Grant Thornton
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Grant Thornton UK LLP Report and Accounts

For the period ended 31 December 2019

Registered no. OC307742

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CEO review: Moving forward with confidence

Setting ourselves up for success

The 18 month period ended 31 December 2019 has been a transitional one for Grant Thornton; resulting in a more focused firm.

We know from our markets and clients that there is a strong desire to work more with us and we also know that we have fantastic people who are engaged and inspired by the opportunity to build their careers with the firm. However, despite these key ingredients being present, the firm was not realising its full potential.

To capture this opportunity, we have made some bold changes to simplify and re-focus our business, including:

- **Internal realignment.** We undertook a fundamental review of our business and our operating model. As a result, we restructured our business around service lines to make it easier for us to drive quality and investment in everything that we do. For example, this is facilitating the investment of £7 million as part of our Audit Investment Plan to further improve audit quality and create an audit business by which our people and the market are genuinely inspired. It also highlighted areas that were not core to our future plans. As a result we sold our Wealth Advisory business in the period.
- **Continued investment in people.** We've maintained investment in our people and further developed the partnership across all our service lines. Highlights include recruiting 19 partners from across the marketplace and we made a further 25 internal promotions throughout the 18 month period. We have also welcomed over 500 school leavers and graduates into the firm during the period.
- **Continued innovation.** Continued investment in our talent has enabled us to innovate to create important and valuable business streams for the future. The Asset Recovery Fund will see our already market-leading team further strengthen its position in this growing global market as it pursues ever more complex and multijurisdictional assignments. We have also launched some exciting digital solutions to help our clients solve some of their biggest business challenges – including helping clients battle cyber security, navigate IR35 rules and use the Apprenticeship Levy to reinforce their talent pipelines. Our ability to provide digital solutions is accelerating and will remain a core focus moving forward.

Starting with a clear strategy, focussed on our strengths and key priorities, which has been embraced by all of our people has enabled us to enter 2020 with a renewed confidence. Our strategy is grounded within the following framework with which we will:

- **Quality -** choose to work only on assignments where we know we can deliver the very best quality. This will reflect the nature of work we undertake, but also the characteristics of the clients whom we engage with.
- **Talent –** continue to invest in and develop our talent. In return, we ask our people to contribute to our genuinely inclusive culture, and respect our purpose and values; all of which are fundamental to the firm we are building for the future.
- **Value -** choose to work only with those clients who value what we do and (where appropriate) are seeking a long term partnership with us.

In return, our clients can expect the very highest standard of service, from the very best people in each and every interaction with us.

I am pleased we are already seeing the results of these changes, as we further develop our relationships with clients, take on important new mandates, retain the best people in our industry and attract new talent to join them.

CEO review: Moving forward with confidence *(continued)*

Trading overview

Change of accounting reference date

In the midst of the changes referred to above we took the decision to change our accounting period date from 30 June to 31 December. The short-term benefits were important, but more fundamentally a December year-end makes more sense for us in the longer term. The seasonality of much of our work is such that this change makes it easier for us to manage our business, given around 70% of our annual profits are generated in the 6 months to 30 June. A December accounting reference date also brings us into alignment with global reporting by Grant Thornton International Limited.

The combination of an 18 month period, the impact of strong seasonality and non-recurring matters within that period make understanding key performance trends less straightforward than usual for our stakeholders. We set out below some commentary on the non-recurring matters and our underlying trading to assist stakeholders.

Non-recurring matters

We recognised the sale of our Wealth Advisory business. During the strategic review of our business referenced earlier, we identified that significant investment was needed to grow this business and that it would be easier for that investment to be made outside of the constraints of our accounting firm. Accounting standards require the reclassification of the Wealth Advisory trading results into discontinued operations. We also recognise within discontinued operations an exceptional gain of £35.5m on the disposal of the business.

We also made specific provisions in respect of ongoing matters, such as potential claims and fines.

CEO review: Moving forward with confidence *(continued)*

Trading overview (continued)

Underlying trading

I am pleased to report that in the relatively short space of time since implementing the changes referred to above, our trading performance in the 6 months to 31 December 2019 was significantly ahead of that in 2018. This contributed to an improved year on year position as shown in our management accounts.

£m	31 December 2019 12 months	31 December 2018 12 months
Fee income	514	502
Trading profit*	68	61

*The only material differences between our management and statutory accounts numbers relates to the defined benefit pension scheme and the retirement annuities due to former partners. These liabilities are accounted for on a cash basis within the management accounts whereas statutory accounts numbers include the impact of actuarial assumptions. In the full 18 months to 31 December 2019 we recognised revenue of £728m and a trading profit of £72m (before tax and discontinued activities).

Looking forward – the near term

Our strategy is underpinned by having a clear focus on the clients and markets with whom we are best suited to work. This ensures that we provide the best experience of working with Grant Thornton for our people, clients and other stakeholders. In a period of significant change, our market focus remains unchanged as we continue to operate within three key markets:

- **Mid-market.** The mid-market is the fastest growing segment of the UK and global economy and remains our largest market. We provide a full range of audit, tax and advisory services to help our clients create, protect and transform value. We are building a client base fit for the future and are confident in the role that we can play in helping our clients deliver on their strategic objectives through providing solutions tailored to specific needs.
- **Large Corporates.** Having developed deep relationships over many years, we are proud to be providing a broad range of tax and advisory services to almost 40% of the FTSE350 market. Indeed, this is a market where we continue to see increasing demand for certain assurance, tax, advisory and digital engagements and consequently continues to be an area for investment. We have actively participated in the evolving audit debate in this market and stand ready to be part of the solution should the market conditions and regulations align to our strategic priorities.
- **Public Services.** We are the largest provider of audit to local government in the UK and enjoy a strong market position in the public healthcare audit market. Similar in many ways to the Large Corporate market, we are experiencing increasing demand for a range of advisory services across national and local government, health and transport and look forward to playing an even greater role to support our public services in the future.

CEO review: Moving forward with confidence *(continued)*

Looking forward – the longer term

The work we've done to transform our business over the last 18 months enabled us to start 2020 with renewed confidence and strategic direction.

We will not shy away from the public scrutiny we, and all of our profession, face over historical matters that have led to diminished trust and questions over the quality of audits in particular. However, we have taken actions to deal with the underlying causes of previous issues in our business and have made provisions for legacy liabilities whilst still investing to grow across the firm.

Audit will remain a core area of focus for our firm across our chosen markets. Whilst we have made significant progress in improving the quality of our most complex audits, we know that it will take some time for these improvements to be fully reflected in our annual reports from our regulator. Our audit strategy allows us to choose in which part of the audit market we will operate as the market evolves. We know that the market needs more challengers, and we are confident that we can play a defining role should the ongoing regulatory and commercial developments taking place ultimately provide a more level playing field for us to do so.

Beyond the audit market, we know that the commercial and political changes taking place across the UK economy will create opportunities for us and our clients, both in the near term and beyond. Whilst the impact of more recent events brought on by the Covid-19 pandemic is yet to be fully evaluated across the global economy, our renewed focus provides a degree of resilience to cope with the uncertainties that may lay ahead in the near term.

The structural changes we've made to our firm over the past year, along with ongoing investment and innovations across our audit, tax and advisory services, have given us an enviable platform for success and to grow sustainably over the coming years. I have every confidence that our people will grasp the opportunities that lie ahead.

Conclusion

I am proud to lead Grant Thornton UK. We employ over 4,500 hugely talented people and I am inspired every day by their stories. We sit in a marketplace where there is a demonstrable need for a standout firm that delivers the very highest quality work through the most talented people. With the decisive actions we took in 2019 and our renewed confidence as we work through 2020, we will embrace the opportunities presented across all our markets and will look forward with confidence.

Dave Dunckley
Chief Executive Officer

Report to Members

The members present their report together with the financial statements of Grant Thornton UK LLP (the LLP) and its subsidiary entities (together the Group) for the 18 month period ended 31 December 2019.

The Firm

Legal 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”. It is the UK member firm of Grant Thornton International Limited. Each member firm is a sperate and independent legal entity.

Principal activity

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

Governance

During the 18 months ended 31 December 2019 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 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 and Partnership Oversight Board 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.

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

The firm operates a drawings policy based on a highly 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.

Report to Members *(continued)*

The Firm *(continued)*

Designated members

The designated members during the period ended 31 December 2019, and those who have been appointed or resigned subsequently, are as follows:

Strategic Leadership Team and current roles

Dave Dunckley	CEO
Fiona Baldwin (appointed 3 June 2019)	Head of Audit
Darren Bear (appointed 1 September 2019)	Head of Deals & Business Consulting
Mark Byers	Head of Strategic Relationships
Kathleen Campbell-Williams (appointed 1 September 2019)	Head of Tax
Malcolm Gomersall	COO
Robert Hannah (appointed 1 December 2018)	Head of Large & Complex
Dave Munton	Head of UK Markets
Jonathan Riley	Head of Quality & Reputation

Karl Eddy, Sarah Howard, Simon Jones and Sacha Romanovitch resigned on 30 September 2019, 1 September 2019, 17 December 2018 and 13 December 2018 respectively.

Partnership Oversight Board

Norman Armstrong (appointed 1 July 2018)
Simon Bevan
Kathleen Campbell-Williams (resigned 31 August 2019)
Helen Dale
Wendy Hart (appointed 1 July 2018)
Nigel Morrison (resigned 31 December 2018)
Nick Page (resigned 31 August 2019)
Philip Secrett (resigned 30 June 2019, reappointed 23 October 2019)
Dan Hartland (appointed 23 October 2019)
Paul Naylor (appointed 23 October 2019)
Eddie Best (appointed 1 July 2019, resigned 28 February 2020)
Sean Croston (appointed 1 July 2019)

Report to Members *(continued)*

Financial position

Changes in the period

We began this 18 month period organised according to our three markets – Mid-market, Public Services and Large Corporates. We formally moved to a service line structure in 2019 – Audit, Tax and Advisory (split between Deals & Business Consulting and Large & Complex). The change is already allowing us to better match our talent to client assignment needs thereby driving quality and value. A number of supporting infrastructure projects ran through the last few months of the period. Some of these are reflected in our balance sheet in these financial statements and have already, or will shortly, come to fruition in 2020 to deliver value to all of our stakeholders. This value is particularly important given unique wider macro-economic circumstances.

We carried out a strategic review of all of our activities to identify those which are core to our future plans and those which would better grow inside another business. Accordingly our former Wealth Advisory colleagues joined Standard Life Aberdeen on 1 December 2019. The trading results of our Wealth Advisory business up until the date of disposal are disclosed within these financial statements as discontinued activities along with the associated exceptional gain on disposal.

The volume of change in progress at 30 June presented challenges and led us to look at what was the right financial year end for the firm in the future. We concluded that a period end of 31 December fitted best with the seasonality and rhythm of our business and accordingly we extended the accounting period to 31 December 2019. We strongly believe that generating the bulk of our profitability in the first, rather than second half of our financial year will allow us to make more informed medium term investment decisions.

Trading performance

As ever our financial performance reflects a combination of factors;

- Audit – the business had a challenging first 12 months generally but the Public Services team especially so. Market conditions are unique but our commitment to the long-term future of this business is demonstrated by our Audit Investment Plan. Further details are set out in our separately published Transparency Report.
- Tax – the business had a generally positive first 12 months but we saw a slow down in activity in the 6 months to 31 December against the backdrop of Brexit-related market uncertainty. There are significant medium-term opportunities for us in this area.
- Deals & Business Consulting – the business has had an outstanding 18 months in terms of top line activity and bottom line profitability. We went into 2020 with another strong work pipeline reflecting our investment in external and internal recruitment but especially in bringing internal talent through to partner. That pipeline has been reshaped by macro-economic circumstances but remains strong. In much of what we do, especially but not exclusively in the mid-market, we consider ourselves to have market leading talent and propositions which mean this business is critical to our future in terms of both short and medium term opportunity.
- Large & Complex – the business continues to be robust and our teams include market leading talent and propositions. Many of the projects we are involved in are significant which means there are natural ebbs and flows in financial performance. The 6 months to 31 December 2019 were strong and our pipeline is promising.

Report to Members *(continued)*

Financial position *(continued)*

Review of central functions

We have undertaken a review of central functions in the period to ensure they are consistent with our strategy and revised business plans particularly in terms of:

- Putting quality first.
- Recognising talent is at the heart of our business.
- We need to be focussed on value rather than revenue generation for the benefit of our markets and people.

This has meant in some areas we have reduced people numbers and net spend and in others we have increased them and that we have moved reporting lines to better align resources to our strategic goals. The introduction of new systems in many areas of our business reflects the changes we have gone through. We began to see the benefits of the above action in the 18 months to 31 December 2019 and believe we will continue to do so in 2020 and beyond.

Profit per partner

The average profit per member calculated in accordance with IFRS for the period ended 31 December 2019 was £566,000 (2018: £373,000). The average allocable profit per member for the period 31 December 2019 was £513,000 (2018: £336,000).

Management judgements and estimates

There are three recurring areas where there are material elements of the financial statements which are highly dependent upon management judgements and estimates:

1. Revenue recognition - In determining the amount to be recognised on incomplete contracts it is necessary to estimate the stage of completion and the amount of variable consideration. Judgements and estimates are inherent in this process and can have a material impact on the trading numbers.

2. Defined benefit pension schemes and retirement annuities to former partners – Inherent estimates of future events outside the firm's control give rise to material adjustments to the carrying value of potential future liabilities.

3. Claims provisions – Assumptions as to the need for, and if appropriate the value of, provisions are inherently subjective. It remains the view of the firm this inherent subjectivity means disclosure of the details of any such claims and proceedings could be seriously prejudicial to the position of the Group.

We have delayed signing these financial statements to allow us to work through the inherent uncertainties arising from the global Covid-19 pandemic. Specifically we have considered the impact of the pandemic on our ability to continue as a going concern. The work we have gone through and how it has built to positive conclusions are summarised on page 11.

Report to Members *(continued)*

Financial position *(continued)*

Capital, treasury, liquidity

We manage liquidity risk generally by periodically undertaking reviews of short, medium and long term funding requirements as well as continuously monitoring working capital usage. It is important to understand that a significant part of the firm's funding is from members' capital, which whilst it is only repayable following retirement, is included within current liabilities in our balance sheet. After adjusting for this capital net current assets increased to £116m from £102m at June 2018 and net assets reduced to £16m from £30m at June 2018. The net asset reduction reflects the £17m increase in the pension scheme liability. Net debt reduced during the period to £50m from £55m at June 2018.

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 last year as part of the ETV arrangements.

Whilst the disposal of Grant Thornton House to HS2 Limited continues to have a limited impact on our balance sheet position further compensation on the disposal of this property is anticipated. We believe the asset is contingent and so is still not recognised in our balance sheet.

Uncertainties arising from Covid-19 and Brexit

We have looked at the uncertainties arising from Covid-19 and Brexit facing all businesses and challenged ourselves as to the impact on estimates made within these financial statements including on the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment which is plainly subjective.

We believe the impact of Brexit on our business is modest and manageable given our business model. The impact of Covid-19 is more difficult to estimate but we are confident that the counter-cyclical nature of our trading activities is manageable. We specifically comment on the impact on our going concern assessment on page 11.

Report to Members *(continued)*

Financial position *(continued)*

Going concern

At 31 December 2019, the Group's financing arrangements consisted of a revolving credit facility of £111m in place through to December 2023 along with partner capital. 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 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.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak in particular has been considered as part of the Group's adoption of the going concern basis and, indeed, we have delayed the signing of our financial statements, to enable us to fully assess and model potential scenarios under Covid-19. To date, we have not observed any material impact on our activities due to Covid-19 and, indeed, have continued to win significant pieces of work since the UK went into lockdown which are already being delivered remotely.

We have now been working fully remotely for three weeks with no issues identified across any of our teams and throughout our business aspects such as billing, cash collection, timesheets, client acceptance and continuance, management information and payments to our people and suppliers have been completed without issue.

We have performed a number of downside scenarios to consider the potential impact of Covid-19 on the Group's results, including performing reverse stress testing on our model.

In preparing our forecasts, the following key assumptions were used; the impact of reduced revenue using a worst case scenario basis across parts of our business for both a three and six month period and have forecast known reductions in expenditure within our business reflecting, for example, individuals not being located in offices for a period of time amongst others. Our use of three months as one of our scenarios uses the experience of China (who is now experiencing a return to relative normality following a 12 week period of limited activities), however, we have also used a six month continuation of the current situation to form the basis of our reverse stress testing. Our business planning and mitigating activities are driven by our key priorities during the Covid-19 situation – having flexibility to respond to the needs of our clients and the needs of our people. As part of our business planning and mitigating activities, we have created a series of lead indicators which are monitored on a daily basis by the Strategic Leadership Team to ensure we have the most up to date information to hand in order to form business decisions to achieve those priorities. We are also considering which, if any, of the government business support measures might form part of our mitigating activities.

As part of our assessment, we have considered the specific nature of work performed by each part of our business (using our experience during the Global Financial Crisis as one point of reference) 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 are confident that we can take sufficient mitigation action to ensure that our facilities remain sufficient over the forecast period and maintain compliance with our covenants.

Report to Members *(continued)*

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 Financial Reporting Standards as adopted by the European Union (IFRSs), 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.

On behalf of the members

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 ‘group’) for the period ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows 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 Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the group financial statements:

- give a true and fair view of the state of the group’s affairs as at 31 December 2019 and of the group’s profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the members’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members’ have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Independent Auditor's Report to the Members of Grant Thornton UK LLP *(continued)*

Key audit matters *(continued)*

Key audit matter	How the matter was addressed in the audit

Revenue recognition and the value of contract assets
 	
During the financial period the Group adopted IFRS15 'Revenue from contracts with customers'.
 	
The group's accounting policy in respect of revenue recognition, together with the commentary on the related judgements and estimates, is set out in Note 1 'Revenue analysis' on page 30. 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 fair value of 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 62% (2018: 53%) 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 revenue recognition and the associated value of contract assets, in particular in relation to longer term and more complex engagements, as a significant risk that requires special audit consideration.
	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 related internal control environment, including testing certain 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, including the application of early-stage discounting of profit recognition on certain longer term engagements;
	• testing the integrity of revenue recognition models utilised for complex engagements, such as those in the R&R practice; and
	• consideration of the adequacy of the disclosures related to revenue recognition.
	• substantive sampling procedures included, but were not limited to:
	• 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 and the contract asset value in the financial statements.
	
	Our observations:
	Our testing did not identify any significant deficiencies in either the internal control environment or in the operation of related controls. As a result no revision of the nature and/or scope of planned audit procedures was required. Our sample based audit work indicated that revenue has been recognized 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.
	We consider the related disclosure in Note 1 to the financial statements appropriately describes and explains the significant judgement used in determining the stage of completion of revenue contracts.

Independent Auditor's Report to the Members of Grant Thornton UK LLP *(continued)*

Key audit matters *(continued)*

Key audit matter	How the matter was addressed in the audit
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 6 'Provisions' on page 39 and the commentary on the related judgements and estimates is set out on page 39. The group makes a provision on the statement of financial position for regulatory matters and for uninsured and self-insured costs for settling negligence claims as 'Claims provisions' within 'Provisions', as set out in Note 6 'Provisions' on page 40. 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. A claim with a value exceeding the group's insurance cover, or a claim that is not covered by the group's insurance, could require an additional and potentially significant provision to be made, which in turn, could impact the ability of the group to continue as a going concern. We have therefore identified the provisioning for professional claims and regulatory matters as a significant risk which was one of the most significant assessed risks of material misstatement.	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 the nature and level of insurance provision in place and considering 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; • considering the outturn of regulatory matters and claims settled during the period; and • consideration of the adequacy of the presentation and disclosures related to professional claims and regulatory matters. **Our observations:** We found the nature and level of insurance held to be consistent with the provision methodology. We did not identify any significant deficiencies in the operation of the professional claim notification procedures. Based on our audit work, we consider the judgements made by management in determining the provision for claims and regulatory proceedings to be reasonable in light of the evidence available at the date of this report. We consider the disclosures in Note 6 sufficiently describe the significant degree of uncertainty in the assumptions and estimates used in the valuation of the provisions in relation to professional negligence claims and regulatory matters.

Independent Auditor’s Report to the Members of Grant Thornton UK LLP *(continued)*

Key audit matters *(continued)*

Key audit matter	How the matter was addressed in the audit
Defined benefit pension schemes and partners’ annuities The group’s accounting policy in respect of the defined benefit pension scheme is set out in Note 23 ‘Pensions’ on page 79 and the commentary on the related judgements and estimates set out in Note 5 ‘Pensions’ on page 37. The group’s accounting policy in respect of partners’ annuities is set out in Note 6 ‘Provisions’ on page 39, and the commentary on the related judgements and estimates is set out on page 39. There is a significant liability recorded in respect of the Grant Thornton Pension Fund, included on the consolidated statement of financial position as 'Pensions'. The measurement of the pension scheme liabilities is performed by Grant Thornton’s internal actuarial team, and is subject to complex assumptions that involve significant judgement. Details of the assumptions used and the calculation of the liabilities are included in Note 23 ‘Pensions’ on page 80. The group’s obligations under partners’ annuity arrangements give rise to a significant provision which is included on the consolidated statement of financial position as 'Former members’ annuities' within 'Provisions’, with further details set out in Note 6 ‘Provisions’ on page 39. The calculation of the liability in respect of these obligations is performed by Grant Thornton’s internal actuarial team and is subject to complex assumptions that involve significant judgement.	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 assets; and • reviewing the associated financial statement disclosures in the context of the requirements of IAS 19 and best practice. **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. No material exceptions were noted from our testing of scheme assets. We consider that the related disclosures in Notes 5, 6 and 23 are appropriate and adequately disclose the significant degree of sensitivity of the scheme liabilities to the actuarial assumptions.

Independent Auditor's Report to the Members of Grant Thornton UK LLP *(continued)*

Key audit matters *(continued)*

Key audit matter	How the matter was addressed in the audit
Impact of the outbreak of COVID-19 on the financial statements Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. The members' consideration of the impact on the financial statements are disclosed in the report of members' on page 10 and going concern assessment on page 11. Whilst the situation is still evolving, based on the information available at this point in time, the members' have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate. As disclosed in Note 26 to the financial statements, the members' have also concluded that COVID-19 is a non-adjusting post balance sheet event.	We assessed the members' conclusion that the matter be treated as a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate. We considered: • The timing of the development of the outbreak across the world and in the UK; and • How the financial statements and business operations of the group might be impacted by the disruption. In forming our conclusions over going concern, we evaluated how the members' going concern assessment considered the impacts arising from COVID-19 as follows: • We reviewed managements going concern assessment including COVID-19 implications based on a 3 month lock down period and a 6 month lock down period which included reverse stress testing, as approved by the Strategic Leadership Team on 29 March 2020 . • We made enquiries to understand the period of assessment considered by management, the completeness of the adjustments taken into account, and the implication of those adjustments when assessing the 'reverse stress testing on the group's future financial performance; • We evaluated the key assumptions in management's assessment and considered whether they appeared reasonable; • We examined the projected minimum committed facility headroom and projected covenant compliance and evaluated whether the management's conclusion that liquidity headroom and covenant compliance remained in all events was reasonable; and • We evaluated the adequacy and appropriateness of the members' disclosure in respect of COVID-19 implications, in particular disclosures within management judgements and estimates, going concern and post balance sheet events. **Our observations:** Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements. Our conclusions on going concern is set out above.

Independent Auditor's Report to the Members of Grant Thornton UK LLP *(continued)*

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	£7m (2018: £6.9m)
How we determined it	We determined materiality for the consolidated financial statements as a whole to be £7m (2018: £6.9m), representing approximately 7.5% (2018: 10%) of the profit before members' remuneration and profit shares. This benchmark was agreed with the Risk & Audit Committee during our planning phase and has been consistently applied in the current and prior years.
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 for the group was determined to be £5.6m (2018: £5.1m), being 80% of materiality.
Reporting threshold	We agreed with the Risk & Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of £0.2m (2018: £0.2m) (representing 3% of financial statement materiality) together with differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

As part of designing our audit, we determined materiality and 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 directors 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, its 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 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.

Independent Auditor's Report to the Members of Grant Thornton UK LLP *(continued)*

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud *(continued)*

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the group, the structure of the group, the industry in which it operates they operate and considered the risk of acts by the group which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations; We discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's parent company's and group's regulatory and legal correspondence and review of minutes of directors' meetings in the year.

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

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, 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 significant one-off or unusual transactions; and
- addressing the risk 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 those charged with governance 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.

As a result of our procedures, we did not identify any "Key audit matters" relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

Our audit included an audit of the financial statements of the parent limited liability partnership, together with audits for group reporting purposes of its principal subsidiary undertakings. 98% of group revenues and 97% 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 of the subsidiary undertakings are subject to audit by us, directly, as the group auditor.

Independent Auditor's Report to the Members of Grant Thornton UK LLP *(continued)*

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the group'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 Statement of Members' Responsibilities set out on page 12, 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 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 to cease operations, or have no realistic alternative but to do so.

Independent Auditor’s Report to the Members of Grant Thornton UK LLP *(continued)*

Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at 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 group’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by regulations 39 and 40 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the group’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 group and the group’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

3 April 2020

Consolidated statement of comprehensive income for the period ended 31 December 2019

	Note	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Revenue	1	**728,421**	479,479
Client expenses and disbursements		**(42,414)**	(30,296)
Net revenue		**686,007**	449,184
Other income	16	**314**	847
Operating expenses	21	**(601,032)**	(378,649)
Operating profit		**85,289**	71,382
Share of (loss) from equity accounted investments	11	**(6,502)**	-
Finance costs	19	**(6,983)**	(4,970)
Finance income	19	**856**	637
Profit/(loss) on disposal of non-financial assets	16	**(263)**	519
Other financial items	16	**-**	62
Profit before tax		**72,397**	67,630
Taxation charge for the period	7	**(4,269)**	(1,963)
Profit for the period from continuing operations		**68,128**	65,667
Profit and gain from discontinued operations before members' remuneration	12	**39,539**	4,006
Members' remuneration charged as an expense	20	**(22,505)**	(6,572)
Profit for the period available for discretionary division among members		**85,162**	63,101

Consolidated statement of comprehensive income for the period ended 31 December 2019 *(continued)*

	Note	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Profit for the period available for discretionary division among members		**85,162**	63,101
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gains/(losses) on the defined benefit obligation	23	**(23,564)**	8,928
Items that will be reclassified subsequently to profit or loss			
Fair value through other comprehensive income financial assets (losses)/gains		**3**	(5)
Exchange differences on translating foreign operations		**(160)**	(44)
Other comprehensive income for the period / year, net of tax		**(23,721)**	8,879
Total comprehensive income for the period / year		**61,441**	71,980

Consolidated statement of financial position as at 31 December 2019

ASSETS	Note	31 December 2019 £'000	30 June 2018 (restated) £'000
Non-current assets			
Goodwill	9	**13,009**	13,101
Other intangible assets	13	**4,855**	5,617
Property, plant and equipment	14	**17,327**	19,099
Investments accounted for using the equity method	11	**600**	9,078
Total non-current assets		**35,791**	46,895
Current assets			
Trade and other receivables	2	**258,568**	235,065
Restricted fixed term call deposits (restated, see Note 22)	22	**4,201**	8,900
Cash and cash equivalents	17	**16,886**	13,846
Total current assets		**279,655**	257,811
Total assets		**315,446**	304,706

EQUITY AND LIABILITIES			
Equity			
Members' other interests – other reserves classified as equity	20	**(30,187)**	(36,199)
Translation reserve	20	**1,784**	1,944
Revaluation reserve	20	**(320)**	(323)
Total equity		**(28,723)**	(34,578)

Consolidated statement of financial position as at 31 December 2019 *(continued)*

EQUITY AND LIABILITIES ***(continued)***	**Note**	**31 December 2019 £'000**	**30 June 2018 (restated) £'000**
Liabilities			
Non-current liabilities			
Pensions	5	**89,660**	73,065
Borrowings	17	**479**	276
Provisions	6	**46,597**	45,968
		136,736	119,309
Current liabilities			
Loans and other debts due to members within one year			
Members' capital classified as a liability	20	**42,550**	44,275
Other amounts	20	**17,263**	15,884
		59,813	60,159
Other current liabilities			
Borrowings	17, 18	**66,248**	68,080
Trade and other payables	3	**79,506**	90,490
Current tax liabilities		**1,866**	1,246
		207,433	219,975
Total liabilities		**344,169**	339,284
Total equity and liabilities		**315,446**	304,706

The financial statements on pages 25 to 28 were approved and authorised for issue on 3 April 2020 by the Designated Members of Grant Thornton UK LLP.

Dave Dunckley
Chief Executive Officer
Registered no: OC307742

Malcolm Gomersall
Chief Operating Officer

Consolidated statement of changes in equity for the period ended 31 December 2019

	Revaluation reserve £'000	Translation reserve £'000	Other reserves £'000	Total equity £'000
Balance 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)**	**(57,587)**
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 for the period	**3**	**(160)**	**61,599**	**61,442**
Balance at 31 December 2019	**(320)**	**1,784**	**(30,187)**	**(28,723)**

	Revaluation reserve £'000	Translation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 July 2017	(318)	1,988	(47,348)	(45,678)
Allocated profits in respect of the prior year	-	-	(61,441)	(61,441)
Tax adjustments on payment of annuities to former members	-	-	561	561
Transactions with members	-	-	(60,880)	(60,880)
Profit for the financial year available for discretionary division among members	-	-	63,101	63,101
Other comprehensive income	(5)	(44)	8,928	8,879
Total comprehensive income for the year	(5)	(44)	72,029	71,980
Balance at 30 June 2018	(323)	1,944	(36,199)	(34,578)

Consolidated statement of cash flows
for the period ended 31 December 2019

	Note	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Operating activities			
Profit for the period for discretionary division among members		**85,162**	63,101
Members' remuneration charged as an expense		**22,505**	6,572
Taxation		**4,269**	1,963
Non-cash adjustments	8	**25,279**	12,721
Contributions to defined benefit plans		**(10,578)**	(14,405)
Net changes in working capital	8	**(19,110)**	(20,349)
Net cash		**107,527**	49,603
Net cash (used in) discontinuing operations		**(35,529)**	-
Taxes paid		**(3,649)**	(1,765)
Net cash from operating activities		**68,349**	47,838
Investing activities			
Purchase of property, plant and equipment		**(3,930)**	(6,915)
Proceeds from disposal of property, plant and equipment		**41**	1,011
Purchase of other intangible assets		**(2,805)**	(2,229)
Proceeds from investments accounted for using the equity method		**3,999**	3,625
Acquisition of investments accounted for using the equity method		**(1,011)**	(22)
Purchase of restricted fixed term call deposits (2018 restated)	22	**(4,201)**	(8,906)
Proceeds from disposal of restricted fixed term call deposits (2018 restated)	22	**8,900**	7,304
Proceeds from disposal of Wealth Advisory business unit	12	**39,670**	-
Interest received		**856**	637
Net cash generated from/(used in) investing activities		**41,519**	(5,495)

Consolidated statement of cash flows

for the period ended 31 December 2019 *(continued)*

	Note	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Financing activities			
Proceeds from borrowings		**66,248**	67,900
Repayment of borrowings		**(67,878)**	(55,356)
Interest paid		**(3,374)**	(2,036)
Payments on behalf of members		**(88,299)**	(59,048)
Capital contribution by members	20	**7,375**	4,000
Annuity payments to former partners	18	**(2,764)**	(2,162)
Repayments to former members	18	**(18,211)**	(5,968)
Net cash used in financing activities		**(106,903)**	(52,670)
Net change in cash and cash equivalents		**2,965**	(10,327)
Cash and cash equivalents, beginning of period / year		**13,846**	24,198
Exchange differences on cash and cash equivalents		**75**	(25)
Cash and cash equivalents, end of period / year		**16,886**	13,846

1. Revenue

Significant management judgement or estimate:

During the period the Group adopted IFRS 15 'Revenue from Contracts with Customers'. The standard recognises revenue on the basis of the satisfaction of performance obligations. The identification of and accounting for these performance obligations requires judgement.

Significant judgement is needed in the determination of 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.

Estimates are made with allocating revenue to performance obligations and the valuation of contract assets. The Group estimates the contract completion point, costs yet to be incurred and the potential outcome of the contract.

Further judgements are needed with contracts where the collectability is uncertain or there is contingency on the occurrence on 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 review the collectability of revenue and the likelihood of events occurring.

Significant judgement is involved in estimating the amount of revenue, where variable consideration is involved and which results in the recognition of contract assets.

Management base their assessments for judgements and estimates on historic experience, market insights, and rational estimates of future events. Judgements and estimates are made in each part of the business by engagement teams with experience of the service being delivered and are subject to review and challenge by management during and at the end of each reporting period. That challenge is carried out on a contract by contract or portfolio of contracts basis as applicable.

New revenue recognition standard adopted as at 1 July 2018

The Group has applied IFRS 15 with a date of initial application of 1 July 2018 to replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue related interpretations.

The adoption of IFRS 15 has the effect of presenting revenue and contract related balances under different measurement bases. The Group has applied IFRS 15 using the modified retrospective (cumulative catch-up) approach, by recognising the cumulative effect of initial recognition as an adjustment to the opening balance of reserves at 1 July 2018. The comparative information has not been restated and continues to be reported under IAS 18 and IAS 11 thereby impacting the comparability of current and prior year figures.

In accordance with the transition guidance, IFRS 15 has only been applied to contracts that were incomplete at 1 July 2018.

The Group uses the portfolio of contracts approach where there are contracts with similar characteristics being grouped together. The impact of this approach for similar contracts does not materially differ to applying IFRS 15 on a contract by contract basis.

Impact of new standard

The Group has assessed the introduction of IFRS 15 and the application of the standard does not significantly change the recognition of revenue. No changes are needed to opening reserves at 1 July 2018. IFRS 15 necessitates new presentational disclosures and these are included in Notes 1 and 2.

In the year to 30 June 2018 revenue was recognised once the outcome of transactions could be measured reliably and it was probable that the consideration would be received.

1. Revenue *(continued)*

Disaggregation of revenue

The Group's revenue has been disaggregated by business unit to show how it could be affected by economic uncertainty.

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**
Tax	126,182	11,860	6,536	**144,578**
Large & Complex	174,354	14,601	33,147	**222,102**
Deals & Business Consulting	131,380	15,621	7,433	**154,434**
	633,261	**45,124**	**50,036**	**728,421**

12 months to 30 June 2018	United Kingdom £'000	Rest of Europe £'000	Rest of World £'000	Total £'000
Audit	140,006	3,395	2,368	145,769
Tax	79,992	5,177	4,371	89,540
Large & Complex	118,985	6,529	18,236	143,750
Deals & Business Consulting	82,622	9,212	8,586	100,420
	421,605	**24,313**	**33,561**	479,479

1. Revenue *(continued)*

Contract balances

The Group's contract related balances are:

	31 December 2019 £'000	30 June 2018 £'000
Trade receivables, gross	107,096	116,192
Allowance for credit losses	(3,416)	(4,922)
Trade receivables, net	103,680	111,270
Contract assets	70,027	58,561
Contract related assets	173,707	169,831
Contract liabilities	17,276	14,885
Deferred income	3,530	1,509
Provisions for foreseeable losses	1,535	1,774
Contract related liabilities	22,341	18,168
Total of contract related balances	151,366	151,663

Additional revenue disclosures

Contract assets are explained in Note 2. Contract liabilities are explained in Note 3.

£14.4m (2018: £16.2m) of revenue has been recognised during the current financial period that was included in the contract liability balance as of 30 June 2018.

The typical timing of payment from the raising of invoices is 48 days (2018: 46 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 2 and further in Note 22.

1. Revenue *(continued)*

Revenue recognition accounting policy

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, Large & Complex and Deals & Business Consulting 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, Large & Complex and Deals & Business Consulting 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 fair value of 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 is 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.

The Group's contracts do not include material financing components.

1. Revenue *(continued)*

Revenue recognition accounting policy *(continued)*

Revenue recognition

Performance obligations can be satisfied in a variety of ways through 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 using the input method. 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 for performance completed to date.

The Group typically uses the input method for percentage of completion calculations and calculations are based on labour hours expended and costs incurred or completion of relevant milestones. 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.

Revenue recognition *(continued)*

- 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, 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 as trade and other receivables 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 and other 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. 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.

2. Trade and other receivables

Trade and other receivables accounting policy

Trade and other receivables (except contract assets) are initially recognised at the transaction price, based upon undiscounted cash flows. Subsequent to initial recognition, trade and other receivables are recorded at amortised cost less impairment losses.

If a service or performance obligation has been fully or partially completed but not invoiced, a contract asset (in 2018 known as amounts recoverable on contracts) is recognised which is estimated by reference to the stage of completion of the contract and the value we expect to invoice.

Invoices raised at the point of completing the performance obligation and the right to consideration are deemed to become unconditional and are recognised as trade receivables. Progress bills raised on account are recognised as trade receivables with a corresponding increase in contract liabilities. These are subsequently reduced when the performance obligation is satisfied and the revenue is recognised. Similarly contracts assets are derecognised when the invoice is raised.

In the year ended 30 June 2018 the Group used IAS 39 to recognise impairments using the historical incurred loss method. For the period ended 31 December 2019, the Group has implemented IFRS 9 Financial Instruments and trade and other receivables and contract assets are measured at amortised costs less provisions for lifetime estimated credit losses and impairments. The expected credit losses take in to account the ageing, historic losses and forward looking information see Note 22 for further detail.

Where an impairment has been identified, these are recorded in an allowance account for credit losses and deducted from the trade receivables balance. The net carrying value of trade receivables, which shows trade receivables after these provisions for impairment, is considered a reasonable approximation of fair value. For the methods used and further accounting treatment of impairments see Note 22. If the management assess the receivables or contract assets are not collectable the balances are written off.

No collateral or securities are held for receivables or contract assets.

Trade and other receivables consist of the following:

Due < 1 year	31 December 2019 £'000	30 June 2018 £'000
Trade receivables, gross	**107,096**	116,192
Allowance for credit losses	**(3,416)**	(4,922)
Trade receivables, net	**103,680**	111,270
Contract assets	**70,027**	58,561
Amounts due from members	**27,793**	9,677
Other receivables	**1,104**	-
Financial assets	**202,604**	179,508
Other receivables	**18,154**	29,140
Prepayments	**33,094**	22,064
Non-financial assets	**51,248**	51,204
Trade and other receivables due less than 1 year	**253,852**	230,712

Due > 1 year	31 December 2019 £'000	30 June 2018 £'000
Financial assets - fully and compulsory convertible debentures	**3,932**	3,786
Non-financial assets - prepayments	**784**	567
Trade and other receivables due more than 1 year	**4,716**	4,353
Total trade and other receivables	**258,568**	235,065

3. Trade and other payables

Trade and other payables accounting policy

Trade payables are recognised when a good or service has been received or supplied and has been formally invoiced but has not been paid. The liability is initially recorded at the fair value of consideration payable. Subsequently trade payables are measured at amortised cost. If a good or service has been supplied but not been paid, invoiced or formally agreed with the supplier, including amounts due to employees, an accrual is recognised.

Contract liabilities (in 2018 known as excess payments received on account) are recognised where a client has been invoiced but the service has not yet been supplied, or only partially supplied. It is measured as the difference between the amount due from the client and the revenue recognised for any element of the service that has been delivered.

Trade and other payables consist of the following:

	31 December 2019 £'000	30 June 2018 £'000
Contract liabilities	**17,276**	14,885
Trade payables	**10,453**	5,284
Social security and other taxes	**13,597**	16,239
Other creditors	**5,940**	3,800
Accruals and deferred income	**26,979**	45,690
Provisions for foreseeable losses	**1,535**	1,774
Amounts due to former members	**3,726**	2,818
Total payables	**79,506**	90,490

4. Employee remuneration

Expenses recognised for employee benefits are analysed below:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Salaries	**317,725**	202,816
Social security costs	**35,597**	23,665
Pensions – defined contribution plans	**40,009**	21,723
	393,331	248,204

Salaries include wages and salaries, bonuses, employee benefits and excludes pension costs.

Employee numbers

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

	18 months to 31 December 2019	12 months to 30 June 2018
Members (of whom 51 are entitled to a fixed amount of profit share - 2018: 20)	**190**	187
Fee earning	**3,469**	3,255
Central client services	**1,142**	1,155
	4,801	4,597

Short-term employee benefits accounting policy

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.

5. Pensions

Significant management judgement or estimate:

Defined benefit pension schemes

The Group takes professional advice from Grant Thornton UK LLP 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 last triennial valuation of the pension scheme was completed at 30 June 2017 and resulted in the scheme actuary making no significant changes to the mortality assumptions or tables. The next triennial valuation of the pension scheme will be at 30 June 2020.

The liabilities recognised for pensions and other employee remuneration are:

	31 December 2019 £'000	**30 June 2018 £'000**
Non-current:		
Defined benefit liability (net)	**89,660**	73,065
Former members annuities (note 6)	**15,813**	18,193
	105,473	91,258
Current:		
Other short term employee obligations *	**3,221**	6,100

*Included within accruals and deferred income in trade and other payables in Note 3, with the explanation in Note 4.

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.

Guaranteed minimum pensions equalisation

A past service cost of £0.8m has been recognised to reflect the additional liability arising from the 2018 High Court ruling requiring schemes to equalise their guaranteed minimum pensions benefits in respect of males and females. This additional liability has been calculated based on information provided to us from the Scheme Actuary.

5. Pensions *(continued)*

Defined benefit pensions testing sensitivity

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 (decrease)/increase £'000
0.5% decrease to discount rate	37,670
0.5% increase to inflation	24,327
One year increase to life expectancy	12,982

Defined benefit pensions future funding obligations

The ongoing funding of the defined benefit pension scheme is based on the last actuarial valuation of £99.7m at 30 June 2017, rather than the current IAS accounting deficit of £89.7m which has more stringent assumptions applied to it.

Following the conclusion of the last comprehensive triennial valuation at 30 June 2017, the Group agreed to a Recovery Plan and is making annual deficit contributions to eliminate the funding shortfall by 31 December 2028. Contributions will be paid of £7.2m in the year ending 31 December 2020, rising to £7.3m from the year ending 31 December 2021 onwards.

The expected employer contributions to the scheme, including the salary sacrifice component, in the year commencing 1 January 2020 is expected to be £7.2m.

6. Provisions

Significant management judgement or estimate:

All provisions are considered non-current.

Claim provisions

Provisions for professional negligence claims are inherently difficult to estimate. In making a provision management make estimates by reference to:

- The number of claims notified at the period end. In establishing this number, the legal team canvases the partner and director population quarterly to establish whether any new claims have been notified or are expected.
- An estimate of the likely outflow. This is based on an assessment of the merits of the claim 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 through policies underwritten by its captive insurance subsidiary and by the external insurance market. All claims are subject to a policy excess (also referred to as a self-insured deductible amount) which is borne by 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.

Retirement annuities to partners

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. We use our internal actuarial specialist to help estimate the obligation.

Provisions movements in the year

	Claim provisions £'000	Property provisions £'000	Retirement annuities to partners £'000	Total £'000
Gross carrying amount				
Balance 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 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 2019 £'000	30 June 2018 £'000
In less than one year	**2,049**	2,428
After one and within five years	**5,930**	6,402
After five and within ten years	**4,058**	4,751
After ten and within twenty five years	**3,673**	4,449
In more than twenty five years	**103**	163
	15,813	18,193

6. Provisions *(continued)*

Provisions accounting policy

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 insurance. 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 Claims provision. The inherently subjective nature of the issues involved means the timing of the utilisation of those provisions is inherently difficult to predict and any disclosure of the details of such claims and proceedings, or the costs recoverable by insurance, would be seriously prejudicial to the position of the Group.

Recognition and measurement *(continued)*

Property provisions – Property provisions are in respect of dilapidations and surplus properties. The nature of the property provisions are such that the timing of the utilisation of those provisions is inherently difficult to predict.

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 partners 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 1.5% (2018: 2.2%) based on Government bonds and estimates of the expected payment period covered by the annuities.

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

7. Tax expense

Grant Thornton UK LLP as a Limited Liability Partnership is not subject to corporation tax on the majority of its profits. Tax arises through the income tax payable on the LLP profits being the personal liability of the members, although payment of such liabilities is administered by the LLP on behalf of the members.

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

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Profits on ordinary activities before tax	72,397	67,630
(Profits) of LLP's not subject to corporation tax	(39,418)	(49,494)
	32,979	18,136
Domestic tax rate	19.00%	19.00%
Expected tax expense	6,266	3,446
Profits taxed at zero percent or exempt from tax	531	(330)
Pension cost charge less than pension cost relief	(1,324)	(2,180)
Net losses in subsidiary undertakings relieved	(781)	1,439
Over provision from earlier years	(423)	(412)
Total tax expense	4,269	1,963
Deferred tax expense, recognised directly in other comprehensive income	-	-

Accounting policy

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. 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.

8. Operating cash flow adjustments

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

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Net changes in working capital		
Change in trade and other receivables	**(5,938)**	(33,220)
Change in trade and other payables	**(17,254)**	1,189
Change in provisions	**4,082**	11,682
Total changes in working capital	**(19,110)**	(20,349)
Non-cash adjustments		
Depreciation, amortisation and impairment of non-financial assets	**10,568**	8,856
Loss on disposal of PP&E	**2,345**	-
Interest	**(856)**	(636)
Fair value losses on financial assets and liabilities recognised in profit or loss	**-**	50
Interest expense	**3,374**	2,036
(Gain) on disposal of non-financial assets	**(263)**	(519)
Result from equity accounted associate	**6,502**	-
Net interest on defined benefit liability	**3,609**	2,934
Total non-cash adjustments	**25,279**	12,721

9. Goodwill

Accounting policy

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 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 one-year financial budgets. Cash flows for the periods beyond existing budgets have been extrapolated using a 3% growth rate (2018: 3%). The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 8% (2018: 8%);
- 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.

Goodwill movements

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

	31 December 2019 £'000	30 June 2018 £'000
Gross carrying amount		
Balance 1 July	**13,101**	13,101
Acquired through business combination (Note 11)	**458**	-
Disposal	**(550)**	-
Balance at period end	**13,009**	13,101

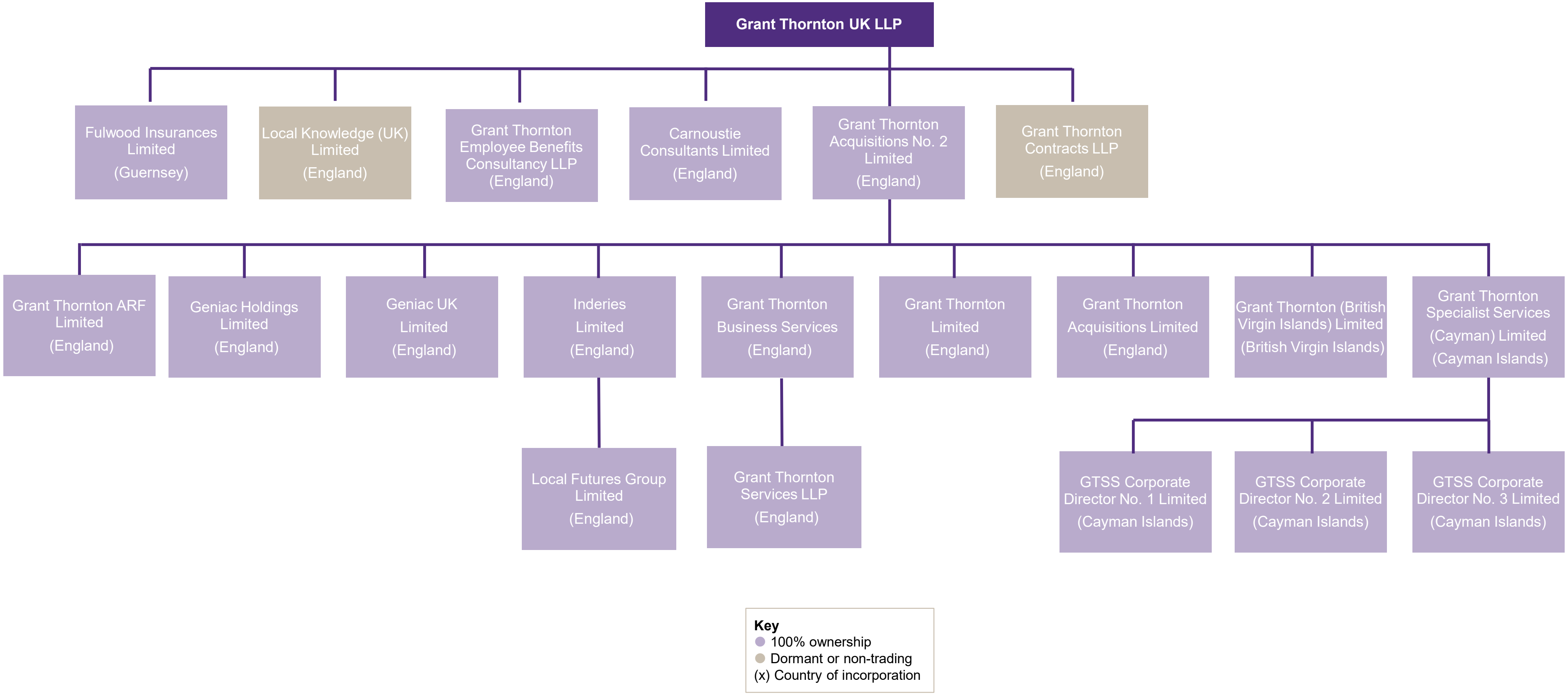
Cash Generating Units (CGU)

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 2019 £'000	30 June 2018 £'000
Robson Rhodes	9,562	9,562
Other	3,447	3,539
	13,009	13,101

10. Investments in principal subsidiaries – Composition of the Group



10. Investments in principal subsidiaries – Composition of the Group *(continued)*

Basis of consolidation accounting policy

The Group financial statements consolidate those of the LLP and all entities over which the LLP has control as at 31 December 2019. All Group entities have a reporting date of 31 December.

During the period, a change to the group structure was undertaken where various entities which were owned directly by Grant Thornton UK LLP were transferred to a single holding entity, Grant Thornton Acquisitions No 2 Limited, a wholly owned entity by Grant Thornton UK LLP. A share for share exchange took place on 26 February 2019, the consideration for which was entirely satisfied in the form of newly issued ordinary equity shares in Grant Thornton Acquisitions No.2 Limited.

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.

Profit or loss and other comprehensive income of Group entities acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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.

11. Acquisition and investments accounted for using the equity method

Acquisition

Acquisition of Carnoustie Consultants Limited

On 23 September 2019, the Group acquired 100% of the equity instruments of Carnoustie Consultants Limited, a UK registered company specialising in insolvency investigations, thereby obtaining control. The acquisition was made to enhance the Group's position in the insolvency sector. The fair value of the consideration transferred is £0.6m, and is made up of cash, deferred consideration and contingent consideration. The goodwill as part of the acquisition for the Group is £0.5m.

Group interests

Interest in the IVA business (associate)

During the period the Group held a 40% interest in Aperture Debt Solutions LLP which was initially and subsequently measured at fair value. On 30 September 2019 the entire outstanding partnership rights, title and interest in this was sold to Bonumcorpus (No.16) Limited.

Interest in Singaporean joint venture

During the period, the group subscribed for shares in Grant Thornton Singapore HoldCo Ltd, giving the Group a 50% equity interest. It is considered to be a joint venture and accounted for using the equity method.

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

	31 December 2019 £'000	30 June 2018 £'000
Investment in joint ventures	**578**	-
Investments in associates	**22**	9,078
Carrying amount of equity accounted investments	**600**	9,078

The year on year change in the investment in associates is the sale of Aperture Debt Solutions LLP.

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

	31 December 2019 £'000	30 June 2018 £'000
Investment in joint ventures	**-**	-
Investments in associates	**-**	3,604
Total investments accounted for using the equity method	-	3,604

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

	31 December 2019 £'000	30 June 2018 £'000
Investment in joint ventures	**-**	-
Investments in associates	**(6,502)**	-
Total share of (loss) from equity accounted investments	**(6,502)**	-

11. Investments accounted for using the equity method

Accounting policy

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 25.

Related Party Transactions:

Transactions with Associates

During the 18 month period to 31 December 2019, the Group provided services to Aperture Debt Solutions LLP valued at £nil (2018: £0.5m). The outstanding balance of £0.1m (2018: £0.1m) due from Aperture Debt Solutions LLP was written off as part of the total loss on sale of the investment.

Transactions with Joint Ventures

During the period none of the joint ventures entered into any transactions with the group and hence nothing has been included in any outstanding balances at the period end.

12. Discontinued operations

Discontinued operations – Wealth Advisory business

On 26 June 2019, Grant Thornton UK LLP entered into an agreement with 1825, Standard Life Aberdeen's wholly owned financial planning and advice business, to buy the Firm's Wealth Advisory business. The transaction was completed on 29 November 2019 and the sale resulted in a gain of £35.5m.

Whilst the Wealth Advisory business had been a successful part of the business it was not considered core to the Group's future activities.

This is the only operation presented within discontinued operations in the comparative amounts. The gain on disposal was determined as below:

	£'000
Fair value of consideration received	
Amount received in cash	39,710
Expenses associated with the discontinued operations	(847)
Net inflow on disposal of discontinued operation	38,863
Net assets disposed of	
Equipment	(44)
Contract assets	(715)
Other payables	(2,575)
	(3,334)
Gain on disposal of discontinued operation	**35,529**

Results of discontinued operation:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Net Revenue	**14,946**	**11,295**
Operating expenses	**(10,936)**	**(7,289)**
Operating profit & Profit before tax and members' remuneration	**4,010**	**4,006**
Tax expense	**-**	**-**
Gain on disposal of discontinued operation	**35,529**	**-**
Profit for the period / year from discontinued operations before members' remuneration	**39,539**	**4,006**

The statement of cash flow includes following amounts relating to discontinued operation items:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Net cash from operating activities	**(35,529)**	(122)
Net cash used in investing activities	**39,670**	-
Cash flow from discontinued operation	**4,141**	(122)

13. Other intangible assets

	Software £'000	Capitalised contract costs £'000	Total £'000
Gross carrying amount			
Balance at 1 July 2018	13,786	292	14,078
Additions, internally developed	2,805	-	2,805
Disposals	(693)	-	(693)
Balance at 31 December 2019	**15,898**	**292**	**16,190**
Amortisation and impairment			
Balance at 1 July 2018	8,388	73	8,461
Amortisation	3,348	219	3,567
Disposals	(693)	-	(693)
Balance at 31 December 2019	**11,043**	**292**	**11,335**
Carrying amount 31 December 2019	**4,855**	**-**	**4,855**

	Software £'000	Capitalised contract costs £'000	Total £'000
Gross carrying amount			
Balance at 1 July 2017	15,965	-	15,965
Additions, separately acquired	-	292	292
Additions, internally developed	1,937	-	1,937
Disposals	(4,116)	-	(4,116)
Balance at 30 June 2018	13,786	292	14,078
Amortisation and impairment			
Balance at 1 July 2017	8,120	-	8,120
Amortisation	2,331	73	2,404
Impairment	2,053	-	2,053
Disposals	(4,116)	-	(4,116)
Balance at 30 June 2018	8,388	73	8,461
Carrying amount 30 June 2018	5,398	219	5,617

13. Other intangible assets *(continued)*

Accounting policy

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 4 and 7 years and is amortised over this period. Capitalised contracts costs are amortised over 4 years.

Subsequent measurement

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 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 profit or loss within other income or other expenses.

14. Property, plant and equipment

	Leasehold property £'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**

	Leasehold property £'000	Furniture and equipment £'000	Office equipment £'000	Motor cars £'000	Assets under construction £'000	Total £'000
Gross carrying amount						
Balance 1 July 2017	39,698	12,756	10,781	5,090	2,838	71,163
Additions	4,273	1,931	206	1,645	183	8,238
Transfers	1,753	1,085	-	-	(2,838)	-
Disposals	(24,983)	(9,885)	(8,002)	(1,360)	-	(44,230)
Balance 30 June 2018	20,741	5,887	2,985	5,375	183	35,171
Depreciation and impairment						
Balance 1 July 2017	21,510	10,463	10,065	1,919	-	43,957
Disposals	(13,786)	(9,813)	(8,002)	(683)	-	(32,284)
Depreciation	2,261	921	388	829	-	4,399
Balance 30 June 2018	9,985	1,571	2,451	2,065	-	16,072
Carrying amount 30 June 2018	10,756	4,316	534	3,310	183	19,099

Net exchange differences have been included in the disposals balance.

14. Property, plant and equipment *(continued)*

Accounting policy

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. The following useful lives are applied:

Category	Useful economic life
Leasehold property and improvements	period of the lease[1]
Furniture and equipment	5-8 years
Office equipment	3-5 years
Motor cars	4 years

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

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 profit or loss 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.

Recognition and measurement *(continued)*

The net book value of assets held under finance leases and similar hire purchase contracts was £0.2m all relating to motor cars (2018: £0.6m all relating to motor cars) and £0.4m for IT equipment (2018: £nil).

Finance leases

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.

15. Leases

The future minimum finance lease payments are as follows:

	31 December 2019 £'000	30 June 2018 £'000
Not later than one year	**248**	180
Later than one year and not later than five years	**479**	276
Total future minimum lease payments	**727**	456
Finance charges	**-**	-
Present value of minimum lease payments	727	456

Further details relating to the finance leases are contained in Note 19.

The Group leases offices, motor cars, and IT equipment under operating leases. The future minimum lease payments are as follows:

Minimum operating lease payments due:

	Within 1 year £'000	1 to 5 years £'000	After 5 years £'000	Total £'000
31 December 2019	**15,674**	**47,073**	**6,086**	**68,833**
30 June 2018	15,462	43,001	9,091	67,554

Accounting policy

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.

Lease expense during the 18 month period amounts to £24.0m (2018 for the 12 month period: £17.9m).

Standard	IFRS 16 Leasing
Application	For annual periods beginning on or after 1 January 2020. The cumulative effect method will be adopted, and therefore the group will only recognise leases on the balance sheet as at that date.
Summary	IFRS 16 will replace IAS 17 'Leases' and three related Interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Leases will be recorded in the Statement of Financial Position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value, less than £4,000/US$5,000 and short-term leases of less than 12 months. The principles of IFRS 16 will be applied on a lease by lease basis, discounting future cash flows using the incremental borrowing rate at that date.
Anticipated impact	There will be an opening reserve adjustment of £nil upon implementation. It is anticipated that the transition to IFRS 16 will be minimal for the Statement of Comprehensive Income. A Right of Use asset and corresponding liability will be recognised on the Statement of Financial Position.

15. Leases *(continued)*

Standard	IFRS 16 Leasing
Qualification & Project management	Management have assessed the anticipated impact of the Standard. The Group: • has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Group has reassessed these leases and concluded they will be recognised on the Statement of Financial Position as a right-of-use asset. • believes that the most significant impact will be the need to recognise a right of use asset and a lease liability for the office buildings currently treated as operating leases. At 31 December 2019 the future minimum lease payments amounted to £68.8m. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense. • believes the primary categories of leased assets identified are properties currently held under operating leases, motor cars currently held under both finance and operating leases and IT hardware currently held under operating leases. • concludes that there will not be a significant impact to the finance leases currently held on the Statement of Financial Position. • concludes that there will not be a significant impact to the banking covenants. The Group will be adopting IFRS 16 on 1 January 2020 for year ending 31 December 2020 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated. Choosing this transition approach results in further policy decisions the Group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Group is currently assessing the impact of applying these other transitional reliefs.

16. Other income and other financial items

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Other income		
Property sub-let income	**314**	847

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Other financial items		
(Loss)/profit on disposal of non-financial assets	**(263)**	519
Fair value movement on foreign exchange collars	**-**	62

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period are as follows:

	Within 1 year £'000	1 to 5 years £'000	After 5 years £'000	Total £'000
31 December 2019	**216**	**-**	**-**	**216**
30 June 2018	121	-	-	121

17. Cash and borrowings

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 2019 £'000	30 June 2018 £'000
Cash at bank and in hand:		
• GBP	**11,678**	6,022
• USD	**4,921**	7,491
• Euro	**287**	333
	16,886	13,846

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 comprises cash and cash equivalents and borrowings:

	31 December 2019 £'000	30 June 2018 £'000
Cash and cash equivalents	**16,886**	13,846
Bank loans and overdrafts	**(66,000)**	(67,900)
Finance leases and hire purchase contract – current (Note 15)	**(248)**	(180)
Current net debt	**(49,362)**	(54,234)
Finance leases and hire purchase contract – non-current (Note 15)	**(479)**	(276)
Net debt	**(49,841)**	(54,510)

18. Cash flow and financing activities

		Note	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		20	50,482	(91,672)	83,229	(10,019)	**32,020**
Former partners		3	2,818	(18,211)	9,100	10,019	**3,726**
Annuities to former partners		6	18,193	(2,764)	384	-	**15,813**
			139,849	(46,399)	24,836	-	**118,286**

* Non-current borrowings represent finance leases and hire purchase contracts

		Note	At 30 June 2017 £'000	Net cash used in financing activities £'000	Other non-cash £'000	Re-allocation £'000	At 30 June 2018 £'000
Borrowings	Current		55,635	12,544	-	(99)	**68,080**
	Non-current *		11,630	-	(11,453)	99	**276**
			67,265	12,544	(11,453)	-	**68,356**
Members' interests		20	42,824	(55,048)	68,917	(6,211)	**50,482**
Former partners		3	2,157	(5,968)	418	6,211	**2,818**
Annuities to former partners		6	21,210	(2,162)	(855)	-	**18,193**
			133,456	(50,634)	57,027	-	**139,849**

19. Finance costs and finance income

Finance costs for the reporting periods consist of the following:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Interest expense for borrowings at amortised cost:		
Bank loans and overdrafts	**2,760**	1,015
Other borrowings at amortised cost	**20**	12
	2,780	1,027
Interest expense for finance lease arrangements	**-**	636
Net interest expense on defined benefit liability	**3,609**	2,934
Unwinding of discount relating to former member annuity provisions	**594**	373
	4,203	3,943
Finance costs	**6,983**	4,970

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates and joint ventures, are recognised at the time that the right to receive payment is established. Dividends from investments in associates and joint ventures are reflected in the equity accounting of these investments.

Finance income for the reporting periods consists of the following:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Interest income from cash and cash equivalents	**856**	637

20. 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
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	-	-	85,163	**85,163**	-	**85,163**
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 gain	-	-	(23,564)	**(23,564)**	-	**(23,564)**
Movement in unrealised gains/losses on investments	3	-	-	**3**	-	**3**
Exchange gains on translation of foreign operations	-	(160)	-	**(160)**	-	**(160)**
At 31 December 2019	(320)	1,784	(30,187)	**(28,723)**	32,020	**3,297**

20. 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
At 1 July 2017	(318)	1,988	(47,348)	**(45,678)**	42,824	**(2,854)**
Members' remuneration charged as an expense	-	-	-	**-**	6,572	**6,572**
Profit for the financial year available for discretionary division among members	-	-	63,101	**63,101**	-	**63,101**
Members' interests after profit for year	(318)	1,988	15,753	**17,423**	49,396	**66,819**
Allocated profits in respect of the prior year	-	-	(61,441)	**(61,441)**	61,441	**-**
Tax adjustments on payment of annuities to former members	-	-	561	**561**	-	**561**
Members' capital introduced	-	-	-	**-**	4,000	**4,000**
Other amounts withdrawn by members	-	-	-	**-**	87	**87**
Drawings (including tax payments)	-	-	-	**-**	(58,232)	**(58,232)**
Transfer of capital to former members' balances	-	-	-	**-**	(3,875)	**(3,875)**
Transfer of other amounts to former members' balances	-	-	-	**-**	(2,335)	**(2,335)**
Pension scheme actuarial gain	-	-	8,928	**8,928**	-	**8,928**
Movement in unrealised gains/losses on investments	(5)	-	-	**(5)**	-	**(5)**
Exchange gains on translation of foreign operations	-	(44)	-	**(44)**	-	**(44)**
At 30 June 2018	(323)	1,944	(36,199)	**(34,578)**	50,482	**15,904**

20. Members' interests *(continued)*

Total members' interests includes 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 shows 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 2019 £'000	30 June 2018 £'000
Members' capital classified as a liability	**42,550**	44,275
Amounts due to members – profits	**17,263**	15,884
Loans and other debts due to members	**59,813**	60,159
Amounts due from members included in trade and other receivables	**(27,793)**	(9,677)
	32,020	50,482

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

Accounting policy

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

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

20. Members’ interests *(continued)*

Related Party Transactions:

Transactions with key management personnel

Key management of the Group are defined as members of the Partnership Oversight Board and the Strategic Leadership Team. The LLP does not divide 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 period totalled £11.2m. The actual profit allocated in respect of the previous year was £7.7m.

Members’ Profit Share

	31 December 2019 £’000	30 June 2018 £’000
Average profit per member	**566**	373
Retirement annuities and other items	**(58)**	11
Retained profits for the period / year in subsidiary entities net of consolidation adjustments	**5**	(48)
Average allocable profit per member	**513**	336

The table above 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.

The profit attributable to the member with the largest entitlement was £2,349,000 (2018: £1,910,300).

Allocable profits take into account pension and annuity payments and include sums allocated as interest, members' motor expenses and capital profits but exclude profits in certain subsidiary entities.

21. Operating expenses

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Cost of services rendered		
Employment and related costs of fee earners	**328,806**	208,532
Other cost of services rendered	**32,617**	18,637
Total cost of services rendered	361,423	227,169
Other operating costs		
Employment and related costs of non-fee earners	**84,325**	54,239
Other operating costs	**155,283**	97,240
Total other operating costs	239,608	151,479
Total operating expenses	601,031	378,648

Operating expenses are stated after charging:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Auditor's remuneration		
Audit services – Group and LLP	**197**	130
Other services – subsidiary LLP and company audits	**50**	30
Depreciation, amortisation and impairment of non-financial assets	**10,568**	8,856

The Auditor's remuneration includes disbursements.

Recognition and measurement

Operating expenses are recognised in profit or loss as the service is used or as incurred.

22. Financial instruments

New financial instruments standard

Summary

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

Significant accounting policy and treatment changes

The significant accounting policy change is that IFRS 9 replaces the previous classifications of financial assets with fair value through profit and loss, fair value through other comprehensive income or amortised cost. The classification is based around a two stage assessment of the business model for holding the assets and whether the contractual terms meet the definition of being solely payments of principal and interest (SPPI). The adoption of IFRS 9 has impacted the following areas:

The fully and compulsory convertible debenture under IAS 39 was designated as loans and receivables and valued at amortised cost. Whilst the IFRS 9 business model for this debt is considered to be collect contractual cashflows, the contractual terms are not considered to be solely the payment of principal and interest, due to the contractual option for this loan to be converted into equity of the business, as such it is required to be measured at fair value through profit or loss.

Available for sale financial assets included listed investments. These are now classified at fair value through profit and loss in IFRS 9 as restricted fixed term call deposits. The investment has been restated at 1 July 2018 to fair value.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. The Group had a policy of providing for all debts to the extent that management considered they were unable to collect all amounts due. The provision was also determined by reference to past default experience. Based on historical information about customer default rates, management considered the credit quality of trade receivables that were not past due or impaired to be good.

Accounting policy

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;
- the contractual cash flow characteristics of the financial asset.

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

22. Financial instruments *(continued)*

Accounting policy *(continued)*

Subsequent measurement of financial assets

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 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 profit or loss. 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.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new 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.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead 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 forward-looking 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').

22. Financial instruments *(continued)*

Accounting policy *(continued)*

Impairment of financial assets (continued)

'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 profit or loss due to the debenture being able to be converted in to 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 Partnership 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.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at the year end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, contingent consideration, and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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

There have been no changes to the classification or measurement of financial liabilities as a result of the adoption of IFRS 9.

22. Financial instruments *(continued)*

Accounting policy *(continued)*

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.

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

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

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 financial officer (CFO) and to the audit committee. Valuation processes and fair value changes are discussed among the Risk and Audit Committee and the Valuations Team 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' in this note. The fair value of the debt investments are 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. The sensitivity of the fair value measurement to the inputs is an increase to 1% or decrease to 1% would increase or decrease the fair value by £37,860.

22. Financial instruments *(continued)*

New financial instruments standard adopted as at 1 July 2018

On the date of initial application, 1 July 2018, the financial instruments of the Group were reclassified as follows:

	Measurement category		Carrying amount		
	Original IAS 39 category	New IFRS 9 category	Closing balance 30 June 2018 (IAS 39) £'000	Change as a result of the adoption of IFRS 9 £'000	Opening balance 1 July 2018 (IFRS 9) £'000
Non-current financial assets					
Fully and compulsory convertible debentures	Amortised cost	FVTPL	3,786	-	3,786
Listed investments	Available for sale	FVTPL	8,900	(8,900)	-
Total non-current financial assets			**12,686**	**(8,900)**	**3,786**
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	111,270	-	111,270
Contract assets	Amortised cost	Amortised cost	58,561	-	58,561
Amounts due from members	Amortised cost	Amortised cost	9,677	-	9,677
Restricted fixed term call deposits	n/a	Amortised cost	-	8,900	8,900
Cash and cash equivalents	Amortised cost	Amortised cost	13,846	-	13,846
Total current financial assets			**193,354**	**8,900**	**202,254**
Total non-current and current financial assets			**206,040**	**-**	**206,040**

The change of the listed investments to restricted fixed term call deposits has been explained in this note, on page 72.

22. Financial instruments *(continued)*

New financial instruments standard adopted as at 1 July 2018 *(continued)*

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 July 2018:

	IAS 39 carrying amount 30 June 2018 £'000	Reclassification £'000	IFRS 9 carrying amount 1 July 2018 £'000	Retained earning effect £'000
Fair value through profit or loss				
FVTPL under IAS 39	-	-	-	-
From available for sale	8,900	(8,900)	-	-
Total changes to fair value through profit or loss	**8,900**	**(8,900)**	**-**	**-**
Current financial assets				
FVTPL under IFRS 9	-	3,786	3,786	-
Amortised cost	197,140	8,900	202,254	-
Total financial asset balances at 1 July 2018	**197,140**	**12,686**	**206,040**	**-**
Total changes as at 1 July 2018	**206,040**	**3,786**	**206,040**	

22. Financial instruments *(continued)*

Financial assets at period end

The following table shows which of our assets are financial assets and the classification of those assets in accordance with IFRS 9 for 31 December 2019 and IAS 39 for 30 June 2018. The restatement of the 30 June 2018 balances has been explained in this note, on page 72.

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

31 December 2019	Non-financial asset £'000	Fair value through other comprehensive income £'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**	**258,569**
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	279,656

30 June 2018 (restated)	Non-financial asset (restated) £'000	Available For Sale (Fair value) (restated) £'000	Derivatives (Fair Value) (restated) £'000	Loans and receivables (amortised cost) (restated) £'000	Total (restated) £'000
Non-current assets					
Goodwill	13,101	-	-	-	13,101
Other intangible assets	5,617	-	-	-	5,617
Property, plant and equipment	19,099	-	-	-	19,099
Investments accounted for using the equity method	9,078	-	-	-	9,078
Total non-current assets	46,895	-	-	-	46,895
Current assets					
Trade and other receivables	42,067	-	-	183,294	225,361
Restricted fixed term call deposits	-	-	-	8,900	8,900
Cash and cash equivalents	-	-	-	13,846	13,846
Total current assets	42,067	-	-	206,040	248,107

22. Financial instruments *(continued)*

Financial liabilities at period end

The following table shows which of our assets are financial liabilities and the classification of those liabilities in accordance with IFRS 9 for 31 December 2019 and IAS 39 for 30 June 2018.

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 2019	Non-financial liability £'000	Liabilities at fair value through profit or loss £'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**

30 June 2018	Non-financial liability £'000	Derivatives (Fair Value) £'000	Other liabilities (amortised cost) £'000	Total £'000
Non-current liabilities				
Pension obligation	73,065	-	-	73,065
Non-current borrowings	-	-	276	276
Provisions	36,264	-	-	36,264
Total non-current liabilities	109,329	-	276	109,605
Current liabilities				
Loans and other debts due to members within one year	-	-	60,159	60,159
Current borrowings	-	-	68,080	68,080
Trade and other payables	47,464	-	43,026	90,490
Current tax liabilities	1,246	-	-	1,246
Total current liabilities	48,710	-	171,265	219,975

22. Financial instruments *(continued)*

Financial liabilities at year end *(continued)*

As at 31 December 2019, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current – Less than 12 months		Non-current – More than 12 months	
31 December 2019	**Less than 6 months £'000**	**6 to 12 months £'000**	**1 to 5 years £'000**	**Later than 5 years £'000**
Bank loans and overdrafts	66,000	-	-	-
Finance lease obligations	69	179	479	-
Trade and other payables	50,992	-	-	-
Loans and other debts due to members	59,813	-	-	-
Total	**176,874**	**179**	**479**	**-**

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

	Current – Less than 12 months		Non-current – More than 12 months	
30 June 2018	**Less than 6 months £'000**	**6 to 12 months £'000**	**1 to 5 years £'000**	**Later than 5 years £'000**
Bank loans and overdrafts	67,970	-	-	-
Finance lease obligations	85	95	276	-
Trade and other payables	44,115	-	-	-
Loans and other debts due to members	60,159	-	-	-
Total	172,329	95	276	-

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

Financial asset restatement

A presentational adjustment has been reflected in the comparative amounts which has no impact on total reported assets. Restricted fixed term call deposits of £8.9m are now included in non-current rather than current financial assets. A corresponding adjustment has been made in the comparative amounts in the Statement of Cash Flows restating the purchase and disposal of investments to the purchase of restricted fixed term deposits and the disposal of restricted fixed term call deposits.

22. Financial instruments *(continued)*

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 Oversight Board (POB), 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 in to 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).

Foreign currency sensitivity *(continued)*

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 USD £'000	Long term exposure USD £'000
31 December 2019		
Financial assets	**7,038**	**-**
Financial liabilities	**(2,127)**	**-**
Total exposure	**4,911**	**-**
30 June 2018		
Financial assets	9,327	-
Financial liabilities	(2,908)	-
Total exposure	6,419	-

22. Financial instruments *(continued)*

Financial instruments risk *(continued)*

Foreign currency sensitivity *(continued)*

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 profit and equity in regards to the Group's financial assets and financial liabilities and 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 period ended at 31 December 2019 (2018: 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% (2018: 5%) and EUR by 5% (2018: 5%) respectively then this would have had the following impact:

Impact on profit for the period/year	USD £'000	EUR £'000
31 December 2019	**246**	**-**
30 June 2018	321	-

Interest rate sensitivity

The Group's policy is to minimise cash flow interest rate risk and volatility on long-term financing. At 31 December 2019, 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 and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 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 2019	**728**	**454**
30 June 2018	614	456

22. Financial instruments *(continued)*

Financial instruments risk *(continued)*

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 2019.

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 three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets; and
- debt investments carried at amortised cost.

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 the past 12 months before 30 June 2018 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) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other are considered indicators of no reasonable expectation of recovery.

22. Financial instruments *(continued)*

Financial instruments risk *(continued)*

Trade receivables and contract assets *(continued)*

On the above basis the expected credit loss for trade receivables as at 31 December 2019 was determined as follows:

	Expected credit loss rate	2019 £'000
Current	0.30%	**51,502**
More than 30 days	0.55%	**28,440**
More than 60 days	1.36%	**10,992**
More than 90 days	3.32%	**9,702**
More than 181 days	21.27%	**6,460**
Trade receivables		**107,096**
Contract assets	0.30%	**70,027**
Total trade receivables and contract assets		**177,123**
Expected credit losses		**(3,416)**
Trade receivables and contract assets		**173,707**

Trade receivables and contract assets *(continued)*

The closing balance of the trade receivables loss allowance as at 31 December 2019 reconciles with the trade receivables loss allowance opening balance as follows:

	2019 £'000	2018 £'000
Balance at beginning of financial year	**4,922**	4,760
Remeasurement on adoption of IFRS 9 on 1 July 2018	**-**	n/a
Impairment loss	**(1,492)**	(717)
Amounts written off	**(14)**	879
Balance at end of financial period/year	**3,416**	4,922

22. Financial instruments *(continued)*

Financial instruments risk *(continued)*

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 cash and cash equivalents and trade receivables as detailed in Notes 2 and 17. 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.

Liquidity risk analysis *(continued)*

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 amount of returns to members, increase capital from the members, or sell assets to reduce debt.

22. Financial instruments *(continued)*

Financial instruments risk *(continued)*

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

	31 December 2019 £'000	30 June 2018 £'000
Cash and cash equivalents	**16,886**	13,846
Bank loans	**(66,000)**	(67,900)
Net debt	**(49,114)**	(54,054)
Members' total interests	**3,298**	15,904
Pension deficit	**89,660**	73,065
Total members' interests (excluding pension deficit)	**92,958**	88,969
Percentage of net debt to members' interests (excluding pension deficit)	**53%**	61%

The Group has honoured its covenant obligations during the period and post the period end.

23. Pensions

There are two types of pension schemes operated by the Group comprising ‘defined contribution’ plan which are open to employees of the Group, and a ‘defined benefit’ plan which is closed to new employees.

Defined contribution plans

In respect of the defined contribution plans, the Group makes fixed payments into separate funds on behalf of employees that have elected to save for their retirement. 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 employees and not the Group.

The Group’s obligation to make fixed contributions to the defined contribution plans are recognised as an operating cost in the income statement as the services are received from the employees. For 2019, total contributions in respect of such plans recognised as an expense were £37.3m (2018: £21.7m).

Defined benefit plan

Under such plan, pension scheme members receive cash payments during their retirement and death benefits, the value of which is dependent upon the employee’s length of service and final salary. The Group operated a defined benefit pension plan for the benefit of certain employees, the Grant Thornton Pensions Fund. The scheme is closed to new employees, 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. 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 employees 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.

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.

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 management with the assistance of 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 set out in note 5. 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.

23. Pensions *(continued)*

Defined benefit obligation

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 and what has actually occurred. Key assumptions are explained in detail later in this section. Remeasurements gains and losses are recognised through other comprehensive income.
- The settlement in the prior year arose from 142 pension scheme members of the fund exercising their right under the ETV offer made in the year ended 30 June 2017.

Benefits paid out to pension scheme members by the plans reduce the obligation.

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

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Defined benefit obligation 1 July	**387,724**	434,754
Interest expense	**15,697**	10,633
Remeasurements – actuarial (gains) from changes in demographic assumptions	**(3,723)**	(2,010)
Remeasurements – actuarial losses from changes in financial assumptions	**48,511**	(467)
Remeasurement losses on the defined benefit obligation – experience	**3,491**	652
Benefits paid	**(19,770)**	(12,071)
Past service cost	**792**	-
Settlements	**-**	(43,767)
Defined benefit obligation 31 December/30 June	**432,722**	387,724

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.

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Fair value of plan assets 1 July	**314,659**	341,290
Interest income	**12,880**	8,255
Return on scheme assets excluding amounts included in interest income	**24,715**	7,103
Employer contributions	**10,578**	14,405
Benefits paid	**(19,770)**	(12,071)
Assets distributed on settlements	**-**	(44,323)
Fair value of plan assets 31 December/30 June	**343,062**	314,659

The actual return on plan assets including interest income was £37.6m in 2019 (2018: £15.4m).

23. Pensions *(continued)*

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

Total plan assets	31 December 2019 £'000	30 June 2018 £'000
Equities	**126,920**	123,504
Corporate bonds	**152,740**	118,814
Alternative investments	**32,871**	39,256
Hedge funds	**10,406**	11,924
Cash	**1,290**	1,346
Buy in policy*	**18,835**	19,815
	343,062	314,659

* 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.

23. Pensions *(continued)*

The ongoing Grant Thornton Pension plan exposes the Group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields on high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in Pound Sterling. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain of the plan assets.

Investment risk

The plan assets at 31 December 2019 are predominantly equities, corporate bonds and alternative investments. The fair value of the plan assets is exposed to the property market and equity markets (both in the UK and overseas).

Longevity risk

The Group is required to provide benefits for life to the pension scheme members of the defined benefit scheme. Future mortality rates cannot be predicted with certainty. Increases in the life expectancy of the pension scheme members will increase the defined benefit liability.

Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A proportion of the assets are invested in liability matching investments. These aim to hedge a significant proportion of any change in liabilities due to changes in risk free interest rates and inflation expectations.

Significant actuarial assumptions

These assumptions were developed by management with the assistance of actuaries. Discount factors are determined close to each year end by reference to market yields of 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 2019 %	30 June 2018 %
Expected return on assets	**2.00**	2.75
Rate of revaluation of accrued and deferred pensions	**2.15**	2.15
Rate of increase in pensions in payment – pre 1 July 2006	**3.00**	3.00
Rate of increase in pensions in payment – post 30 June 2006	**2.00**	2.00
Discount rate	**2.00**	2.75
Retail price inflation	**3.15**	3.15
Consumer price inflation	**2.15**	2.15
Mortality assumption	**110% S2PA Light***	110% S2PA Light*

*Mortality rates were assumed to follow the 110% S2PA Light (2018: 110% S2PA Light), incorporating the CMI_2018 projections with a long-term rate of improvement of 1% per annum for past and future years.

Life expectancy	Male	Female
Currently aged 65	86.9	87.9
Aged 65 in 20 years	87.9	89.1

The present value of the defined benefit obligation was measured using the projected unit credit method.

23. Pensions *(continued)*

Changes in the significant actuarial assumptions

Comparatively small changes in the assumptions used may have a significant effect on the Group's income statement and statement of financial position.

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy.

A table showing the sensitivity of the defined benefit liability to changes in the discount rate, inflation expectations and life expectancy is included in note 5.

In preparing the sensitivity analysis, the present value of the defined benefit obligation is determined using the same method (projected unit credit) as that used to measure the defined benefit obligation recognised in the statement of financial position.

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 plans' liabilities and plans' 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 profit or loss related to the Group's defined benefit plans are as follows:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Net interest expense	**2,817**	2,378
Plan changes	**792**	556
Total expenses recognised in profit or loss	**3,609**	2,934

The plan changes balance of £0.8m is included in the net interest expense which is included in finance costs.

23. Pensions *(continued)*

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

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Actuarial gain from changes in demographic assumptions	**3,723**	2,010
Actuarial (losses)/gains from changes in financial assumptions	**(48,511)**	467
Remeasurement (losses) on the defined benefit obligation – experience	**(3,491)**	(652)
Return on assets excluding amounts included in interest expense	**24,715**	7,103
Total income recognised in other comprehensive income	**(23,564)**	8,928

All the expenses summarised above were included within items that will not be reclassified subsequently to profit or loss in the Statement of Other Comprehensive Income.

Other defined benefit plan information

The expected employer contributions to the scheme, including salary sacrifice component, in the year commencing 1 January 2020 are expected to be £7.2m (1 July 2018: £7.0m).

A subsidiary entity, Grant Thornton Services LLP (GT Services), is the principal employer to the Grant Thornton Pensions Fund, a defined benefit pension scheme.

The duration of the Fund liabilities is around 16 years.

The IAS 19 obligations in respect of the schemes are set out above.

Other defined benefit plan information *(continued)*

The LLP pays GT Services and GT Business Services for the supply of employees to the LLP in accordance with the terms of a Supply of Services Agreement between the LLP and GT Services, such charges being sufficient to cover all of the employment costs of the employees, including all pension payments made by GT Services or GT Business Services to the scheme.

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

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

The obligation to the continuing scheme is reflected in the statement of financial position of GT Services as the participating employer. The obligations are not reflected in the individual entity statement of financial position of the 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.

24. Investments in subsidiaries

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

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests[2] held by the Group at year end 2019	2018
Carnoustie Consultants Limited[1]	England	Provision of investigative services	**100%**	-
Fulwood Insurances Limited[1]	Guernsey	Insurance services	**100%**	100%
Geniac Holdings Limited	England	Intermediate holding company	**100%**	100%
Geniac UK Limited	England	Provision of a platform for small businesses support	**100%**	100%
Grant Thornton (British Virgin Islands) Limited	British Virgin Islands	Provision of insolvency and restructuring services	**100%**	100%
Grant Thornton Forensic Services Limited (formerly Grant Thornton Acquisitions Limited)	England	Intermediate holding company	**100%**	100%
Grant Thornton Acquisitions No. 2 Limited[1]	England	Intermediate holding company	**100%**	100%
Grant Thornton Business Services	England	Provision of personnel to the Group and intermediate holding company	**100%**	100%
Grant Thornton Employee Benefits Consultancy LLP[1]	England	Provision of benefits consultancy services	**100%**	100%

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests[2] held by the Group at year end 2019	2018
Grant Thornton Limited	England	Intermediate holding company	**100%**	100%
Grant Thornton Services LLP	England	Provision of personnel to the Group	**100%**	100%
Grant Thornton Specialist Services (Cayman) Limited	Cayman Islands	Provision of insolvency and restructuring services	**100%**	100%
GTSS Corporate Director No. 1 Limited	Cayman Islands	Provision of insolvency and restructuring services	**100%**	100%
GTSS Corporate Director No. 2 Limited	Cayman Islands	Provision of insolvency and restructuring services	**100%**	100%
GTSS Corporate Director No. 3 Limited	Cayman Islands	Provision of insolvency and restructuring services	**100%**	100%
Inderies Limited	England	Intermediate holding company	**100%**	100%
The Local Futures Group Limited	England	Licensing of intellectual property	**100%**	100%

24. Investments in subsidiaries *(continued)*

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

At 31 December 2019, 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	Grant Thornton Trust Company Limited
Grant Thornton Personal Financial Planning Limited	GTN1 Limited
Grant Thornton Property Nominees [3]	GTN2 Limited
Grant Thornton Consulting Limited	GTPN1 Limited
Grant Thornton Contracts LLP[1]	GTPN2 Limited
Grant Thornton Corporate Finance Limited	Local Knowledge (UK) Limited[1]
Grant Thornton Management Consultants Limited	Thornton Baker Limited
Grant Thornton Nominees[3]	Grant Thornton ARF Limited
Grant Thornton Pension Trustees Limited	Grant Thornton Advisory 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.

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 's registered office is PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT.
Grant Thornton (British Virgin Islands) Limited's registered office is 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's registered office is 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 all have registered office at HSM Corporate services Ltd, PO Box 31726, 68 Fort Street, George Town, Grand Cayman KY1 1207.
Grant Thornton Advisory Limited's registered office is 110 Queen Street, Glasgow, Scotland, G1 3BX .

Investments in joint ventures

The Group has two joint ventures:

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests[2] held by the Group at year end 2019	2018
Grant Thornton Debt Solutions Limited	Ireland	Provision of personal debt advisory services	**50%**	50%
Grant Thornton Singapore HoldCo Limited	British Virgin Islands	Investment in Grant Thornton Singapore	**50%***	-

*represents 50% of all voting shares.

Grant Thornton Debt Solutions Limited's registered office is 24-26 City Quay, Dublin 2.
Grant Thornton Singapore HoldCo Limited's registered office is Ritter House, Wickhams Cay II, Road Town, Tortola, VG110, British Virgin Islands.

25. Investments accounted for using the equity method *(continued)*

Investment in Grant Thornton Debt Solutions

Summarised financial information for Grant Thornton Debt Solutions Limited is set out below:

	31 December 2019 £'000	30 June 2018 £'000
Non-current assets	**-**	-
Current assets	**1,184**	859
Total assets	**1,184**	859
Non-current liabilities	**-**	-
Current liabilities	**(2,751)**	(2,359)
Total liabilities	**(2,751)**	(2,359)
Net liabilities	**(1,567)**	(1,500)
Revenue	**645**	610
(Loss)/profit and total comprehensive income for the year	**(131)**	64

Group losses not recognised are:

	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
At 1 July	**750**	777
Loss/(profit) for the period/year	**65**	(32)
Exchange adjustment	**(31)**	5
At 31 December/30 June	**784**	750

A review of carrying amount against the net liabilities is set out below:

	31 December 2019 £'000	30 June 2018 £'000
Total net liabilities	**(1,567)**	(1,500)
Proportion of ownership interests held by the Group	**50%**	50%
Carrying amount of the investment	**-**	-

No dividends were received from Grant Thornton Debt Solutions Limited during the period/year 2019 and 2018 and as Grant Thornton Debt Solutions Limited is a private company, there are no quoted market prices available for its shares.

25. Investments accounted for using the equity method *(continued)*

Investment in Grant Thornton Singapore HoldCo Limited

During the period, the Group subscribed for 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 considered to be a joint venture and accounted for using equity method.

As of 31 December 2019 Grant Thornton Singapore HoldCo Limited's balance sheet consisted of the equity investment in Grant Thornton Singapore and the investment by both the Group and Grant Thornton SEA Ltd. There was no profit or loss, or dividends at the period end.

Grant Thornton Limited, a Group company, has committed to subscribe USD2.5m of equity into and to make available a USD2.5m working capital facility to Grant Thornton Singapore HoldCo Limited.

No dividends were received from Grant Thornton Singapore HoldCo Limited during the year and as Grant Thornton Singapore HoldCo Limited is a private company, therefore 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 2019 £'000
Non-current assets	**1,156**
Current assets	**-**
Total assets	**1,156**
Non-current liabilities	**-**
Current liabilities	**(1,156)**
Total liabilities	**(1,156)**
Net assets	-
Revenue	-
Profit/(loss) and total comprehensive income for the year	-

25. Investments accounted for using the equity method *(continued)*

Investment in associates

On 14 August 2015, the Group transferred its IVA business to Aperture Debt Solutions LLP, a new entity in which the Group retained a 40% equity interest and so the Group accounted for the interest as an associate. The profit sharing arrangements on certain contracts differed to this equity interest. On 30 September 2019 entire outstanding partnership rights, title and interest were sold to Bonumcorpus (No.16) Limited resulting in total loss of £6.5m. This is also reflected through the reduction in carrying value of investments in associates. No dividends were received from Aperture Debt Solutions LLP during the period it had been an associate.

Interest in the Grant Thornton E.U.

On 2 May 2018, the Group subscribed for shares in Grant Thornton E.U. Services NV, together with 8 other GTIL member firms, giving the Group an 11% equity interest. Due to the significant influence that the Group considers it could have over this company, in managements opinion, it is considered to be an associate and accounted for using the equity method. The company has not traded since it's inception, summarised financial information for is set out below:

	31 December 2019 £'000	30 June 2018 £'000
Non-current assets	**-**	-
Current assets	**308**	200
Total assets	**308**	200
Non-current liabilities	**-**	-
Current liabilities	**(75)**	-
Total liabilities	**(75)**	-
Net assets	233	200
Revenue	**381**	-
Profit/(loss) and total comprehensive income for the period/year	**-**	-

Interest in the Grant Thornton E.U. *(continued)*

No dividends were received from Grant Thornton E.U. Services NV during the period it has been an associate.

Grant Thornton E.U. Services NV is a private company, therefore there are no quoted market prices available for it.

The registered office of Grant Thornton E.U. Services NV is Haren (1130 Brussels), Metrologielaan 10 box 15.

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

Since the year-end, what was an unknown virus that had been reported to the World Health Organisation has been identified as Covid-19 and is now a global pandemic. We are mindful that the further spread and impact of Covid-19 now being seen might have an effect on demand levels within certain service lines within the firm (depending on how long the situation lasts), although we have not to date seen any material slow-down in work or reduced opportunities since the UK went into lockdown and our entire business has continued to operate from home with minimal disruption. As the situation continues, and despite the unprecedented level of government support, there may be additional business for our large Recovery & Restructuring and Insolvency practice which we consider will assist in offsetting any impact that could be felt by other service lines. Whilst estimating the precise financial impact on the business has challenges we have performed scenario planning to consider the potential impact of Covid-19 on the Group's results. Further details of our assumptions behind our forecasts and our assessment of them is detailed within the Member's report.

Further compensation on the disposal of Grant Thornton House is expected and is considered to be a contingent asset at 31 December 2019. The timing and magnitude of this compensation is the subject to ongoing negotiations with HS2 Limited.

The is a potential contingent asset as part of the discontinuation of the Wealth Advisory business, this asset has not been recognised in the financial statements..

There were no contingent liabilities at 31 December 2019 (2018: None) other than those in connection with guarantees given by the LLP relating to the defined benefit pension schemes and a guarantee provided of up to £2.5m (2018: £2.5m) in relation to an ongoing contract within the Large and Complex business unit.

27. Context

Nature of operations

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 within the UK.

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)

General information and statement of compliance with IFRSs

The LLP, the Group's ultimate parent entity, is a limited liability partnership registered in England and Wales. Its registered office and principal place of business is 30 Finsbury Square, London, EC2A 1AG.

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

The period to 31 December 2019 is an 18 month period and is an extended period, as a result the balances as of 30 June 2018 will not be entirely comparable.

Significant management judgement in applying accounting policies and estimation uncertainty

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. Those which have the most significant effect can be found in the following notes:

Page		
29	Note 1	Revenue recognition
37	Note 5	Defined benefit pension schemes
39	Note 6	Claim provisions
39	Note 6	Retirement annuities to partners

Changes in accounting policies

Two new standards are applicable and effective for periods beginning on or after 1 July 2018. The transition and impact have been included in the following notes:

Page		
29	Note 1	IFRS 15 Revenue from Contracts with Customers
64	Note 22	IFRS 9 Financial Instruments

There were no revised standards applicable and effective.

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 financial statements, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board (IASB) that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements can be found in the following notes:

Page		
53	Note 15	IFRS 16 Leases

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement and EU endorsement. IFRS 16 will be adopted for the financial period beginning 1 January 2020.

Going concern

At 31 December 2019, the Group's financing arrangements consisted of a revolving credit facility of £111m along with partner capital. Forecasts, projections and sensitivities, taking account of reasonably possible changes in trading performance including the impact of Covid-19 and Brexit, show that the Group will be able to operate within the level of its facilities 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 financial statements. Further details are set out in the Report to Members.

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