Limited Liability Partnership Registration No. SO300472 (Scotland)

MORTON FRASER MACROBERTS LLP
(FORMERLY MORTON FRASER LLP)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 APRIL 2023

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

LIMITED LIABILITY PARTNERSHIP INFORMATION

Designated members	Ms C Beveridge Mr J Clark Mr C Harte Mr M Ramsay Mr A Kelly Mr N Kennedy Ms J McKay
Limited liability partnership number	SO300472
Registered office	Fifth Floor Quartermile Two 2 Lister Square Edinburgh EH3 9GL
Auditor	RSM UK Audit LLP Chartered Accountants Third Floor 2 Semple Street Edinburgh EH3 8BL

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

MEMBERS' REPORT

FOR THE YEAR ENDED 30 APRIL 2023

The members present their annual report and financial statements for the year ended 30 April 2023.

Principal activities
The principal activity of the limited liability partnership is the provision of legal services.

Review of the business
The year to 30 April 2023 has undoubtedly been a positive one for the firm.

Demand for the firm's legal expertise has been strong across all disciplines, with revenue increases reported in every division and double-digit growth in our corporate, employment and private client practice areas.

This has allowed us to post the firm's highest-ever annual revenue of £25.7m - an increase of 8% year on year, and an increase of 25% over the last two years. We have also delivered a material improvement in net profit margin, up by 11% on prior year.

This continuing growth in our operating performance has, in turn, further strengthened our balance sheet, with net assets up by 8% against prior year. Having made a seven-figure investment in our new Glasgow office to create the best possible hybrid-working experience for our people, our strong balance sheet has allowed us to repay in full, the loan funding for that project, four years earlier than projected.

As a result, the firm is debt free and with a strong net cash position at year end. We believe that this will allow us to continue to take advantage of investment opportunities over the short to medium term.

Of course, these results flow from the hard work of our people and the confidence and support of our clients. Our commitment to developing talent remains key to what we do and allows us to get it right for our clients. Over the course of the last year, we rolled out a bespoke coaching and mentoring programme for our future business leaders, and we were delighted to be named in the "Top 15 Best Law Firms to Work For in the UK" in the "Best Companies to Work For 2022" list.

Given that we deliver for our clients through our people, we believe it is important to allow everyone to share in this success and so we have paid a firm-wide bonus (i.e. to all staff, not just fee earners) equivalent to 6% of annual salary.

Following the announcement on 5 September 2023 of the firm's intention to merge with MacRoberts LLP, the members were delighted to complete the merger on 1 November 2023. The combined firm of Morton Fraser MacRoberts LLP becomes one of Scotland's leading independent law firms and provides a strong platform for future growth.

Members' drawings, contributions and repayments
The members' policy on drawings allows each member to draw a proportion of their profit share throughout the year after deduction of their estimated tax liability. The limited liability partnership retains a proportion of each member's profit share to settle the related tax liabilities, which the limited liability partnership pays directly to H M Revenue & Customs on behalf of the members.

The amount of capital each equity member is required to subscribe is determined by members under the limited liability partnership agreement of Morton Fraser LLP, a member can only withdraw capital when he or she ceases to be a member and is therefore recognised as debt.

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

Ms C Beveridge	
Mr J Clark	
Mr C Harte	
Mr M Ramsay	
Mr A Kelly	(Appointed 1 November 2023)
Mr N Kennedy	(Appointed 1 November 2023)
Ms J McKay	(Appointed 1 November 2023)

Auditor
RSM UK Audit LLP offer themselves for appointment in accordance with section 485 of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), a resolution proposing that they be re-appointed will be put at a forthcoming meeting of the members.

Statement of disclosure to auditor
So far as each person who was a member at the date of approving this report is aware, there is no relevant audit information of which the limited liability partnership's auditor is unaware. Additionally, each member has taken all the necessary steps that they ought to have taken as a member in order to make themselves aware of all relevant audit information and to establish that the limited liability partnership's auditor is aware of that information.

Approved by the members on 19/12/23 and signed on behalf by:

....
Mr C Harte
Designated Member

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

MEMBERS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 APRIL 2023

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

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members are required to:

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

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

Opinion

We have audited the financial statements of Morton Fraser MacRoberts LLP (formerly Morton Fraser LLP) (the 'limited liability partnership') for the year ended 30 April 2023 which comprise the statement of comprehensive income, the statement of financial position, the reconciliation of members' interests, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

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 applied to limited liability partnerships requires us to report to you if, in our opinion:

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

Responsibilities of members

As explained more fully in the members' responsibilities statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the limited liability partnership operates in and how the limited liability partnership is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and the LLP SORP 2021. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Data Protection Act 2018, the Proceeds of Crime Act 2002, the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 and the Law Society of Scotland Regulations. We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed to mitigate the risk of fraud included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgements and estimates applied in the valuation of work in progress.

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

Use of our report

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

Claire Monaghan

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL
19/12/23

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	Notes	2023 £	2022 £
Turnover	3	25,728,565	23,898,033
Administrative expenses		(16,896,213)	(15,881,806)
Other operating income	3	407,389	431,112
Operating profit	4	9,239,741	8,447,339
Interest receivable and similar income	5	158,202	8,928
Interest payable and similar expenses	6	(47,598)	(27,122)
Profit for the financial year before members' remuneration and profit shares		9,350,345	8,429,145
Members' remuneration charged as an expense	8	(9,350,345)	(8,429,145)
Result for the financial year available for discretionary division among members		-	-
Other comprehensive income net of taxation			
Actuarial gain on defined benefit pension schemes	17	313,000	196,000
Total comprehensive income for the year		313,000	196,000

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2023

	Note	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Intangible assets	9		593,089		737,004
Tangible assets	10		880,774		520,172
Investments	11		46,277		46,277
			1,520,140		1,303,453
Current assets					
Debtors	12	10,526,267		10,314,720	
Cash at bank and in hand		3,789,345		4,133,132	
		14,315,612		14,447,852	
Creditors: amounts falling due within one year	14	(4,128,387)		(3,715,990)	
Net current assets			10,187,225		10,731,862
Total assets less current liabilities			11,707,365		12,035,315
Creditors: amounts falling due after more than one year	15		-		(600,000)
Provisions for liabilities	16		(600,275)		(788,017)
Net assets excluding pension liability attributable to members			11,107,090		10,647,298
Defined benefit pension liability	17		-		(390,000)
Net assets attributable to members			11,107,090		10,257,298
Represented by:					
Loans and other debts due to members within one year					
Members' capital classified as a liability			3,046,000		3,534,625
Other amounts			8,479,090		7,453,673
			11,525,090		10,988,298
Members' other interests					
Other reserves classified as equity			(418,000)		(731,000)
			11,107,090		10,257,298

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 APRIL 2023

	2023 £	2023 £	2022 £	2022 £
Total members' interests				
Loans and other debts due to members		11,525,090		10,988,298
Members' other interests		(418,000)		(731,000)
		11,107,090		10,257,298

The financial statements were approved by the members and authorised for issue on 19/12/23 and are signed on their behalf by:

....
Mr C Harte
Designated member

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

RECONCILIATION OF MEMBERS' INTERESTS
FOR THE YEAR ENDED 30 APRIL 2023

	EQUITY	DEBT			TOTAL
	Members' other interests	Loans and other debts due to members less any amounts due from members in debtors			MEMBERS' INTERESTS
	Other reserves	Members' capital (classified as debt)	Other amounts	Total debt	Total 2023
	£	£	£	£	£
Amounts due to members			7,453,673		
Members' interests at 1 May 2022	(731,000)	3,534,625	7,453,673	10,988,298	10,257,298
Members' remuneration charged as an expense, including employment costs and retirement benefit costs	-	-	9,350,345	9,350,345	9,350,345
Members' interests after result and remuneration for the year	(731,000)	3,534,625	16,804,018	20,338,643	19,607,643
Introduced by members	-	129,875	-	129,875	129,875
Transfer to former partners	-	(298,500)	(748,295)	(1,046,795)	(1,046,795)
Repayment of debt (including members' capital classified as a liability)	-	(320,000)	-	(320,000)	(320,000)
Drawings	-	-	(7,576,633)	(7,576,633)	(7,576,633)
Actuarial gains on defined benefit plans	313,000	-	-	-	313,000
Members' interests at 30 April 2023	(418,000)	3,046,000	8,479,090	11,525,090	11,107,090

MORTON FRASER MACROBERTS LLP (FORMERLY MORTON FRASER LLP)

RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2023

	EQUITY	DEBT			TOTAL
	Members' other interests	Loans and other debts due to members less any amounts due from members in debtors			MEMBERS' INTERESTS
	Other reserves	Members' capital (classified as debt)	Other amounts	Total debt	Total 2022
	£	£	£	£	£
Amounts due to members			6,914,038		
Members' interests at 1 May 2021	(927,000)	3,701,500	6,914,038	10,615,538	9,688,538
Members' remuneration charged as an expense, including employment costs and retirement benefit costs	-	-	8,429,145	8,429,145	8,429,145
Members' interests after result and remuneration for the year	(927,000)	3,701,500	15,343,183	19,044,683	18,117,683
Introduced by members	-	265,125	-	265,125	265,125
Repayment of debt (including members' capital classified as a liability)	-	(432,000)	-	(432,000)	(432,000)
Drawings	-	-	(7,889,510)	(7,889,510)	(7,889,510)
Actuarial gains on defined benefit plans	196,000	-	-	-	196,000
Members' interests at 30 April 2022	(731,000)	3,534,625	7,453,673	10,988,298	10,257,298

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Cash flows from operating activities					
Cash generated from operations	**20**		8,679,647		6,753,238
Interest paid			(36,598)		(14,122)
Net cash inflow from operating activities			8,643,049		6,739,116
Investing activities					
Purchase of intangible assets		(43,255)		(92,329)	
Purchase of tangible fixed assets		(547,463)		(485,248)	
Purchase of investments		-		(6,277)	
Interest received		158,202		8,928	
Net cash used in investing activities			(432,516)		(574,926)
Financing activities					
Transactions with members and former members:					
Capital introduced by members (classified as debt or equity)		129,875		265,125	
Repayment of capital or debt to members		(320,000)		(432,000)	
Drawings		(7,576,633)		(7,889,510)	
Transactions with non-members:					
Proceeds of new bank loans		-		750,000	
Repayment of bank loans		(787,562)		(149,987)	
Net cash used in financing activities			(8,554,320)		(7,456,372)
Net decrease in cash and cash equivalents			(343,787)		(1,292,182)
Cash and cash equivalents at beginning of year			4,133,132		5,425,314
Cash and cash equivalents at end of year			3,789,345		4,133,132

1 Accounting policies

Limited liability partnership information
Morton Fraser MacRoberts LLP (formerly Morton Fraser LLP) is a limited liability partnership registered and incorporated in Scotland. The registered office is Fifth Floor Quartermile Two, 2 Lister Square, Edinburgh, EH3 9GL.

The limited liability partnership's principal activities and nature of its operations are disclosed in the Members' Report.

Accounting convention
The financial statements have been prepared under the historical cost convention in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" (published December 2021).

The financial statements are prepared in sterling, which is the functional currency of the limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern
The strong performance reported last year continued, seeing the limited liability partnership deliver turnover growth of 8% and profits in excess of £9m. This represents our best financial achievement to date. The balance sheet position is equally robust with net assets greater than prior year, there are no liquidity issues. Effective management of working capital resulted in a cash balance of £4m which is just marginally lower than last year and a notable outcome in a market of rising interest rates and cost pressures.

On 1 November 2023, Morton Fraser merged with MacRoberts LLP. As part of the members' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, we modelled the P&L and cashflow profile of the combined entity Morton Fraser MacRoberts LLP forwards using prudent assumptions and taking account of market conditions. Our assumptions include consideration of the impact of the change in tax rules under basis period reform whereby the taxation of trading profits moves from a current year basis to a tax year basis. While the rules come into effect in 2024/25, transitional rules will apply in 2023/24.

The modelling shows the limited liability partnership remains profitable and liquid. The firm continues to review and monitor the financial outlook through a series of P&L and cashflow forecasts enabling timely decision making.

On the basis of the above the members consider it appropriate for the going concern basis to be adopted. In making their assessment the members have considered a period of at least 12 months from the date of approval of these financial statements.

Turnover
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the limited liability partnership and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, net of value added tax.

1 Accounting policies (Continued)

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the limited liability partnership will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

If, at the Balance Sheet date, completion of contractual obligations is dependent on external factors (and thus outside the control of the limited liability partnership), then revenue is recognised only when the event occurs. In such cases, costs incurred up to the Balance Sheet date are carried forward as amounts recoverable on contracts.

Other income

Rental income

Rental income on assets leased under operating leases is recognised on a straight-line basis over the lease term and is presented within other operating income.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Software	10%-25% straight line

Tangible fixed assets

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

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

Leasehold improvements	10%-20% straight line
Office equipment	25% straight line
Computer equipment	25% straight line

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

Fixed asset investments

Investments are measured at cost less accumulated impairment.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies (Continued)

Financial instruments

The limited liability partnership has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the limited liability partnership's statement of financial position when the limited liability partnership becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint venture, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the limited liability partnership transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the limited liability partnership has a legal or constructive present obligation as a result of a past event, it is probable that the limited liability partnership will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Members' remuneration

Profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment and the amounts arising that are due to members are in the nature of liabilities. A member's share in the profit or loss for the year is accounted for as a division of profits (before allowances made for actuarial gains/losses on the defined benefit pension scheme). Profits are shared among the members at the end of the year in accordance with agreed profit sharing arrangements and fixed remuneration payments. Members are required to make their own provision for pension from their profit shares.

Profits are divided in full and are recognised within Members' remuneration charged as an expense in arriving at the relevant year's result. The full amount is classified as liabilities and presented within 'Loans and other debts due to members'. They are therefore treated as an expense and presented as members remuneration charged as an expense in arriving at the result for the relevant year. To the extent that they remain unpaid at the period end, they are shown as liabilities. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Retirement benefits and post retirement payments to members

The limited liability partnership operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the limited liability partnership pays fixed contributions into a separate entity. Once the contributions have been paid the limited liability partnership has no further repayment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the limited liability partnership in independently administered funds.

1 Accounting policies (Continued)

Defined benefit pension scheme with a Guaranteed Minimum Pension
The limited liability partnership is also responsible for a defined benefit scheme, part of which is subject to an underpin of providing a pension benefit of at least the amount of the member's Guaranteed Minimum Pension (GMP) relating to the contracted out services before April 1997. The scheme is funded by payment of contributions to a separately administered trust fund. The scheme closed to new entrants in May 2004. The contributions to the scheme are determined in accordance with the advice of an independent qualified actuary.

Leases
Operating leases: the limited liability partnership as lessor

Rentals income from operating leases is credited to the statement of comprehensive income on a straight line basis over the term of the relevant lease.

Amounts paid and payable is an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the lease asset is diminished.

Operating leases: the limited liability partnership as lessee

An asset and corresponding liability are recognised for leasing agreements that transfer to the LLP substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit and loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

All other leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

2 Judgements and key sources of estimation uncertainty

In the application of the limited liability partnership's accounting policies, the members are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Amounts recoverable on contracts
As part of the valuation of the closing value of amounts recoverable on contracts, the LLP is required to determine the extent to which amounts recoverable on contracts are recoverable, taking into consideration the stage of completion of the contract.

Where probability of receipt is uncertain, and dependent on factors outwith the control of the LLP, which is common in litigation work, no revenue is recognised until the probability of receipt on the case matter is virtually certain.

Key sources of estimation uncertainty

Assumptions in deriving the gross pension liability
As part of the valuation of the defined benefit liability; the LLP is required to make assumptions to underpin the calculation of the liability. Detail of the assumptions adopted are included in note 17.

Provisions for claims
Recognition of provisions for claims is made when it is probable that a claim will result in an economic outflow. Where a claim is judged to require recognition, estimates are made in respect of these claims having due consideration to the nature of the case, potential exposure and self-insured limits available on professional indemnity insurance.

Provisions for dilapidations
The LLP is required to make estimates in relation to the expected future outflow on dilapidations costs at the conclusion of its lease terms, having consideration to correspondence with landlords and other expert advice in relation to the valuation of these provisions.

3 Turnover

	2023	2022
	£	£
Turnover analysed by class of business		
Rendering of services	25,728,565	23,898,033

3 Turnover (Continued)

	2023	2022
	£	£
Other operating income		
Rents receivable	406,286	416,276
Other income	1,103	14,836

4 Operating profit

	2023	2022
Operating profit for the year is stated after charging:	£	£
Fees payable to the LLP's auditor for the audit of the LLP's financial statements	26,450	23,000
Depreciation of owned tangible fixed assets	186,290	87,705
Loss on disposal of tangible fixed assets	571	1,157
Amortisation of intangible assets	187,170	163,824
(Profit)/loss on disposal of intangible assets	-	1,408
Operating lease charges	1,276,979	1,388,435

5 Interest receivable and similar income

	2023	2022
	£	£
Interest income		
Interest on bank deposits	158,202	8,928

6 Interest payable and similar expenses

	2023	2022
	£	£
Interest on bank overdrafts and loans	36,598	14,122
Net interest on the net defined benefit liability	11,000	13,000
Total finance costs	47,598	27,122

7 Employees

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

	2023	2022
	Number	Number
Office and management	216	218

7 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	8,683,895	8,286,974
Social security costs	915,186	787,015
Pension costs	541,742	350,818
	10,140,823	9,424,807

The total remuneration received by key management personnel during the year was £2,866,589 (2022: £2,373,493). Key management personnel are considered to be the members of the limited liability partnership's Managing Board.

8 Members' remuneration

	2023 Number	2022 Number
Average number of members during the year	40	40

	2023 £	2022 £
Profit attributable to the member with the highest entitlement	399,440	338,974

9 Intangible fixed assets

	Software
	£
Cost	
At 1 May 2022	1,298,333
Additions	43,255
Disposals	(7,750)
At 30 April 2023	1,333,838
Amortisation and impairment	
At 1 May 2022	561,329
Amortisation charged for the year	187,170
Disposals	(7,750)
At 30 April 2023	740,749
Carrying amount	
At 30 April 2023	593,089
At 30 April 2022	737,004

The profit and loss charge for amortisation on intangible fixed assets is included within administrative expenses.

10 Tangible fixed assets

	Leasehold improvements	Office equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 May 2022	2,567,152	410,506	1,008,646	3,986,304
Additions	547,463	-	-	547,463
Disposals	(47,884)	-	(219,442)	(267,326)
Transfers	-	53,343	(53,343)	-
At 30 April 2023	3,066,731	463,849	735,861	4,266,441
Depreciation				
At 1 May 2022	2,241,050	400,527	824,555	3,466,132
Depreciation charged in the year	131,288	3,200	51,802	186,290
Eliminated in respect of disposals	(47,884)	-	(218,871)	(266,755)
Transfers	-	53,343	(53,343)	-
At 30 April 2023	2,324,454	457,070	604,143	3,385,667
Carrying amount				
At 30 April 2023	742,277	6,779	131,718	880,774
At 30 April 2022	326,102	9,979	184,091	520,172

11 Fixed asset investments

	2023	2022
	£	£
Unlisted investments	46,277	46,277

12 Debtors

	2023	2022
Amounts falling due within one year:	£	£
Trade debtors	4,281,605	4,631,912
Amounts recoverable on contracts	4,861,341	4,295,664
Other debtors	455,616	424,079
Prepayments and accrued income	927,705	963,065
	10,526,267	10,314,720

13 Borrowings

	2023	2022
	£	£
Bank loans	-	787,562
Payable within one year	-	187,562
Payable after one year	-	600,000

The bank loans were repayable in quarterly instalments at an interest rate of 2.5% and 2.75% above base rate. The term loan was repaid in full during the year. The limited liability partnership is debt free.

14 Creditors: amounts falling due within one year

	Notes	2023	2022
		£	£
Bank loans	13	-	187,562
Trade creditors		459,018	828,797
Other taxation and social security		956,837	963,478
Other creditors		1,181,383	184,738
Accruals and deferred income		1,531,149	1,551,415
		4,128,387	3,715,990

15 Creditors: amounts falling due after more than one year

	Notes	2023 £	2022 £
Bank loans and overdrafts	13	-	600,000

16 Provisions for liabilities

	2023 £	2022 £
Claims and dilapidations	600,275	788,017

Movements on provisions:

	Claims and dilapidations £
At 1 May 2022	788,017
Additional provisions in the year	216,100
Reversal of provision	(82,815)
Utilisation of provision	(321,027)
At 30 April 2023	600,275

The claims provisions are recognised to provide for when a client submits a complaint and for potential financial compensation. The uncertainty of the provision is that it may turn out not to be founded or the timing of when it will resolve may not be able to be measured accurately.

The dilapidations provisions are to provide for when the limited liability partnership will exit its rented buildings, and the related costs to bring them back to their original condition. The uncertainty of the provision is impacted by the final assessment carried out at the point of ending a lease, which could vary from the amounts estimated.

17 Retirement benefit schemes

Defined contribution schemes

The limited liability partnership operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the limited liability partnership in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £541,742 (2022: £350,818). At 30 April 2023 contributions amounting to £76,421 (2022: £64,538) were payable to the fund and were included in other creditors.

17 Retirement benefit schemes (Continued)

Defined benefit schemes

Valuation

The limited liability partnership is also responsible for a defined benefit pension scheme, part of which is subject to underpin of providing a pension benefit of at least the amount of the member's Guaranteed Minimum Pension (GMP) relating to the contracted out services before April 1997.

The scheme is funded by payment of contributions to a separately administered trust fund. The scheme closed to new entrants in May 2004. The contributions to the scheme are determined in accordance with the advice of an independent qualified actuary.

The most recent comprehensive actuarial valuation of pension plan assets and the present value of the defined benefit obligation were carried out at 30 April 2021.

The return on assets is based on the long-term future expected investment return for each asset class as at 30 April 2023.

Key assumptions

	2023	2022
	%	%
Discount rate	5.0	3.1
Expected rate of increase of pensions in payment	2.2	3.0
Expected rate of salary increases	3.2	3.5

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2023	2022
	Years	Years
Retiring today		
- Males	21.4	21.6
- Females	23.2	23.4
Retiring in 20 years		
- Males	22.7	22.9
- Females	24.7	24.9

Amounts recognised in the income statement:

	2023	2022
	£	£
Net interest on net defined benefit liability/(asset)	11,000	13,000

17 Retirement benefit schemes (Continued)

Amounts taken to other comprehensive income:

	2023	2022
	£	£
Actual return on scheme assets	156,000	50,000
Less: calculated interest element	40,000	27,000
Return on scheme assets excluding interest income	196,000	77,000
Actuarial changes related to obligations	(623,000)	(273,000)
Net asset ceiling	114,000	-
Total (income)	(313,000)	(196,000)

The amounts included in the statement of financial position arising from the limited liability partnership's obligations in respect of defined benefit plans are as follows:

	2023	2022
	£	£
Present value of defined benefit obligations	1,053,000	1,653,000
Fair value of plan assets	(1,053,000)	(1,263,000)
Deficit in scheme	-	390,000

Movements in the present value of defined benefit obligations:

	2023
	£
Liabilities at 1 May 2022	1,653,000
Benefits paid	(28,000)
Actuarial gains and losses	(623,000)
Interest cost	51,000
At 30 April 2023	1,053,000

The defined benefit obligations arise from plans which are wholly or partly funded.

17 Retirement benefit schemes (Continued)

Movements in the fair value of plan assets:

	2023
	£
Fair value of assets at 1 May 2022	1,263,000
Interest income	40,000
Return on plan assets (excluding amounts included in net interest)	(196,000)
Benefits paid	(28,000)
Contributions by the employer	88,000
Net asset ceiling	(114,000)
At 30 April 2023	1,053,000

The limited liability partnership expects to contribute £91,000 to the above in 2023/24.

The analysis of the scheme assets at the reporting date were as follows:

	2023	2022
	£	£
Equity instruments	1,100,000	1,319,000
Debt instruments	367,000	387,000
Cash	183,000	121,000
Money purchase benefits (including AVCs)	(483,000)	(564,000)
Net asset ceiling	(114,000)	-
	1,053,000	1,263,000

18 Ultimate controlling party

There is no individual controlling party.

19 Operating lease commitments

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

	2023	2022
	£	£
Within one year	1,383,632	1,315,263
Between one and five years	1,111,403	2,204,488
	2,495,035	3,519,751

19 Operating lease commitments (Continued)

Lessor

At the reporting end date the limited liability partnership had contracted with tenants for the following minimum lease payments:

	2023	2022
	£	£
Within one year	459,577	459,577
Between one and five years	229,788	689,365
	689,365	1,148,942

The operating lease represents a sub lease of sections of an office to a third party. The remaining lease is negotiated over a term of 1 years and 6 months (2022: 2 years and 6 months) and rentals are fixed for the duration of this period. There is no option in place for either party to extend the lease terms. There are no other options or clauses in the lease.

20 Cash generated from operations

	2023	2022
	£	£
Profit for the year	9,350,345	8,429,145
Adjustments for:		
Finance costs recognised in profit or loss	47,598	27,122
Investment income recognised in profit or loss	(158,202)	(8,928)
Loss on disposal of tangible fixed assets	571	1,157
(Gain)/loss on disposal of intangible assets	-	1,408
Amortisation and impairment of intangible assets	187,170	163,824
Depreciation and impairment of tangible fixed assets	186,290	87,705
Pension scheme non-cash movement	(88,000)	(75,000)
(Decrease)/increase in provisions	(187,742)	148,500
Movements in working capital:		
Increase in debtors	(211,547)	(2,115,935)
(Decrease)/increase in creditors	(446,836)	94,240
Cash generated from operations	8,679,647	6,753,238

21 Analysis of changes in net funds

	1 May 2022	Cash flows	Other non-cash changes	30 April 2023
	£	£	£	£
Cash at bank and in hand	4,133,132	(343,787)	-	3,789,345
Borrowings excluding overdrafts	(787,562)	787,562	-	-
Balances before members' debt	3,345,570	443,775	-	3,789,345
Loans and other debts due to members:				
- Members' capital	(3,534,625)	190,125	298,500	(3,046,000)
- Other amounts due to members	(7,453,673)	7,576,633	(8,602,050)	(8,479,090)
Balances including members' debt	(7,642,728)	8,210,533	(8,303,550)	(7,735,745)

22 Events after the reporting date

On 1 November 2023; Morton Fraser LLP merged with MacRoberts LLP to create a new, top-tier independent firm. The new business will employ nearly 500 people, generating combined revenues of c. £46m and it will continue to operate from offices in Glasgow and Edinburgh.