumptions and experience losses	4,276	-	500	4,776
Released to profit and loss account	(637)	(1,073)	-	(1,710)
Provided during the period	12,589	1,018	-	13,607
Balance as at 31 December 2019	**27,188**	**3,596**	**15,813**	**46,597**

Retirement annuities to partners

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

	31 December 2020 £'000	31 December 2019 £'000
In less than one year	2,353	2,049
After one and within five years	5,396	5,930
After five years and within ten years	3,808	4,058
After ten and within twenty-five years	3,545	3,673
In more than twenty-five years	87	103
Balance as at 31 December	15,189	15,813

22 Trade and other payables

Trade and other payables consist of the following:

	31 December 2020 £'000	31 December 2019 £'000
Contract liabilities	29,986	17,276
Trade payables	5,899	10,453
Social security and other taxes	14,256	13,597
Other creditors	4,385	5,940
Accruals and deferred income	31,463	26,979
Provisions for foreseeable losses	1,474	1,535
Amounts due to former members	3,003	3,726
Total trade and other payables	90,466	79,506

23 Operating cash flow adjustments

The following adjustments have been made to profit before tax to arrive at operating cash flow:

	12 months to 31 December 2020 £'000	18 months to 31 December 2019 £'000
Net changes in working capital		
Change in trade and other receivables	(6,158)	(5,938)
Change in trade and other payables	17,147	(17,254)
Change in provisions	4,778	4,082
Total changes in working capital	15,767	(19,110)
Non-cash adjustments		
Depreciation, amortisation, and impairment of non-financial assets	20,690	10,568
Loss on disposal of property, plant, and equipment	350	2,345
Interest income	(1,339)	(856)
Interest expense	2,304	3.374
(Gain) on disposal of non-financial assets	(3,218)	(263)
Result from equity accounted associate	55	6,502
Net interest on defined benefit liability	1,721	3,609
Total non-cash adjustments	20,563	25,279

24 Statement of net debt and members' interests

		At 31 December 2019 £'000	Net cash used in financing activities £'000	Other non-cash £'000	Re-allocation £'000	At 31 December 2020 £'000
Borrowings	Current	66,248	(44,459)	-	27,390	49,178
	Non-current	479	-	59,781	(27,390)	32,870
		66,727	(44,459)	59,781	-	82,049
Members' interests		32,020	(43,910)	79,273	(11,769)	55,614
Former members		3,726	(12,492)	-	11,769	3,003
Annuities to former members		15,813	(1,796)	1,172	-	15,189
		118,286	(102,657)	140,225	-	155,854

		At 30 June 2018 £'000	Net cash used in financing activities £'000	Other non-cash £'000	Re-allocation £'000	At 31 December 2019 £'000
Borrowings	Current	68,080	66,248	-	(68,080)	66,248
	Non-current	276	-	(67,877)	68,080	479
		68,356	66,248	(67,877)	-	66,727
Members' interests		50,482	(91,672)	83,229	(10,019)	32,020
Former members		2,818	(18,211)	9,100	10,019	3,726
Annuities to former members		18,193	(2,764)	384	-	15,813
		139,849	(46,399)	24,836	-	118,286

25 Related Party Transactions

Transactions with associates

During the year to 31 December 2020, the Group provided services to Grant Thornton Specialist Services Cyprus Limited valued at £96,000 (2019: £nil). There are no outstanding balances with Grant Thornton Specialist Services Cyprus Limited.

Transactions with joint ventures

During the year to 31 December 2020 and the 18-month period to 31 December 2019 none of the joint ventures entered into any direct related party transactions with the Group.

The Group entered in to related party transactions with subsidiary trading entities of Grant Thornton Singapore HoldCo Limited. During the year the Group provided services valued at £361,000 (2019: £nil), with £45,000 outstanding as at 31 December 2020, and the Group received services valued at £318,000 (2019: £43,000), with £15,000 outstanding as at 31 December 2020.

26 Post-reporting date events, contingent assets, and liabilities

No adjusting or significant non-adjusting events have occurred between the 31 December 2020 and the date of authorisation of these financial statements.

26.1 Contingent assets

Further compensation on the disposal of Grant Thornton House is expected and is considered to be a contingent asset as at 31 December 2020. The timing and magnitude of this compensation is the subject to ongoing negotiations with HS2 Limited.

26.2 Contingent liabilities

There are contingent liabilities in connection with guarantees given by the Group relating to the defined benefit pension schemes and a guarantee provided of up to £2.5m (2019: £2.5m) in relation to an ongoing contract within the Large & Complex business unit.

The Group has a contingent obligation to invest additional monies into its investment interests, the quantum of which is currently unknown. The Group has committed to make available a USD2.5m working capital facility to Grant Thornton Singapore HoldCo Limited, this is a contingent liability because there is uncertainty as of 31 December 2020 of how much of the working capital facility will be needed.

The firm is involved in claims and regulatory proceedings as part of the ordinary course of business. Where costs are likely to be incurred in defending and concluding such matters and they can be reliably estimated, they are provided for in the financial statements. No separate disclosure is made of the detail of such claims and proceedings as to do so could seriously prejudice the position of the Group.

Parent entity statement of financial position

as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Goodwill	28	11,936	11,936
Other intangible assets	29	8,122	4,855
Tangible assets	30	12,823	17,204
Right-of-use asset	14	45,938	-
Right-of-use asset held as Investment Property	15	1,611	-
Investments accounted for using the equity method	31	2,350	2,425
		82,780	36,420
Current assets			
Debtors due: amounts falling due within one year	32	236,714	244,562
Debtors due: amounts falling due after more than one year	32	3,565	4,717
Cash at bank and in hand		16,079	13,545
		256,358	262,824
Creditors: amounts falling due within one year	33	(132,378)	(158,272)
Net current assets		123,980	104,552
Total assets less current liabilities		206,760	140,972
Creditors: amounts falling due after more than one year	33	(32,870)	(479)
Provisions for liabilities	35	(48,682)	(44,022)
Net assets excluding amounts due to members		**125,208**	**96,471**
Loans and other debts due to members within one year	37	40,375	42,550
Members' capital classified as a liability	37	33,285	17,263
Members' other interests – profit for the year/period	37	77,471	80,438
Members' other interests – other reserves classified as equity	37	(25,923)	(43,780)
Total equity and amounts due to members		**125,208**	**96,471**

The financial statements of Grant Thornton UK LLP (Registered no: OC307742) were approved by the Designated Members and authorised for issue on 31 March 2021.

Dave Dunckley
Chief Executive Officer

Malcolm Gomersall
Chief Operating Officer

Parent entity statement of changes in equity

as at 31 December 2020

	Other reserves £'000	Total equity £'000
Balance as at 31 December 2019	36,656	36,656
Allocated profits in respect of the prior period	(63,003)	(63,003)
Tax adjustments on payment of annuities to former members	424	424
Transactions with members	(62,579)	(62,579)
Profit for the financial year available for discretionary division among members	92,628	92,628
Members' remuneration charged as an expense	(15,157)	(15,157)
Total comprehensive income for the year	77,471	77,471
Balance as at 31 December 2020	**51,548**	**51,548**

	Other reserves £'000	Total equity £'000
Balance as at 1 July 2018	11,805	11,805
Allocated profits in respect of the prior year	(56,275)	(56,275)
Tax adjustments on payment of annuities to former members	688	688
Transactions with members	(55,587)	(55,587)
Profit for the financial period available for discretionary division among members	102,943	102,943
Members' remuneration charged as an expense	(22,505)	(22,505)
Total comprehensive income for the period	80,438	80,438
Balance as at 31 December 2019	**36,656**	**36,656**

Notes to the parent entity financial statements

27 Basis of preparation – Parent entity

The principal accounting policies adopted in the preparation of the parent financial statements together with the critical accounting judgements and key sources of estimation are the same as those set out in Notes 1 and 2 of the consolidated financial statements. Any accounting policies in addition to those applied in the preparation of the consolidated financial statements are detailed below. These polices have been consistently applied throughout the year and the preceding period. The true and fair override has been taken in respect of the non-amortisation of goodwill, which would otherwise have been £0.2m (2019: £0.2m), due to the consideration that the goodwill has an indefinite useful economic life.

Basis of accounting

Grant Thornton UK LLP (the "LLP") meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements for Grant Thornton UK LLP have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) "Reduced Disclosure Framework".

The financial statements have been prepared under the historic cost convention.

Disclosure exemptions adopted

In preparing these financial statements the LLP has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- A statement of cash flows and related notes for the LLP;
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the Group as they are wholly owned within the Group;
- Disclosure of key management personnel compensation;
- Presentation of comparative reconciliations for intangible and tangible fixed assets;
- Disclosure requirements relating to Goodwill impairment testing;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- The requirements of paragraphs 10(d), 10(f), 16, 38(a) to (d), 40 (a) to (d), 111 and 134-136 of IAS 1 Presentation of Financial Statements; and
- IFRS 7 disclosure requirements.

The 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 statement in these financial statements.

28 Goodwill

There has been no movement in goodwill during the year. The gross carrying amount was £11.9m as at 31 December 2020 (2019: £11.9m).

29 Other intangible assets

	Software £'000	Contract assets £'000	Total £'000
Cost			
As at 31 December 2019	11,920	292	12,212
Additions	5,443	-	5,443
Transfers	297	-	297
As at 31 December 2020	17,660	292	17,952
Amortisation			
As at 31 December 2019	7,065	292	7,357
Charge for the year	2,473	-	2,473
As at 31 December 2020	9,538	292	9,830
Net book value amount as at 31 December 2020	**8,122**	**-**	**8,122**
Net book value amount as at 31 December 2019	4,855	-	4,855

30 Tangible assets

	Leasehold property improvements £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Assets under construction £'000	Total £'000
Gross carrying amount						
Balance at 31 December 2019	19,394	5,974	1,265	5,821	4	32,458
Initial application of IFRS16	-	-	(443)	(430)	-	(873)
Additions	-	14		1,090	756	1,860
Transfers	-	-			(297)	(297)
Disposals	(1,293)	(301)		(1,466)		(3,060)
Balance 31 December 2020	18,101	5,687	822	5,015	463	30,088
Depreciation and impairment						
Balance at 31 December 2019	10,186	2,371	570	2,127	-	15,254
Initial application of IFRS16	-	-	(116)	(201)	-	(317)
Provided in the year	1,933	1,028	239	886	-	4,086
Disposals	(814)	(263)		(681)	-	(1,758)
Balance 31 December 2020	11,305	3,136	693	2,131	-	17,265
Carrying amount 31 December 2020	**6,796**	**2,551**	**129**	**2,884**	**463**	**12,823**

31 Investments accounted for using the equity method

The movement in investments accounted for using the equity method is as follows:

	Cost £'000	Impairment £'000	Net book value £'000
As at 31 December 2019	2,571	(146)	2,425
Gains recognised in the year	45	-	45
Disposals	(58)	-	(58)
(Losses) on foreign exchange	(2)	-	(2)
Impairment in the year	-	(60)	(60)
As at 31 December 2020	**2,556**	**(206)**	**2,350**

A list of investments held by the LLP is set out in Note 16 of the consolidated financial statements.

32 Debtors

	31 December 2020 £'000	31 December 2019 £'000
Due < 1 year		
Trade debtors	71,313	101,727
Amounts recoverable on contracts	98,401	66,920
Other debtors	20,862	18,262
Amounts due from members	18,046	27,793
Prepayments and accrued income	28,092	29,860
	236,714	244,562
Due > 1 year		
Fully and compulsory convertible debentures	2,930	3,932
Prepayments and accrued income	635	785
	3,565	4,717

33 Creditors

	31 December 2020 £'000	31 December 2019 £'000
Due < 1 year		
Bank loans	36,000	66,000
Excess payments on account	29,986	17,276
Trade creditors	5,802	9,632
Amounts owed to group undertakings	24,839	32,377
Taxation and social security	7,064	7,228
Obligations under finance lease and hire purchase contracts	-	248
Lease liabilities	13,178	-
Other creditors	1,629	4,237
Amounts due to former members	3,003	3,726
Provisions for foreseeable losses	1,474	1,535
Accruals and deferred income	9,403	16,013
	132,378	158,272
Due > 1 year		
Lease obligations	-	479
Lease liabilities	32,870	-
	32,870	479

34 Leases

The carrying amount of right-of-use assets, right-of-use assets held as investment properties and lease liabilities and the related movements during the year are substantially the same as those disclosed for the Group. Details of the Group's leasing arrangements, including the maturity analysis of lease liabilities, are also substantially the same. Details can be found in Notes 14 and 15.

35 Provisions for liabilities

	Claims provision £'000	Property provision £'000	Former members' annuities £'000	Total £'000
As at 31 December 2019	24,611	3,596	15,813	44,020
New annuity obligations	-	-	785	785
Amortisation of discount	-	-	226	226
Settlement of obligations during year	(2,984)	(946)	(2,219)	(6,149)
Change in assumptions and experience losses	-	-	584	584
Released to Income statement	(1,648)	(205)	-	(1,853)
Provided during the year	5,789	5,280	-	11,069
As at 31 December 2020	25,768	7,725	15,189	48,682

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

	31 December 2020 £'000	31 December 2019 £'000
In less than one year	2,353	2,049
After one and within five years	5,396	5,930
After five and within ten years	3,808	4,058
After ten and within twenty-five years	3,545	3,673
In more than twenty-five years	87	103
	15,189	15,813

36 Capital commitments

At the end of the year the LLP had capital commitments of £nil (2019: £nil) that were not provided for.

37 Members' interests

	Members' other interests – Other reserves £'000	Loans and other debts due to/(from) members £'000	Total members interests £'000
As at 31 December 2019	36,656	32,020	68,676
Members' remuneration charged as an expense		15,157	15,157
Profit for the financial year available for discretionary division among members	77,471		77,471
Members' interests after profit for year	114,127	47,177	161, 304
Allocated profits in respect of the prior period	(63,003)	63,003	-
Tax adjustments on payment of annuities to former members	424	-	424
Members' capital introduced	-	4,075	4,075
Other amounts withdrawn by members	-	(446)	(446)
Drawings (including tax payments)	-	(46,430)	(46,430)
Transfer of capital to former members' balances	-	(6,250)	(6,250)
Transfer of other amounts to former members' balances	-	(5,515)	(5,515)
As at 31 December 2020	**51,548**	**55,614**	**107,162**

	Members' other interests – Other reserves £'000	Loans and other debts due to/(from) members £'000	Total members interests £'000
As at 1 July 2018	11,805	50,482	62,287
Members' remuneration charged as an expense	-	22,505	22,505
Profit for the financial year available for discretionary division among members	80,438	-	80,438
Members' interests after profit for year	92,243	72,987	165,230
Allocated profits in respect of the prior year	(56,275)	56,275	-
Tax adjustments on payment of annuities to former members	688	-	688
Members' capital introduced	-	7,375	7,375
Other amounts withdrawn by members	-	485	485
Drawings (including tax payments)	-	(85,984)	(85,984)
Transfer of capital to former members' balances	-	(9,100)	(9,100)
Transfer of other amounts to former members' balances	-	(10,018)	(10,018)
As at 31 December 2019	**36,656**	**32,020**	**68,676**

Members' interest (continued)

The loans and other debts due to or (from) members within one year can be analysed as follows:

	31 December 2020 £'000	31 December 2019 £'000
Members' capital classified as a liability	40,375	42,550
Amounts due to members – profits	33,285	17,263
Loans and other debts due to members	73,660	59,813
Amounts due from members included in trade and other receivables	(18,046)	(27,793)
	55,614	32,020

38 Related party disclosures

As permitted by FRS 101 related party transactions with wholly owned Group entities have not been disclosed.

Transactions with joint ventures

During the year to 31 December 2020, the LLP provided services to Grant Thornton Specialist Services Cyprus Limited valued at £96,000 (2019: nil). There are no outstanding balances with Grant Thornton Specialist Services Cyprus Limited.

During the year to 31 December 2020 and the 18-month period to 31 December 2019 none of the joint ventures entered into any direct related party transactions with the LLP.

The LLP entered into related party transactions with subsidiary trading entities of Grant Thornton Singapore HoldCo Limited during the year. The LLP provided services valued at £361,000 (2019: £nil), with £45,000 outstanding as at 31 December 2020 and the LLP received services valued at £318,000 (2019: £43,000), with £15,000 outstanding as at 31 December 2020.

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