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Limited

Baker Tilly UK Holdings Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended

31 March 2014



Company Registration No 05924823

Baker Tilly UK Holdings Limited

Highlights

A transformational year for the group following the RSM Tenon (“Tenon”) acquisition with 47% growth in revenues to £245m*

- Double digit revenue growth in all service lines
 - Tax and Advisory up 41% to £107m
 - Audit and Assurance up 23% to £66m
 - Restructuring and Recovery up 14% to £27m
 - Corporate Finance up 35% to £16m
 - New Risk Advisory service line adds £15m to revenues
- Profit before tax up 112% to £11.9m
- Financial services businesses sold for £25m
- Bank loan of £32m drawn to finance the Tenon acquisition fully repaid within 15 months
- Dividend increase of 4.2% to 3.75p marking five years of continued dividend growth
- Group net assets per share up 33%
- Business integration largely completed within twelve months of acquisition
- International network move to RSM International, the world’s 7th largest global network with revenues of US\$4.2bn and represented in 111 countries
- 55% increase in staff uptake of company shares in year bringing total subscribed to date of nearly £3m
- Cash headroom of £38m at 30 November 2014

*£234m continuing operations and £11m discontinued operation

Baker Tilly UK Holdings Limited

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Baker Tilly UK Holdings Limited

COMPANY INFORMATION

DIRECTORS

M B Rodgers	-	Chairman
L P Longe	-	Managing Director
J C Bleach		
D Gwilliam		
E W Jarvis		
N J Tristem		

COMPANY SECRETARY

A Duley

COMPANY NUMBER

05924823 (England and Wales)

REGISTERED OFFICE

6th Floor
25 Farringdon Street
London
EC4A 4AB

AUDITOR

Kingston Smith LLP
141 Wardour Street
London
W1F 0UT

Baker Tilly UK Holdings Limited

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the group and the company for the year ended 31 March 2014

RESULTS AND DIVIDENDS

Details of the results for the year and future developments are contained within the Strategic Report on page 4

The directors recommend a final dividend on the ordinary shares of 3.75p per share (2013: 3.6p per share) representing an increase of 4.2 per cent over the previous year, amounting to £2.52m (2013: £2.37m)

DIRECTORS

The following directors have held office during the year

M B Rodgers	-	Chairman
L P Longe	-	Managing Director
J C Bleach		
D Gwilliam		
E W Jarvis		
N J Tristem		
J A Randall (resigned 2 June 2014)		
K P O'Connor (resigned 12 June 2014)		

DIRECTORS' INDEMNITIES

During the year the group made qualifying third party indemnity provisions for the benefit of its directors and these remain in force at the date of this report

EMPLOYEES

Baker Tilly continues to place emphasis on open and effective two-way communication with its employees. This includes, regular meetings at team, departmental, office and regional levels, national conferences, bi-annual appraisal meetings, a comprehensive intranet, and e-mail bulletins. A regular internal newsletter is sent to all employees from the Chief Operating Officer, and individual service lines regularly share e-bulletins about their work and development within their specialist areas with all employees.

Employee engagement forum groups have been held across the business to seek employee opinion and feedback on a number of areas relating to employment, and action taken as a result to implement some of the suggestions and ideas which have been put forward. Employees are asked to provide feedback after participating in in-house training, so that Baker Tilly can ensure that both the content and delivery of technical training and personal development initiatives continue to be appropriate and effective in meeting employee needs.

Following the Tenon acquisition, Employee Representatives were elected to represent their employee groups and present their views to management for consideration in the integration process of the two legacy businesses.

Baker Tilly remains committed to the continuous development of a culture in which diversity and inclusion are actively promoted. In addition to remaining committed to assisting and encouraging all employees to achieve their full potential, and to training line managers in diversity issues, carrying out regular reviews of relevant policies and practices, and regularly monitoring employee data, 2014 has seen the launch of the Baker Tilly Diversity Steering Group. This Group sees employees from across the business work with senior management in seeking to ensure that appropriate action is taken to promote and maintain a diverse and inclusive workforce.

Baker Tilly UK Holdings Limited

DIRECTORS' REPORT

The Share Incentive Plan continues in operation with the sole purpose of providing employees with the opportunity to purchase shares in Baker Tilly UK Holdings Limited. Employees are invited to purchase preferred ordinary shares from the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan on a "buy one, get one free" basis. A charge for the free shares taken up by the employees is reflected in these financial statements. It is particularly pleasing to note that, following the year-end, staff subscribed for a further 639,849 shares bringing the total subscription since the Plan's introduction to £2.84m. Further details of the Share Incentive Plan are disclosed in note 29.

A Member Share Scheme is also in place following approval by shareholders at the shareholder meeting last December. In the year, 1.7m shares were subscribed for by members and issued subsequent to the year-end. Further shares are issued on a "buy one, get one free" basis after three years, provided the member remains a member throughout the vesting period.

A Profit Share Scheme is also in operation and has the aim of rewarding employees in line with the annual performance of the business. The Scheme works on the basis of a percentage of billings which are allocated to the Profit Share Scheme.

POST BALANCE SHEET EVENTS

On 6 June 2014 the group sold its wealth management business to Towry, retaining the underlying assets and liabilities. On 29 August 2014 the group sold its employee benefits business to Arthur J Gallagher, retaining the underlying assets and liabilities. Total consideration was £25.1m albeit the financial effect on the group cannot as yet be accurately determined.

Under the terms of the Tenon acquisition agreement, further consideration became payable if the wealth management businesses were sold within 5 years. The further consideration, which is payable to the bank and not accrued for in these financial statements, is estimated to be £2.4m.

On 1 October 2014 the group acquired the business, trade and net assets of Simpson Forsyth, an Aberdeen based accounting and business advisory partnership for a total consideration of £2.11m plus net assets acquired. The financial impact on the group of the acquisition cannot as yet be accurately determined.

Since the balance sheet date, the group has negotiated a new seven year £10m facility with Lloyds Bank PLC repayable in quarterly instalments over a ten year period with a bullet repayment due at the end of the loan term. The loan is unsecured and attracts interest at 2.25% over LIBOR.

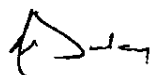
AUDITOR

The auditor, Kingston Smith LLP, Chartered Accountants, has indicated its willingness to continue in office.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the board



A Duley
Company Secretary
8 December 2014

Baker Tilly UK Holdings Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The company acts as the parent company for a group whose activities include, but are not limited to, the provision of auditing, corporate finance, restructuring and recovery, risk advisory services and tax and advisory services

From 28 September 2013, the parent company commenced trading in its own right after the hive-up of the trade of RSM Tenon Limited ("Tenon") following its acquisition on 2 September 2013. On 31 March 2014, the former Tenon business was subsequently hived-down to the underlying operating entities of the group.

The group profit before tax was £11.9m (2013: £5.6m) and reflects the post-acquisition results of the Tenon businesses acquired on 2 September 2013. The group profit for the year, after taxation and before discontinued operations, amounted to £15.6m (2013: £5.3m), an increase of 194%.

The result for the year has been significantly impacted by the Tenon acquisition and the subsequent integration. The operating profit for the year discloses exceptional costs of £3m, being those costs directly identifiable as relating to the transaction and subsequent reorganisation. The true economic cost for the year cannot be readily identified and future years will provide a clearer understanding of the group's performance. 2014 should therefore be viewed as an interim statement for the enlarged group with the full impact of the acquisition becoming clear in the 2015 results.

Group equity was £39.0m (2013: £29.3m) an increase of 33% and, within that total, group retained earnings amounted to £33.6m (2013: £24.8m). Retained earnings of the parent company amounted to £42.8m (2013: £22.4m).

In terms of liquid resources, the group net debt position was £26.9m (2013: net cash £1.8m) with gross bank debt standing at £34.9m (2013: £9.3m). Since the year-end the group has returned to a net cash position with the £32m of borrowings drawn down to finance the acquisition having been fully repaid and the underlying security released. Since the balance sheet date a seven year £10m facility has been agreed. With further facilities and overdrafts available of £9m the group had, at 30 November 2014, some £38m of headroom capacity and continues to be ideally placed to capitalise on further opportunities as they arise.

BUSINESS PERFORMANCE

The year under review was transformational for the group following the acquisition on 2 September 2013 of certain businesses from the administrators of RSM Tenon Group Plc. The acquisition included service lines similar to those of the existing Baker Tilly group together with a risk advisory service line and wealth management and employee benefits operations (the "FM" businesses). The acquisition has provided further critical mass to the group in its core service lines, provided additional geographical coverage in key markets and served to consolidate the mid-tier accountancy market.

The cost of the Tenon acquisition was £22.8m. Since the year-end, the FM businesses have been sold with gross proceeds of £25.1m being realised which, together with other available cash resources, enabled the group to repay the entire £32m facility within 15 months of the transaction.

The process of integrating the two businesses was substantially completed prior to the year-end with all but one location now reaping the benefits of a single office location in all of our geographical markets. IT systems have been aligned with a common platform for practice management going live in November 2013, so ensuring that accurate and consistent detailed management information was available within some three months of the acquisition date. Crucially, e-mail system connectivity over the enlarged group occurred within days of the deal completing.

The full annualised financial impact of the Tenon acquisition has yet to be reflected and consolidated turnover for the year incorporates only seven months of post-acquisition trading. The 40% increase in revenue from continuing operations for the year under review equates to a 73% increase on an annualised basis.

Baker Tilly UK Holdings Limited

STRATEGIC REPORT

At acquisition, the enlarged group's annualised salary cost was some £117m and, following the restructuring of our offices and locations, this dropped to £100m on a comparable basis. Staff numbers (excluding discontinued activities) have reduced by 600 to date and the necessary restructuring of the combined business required only 100 formal redundancies. The group is currently seeking to recruit over 200 people to satisfy its business needs with high demand from candidates being experienced.

Despite a tough overall market, it is pleasing to report that taxation and business advisory services had a good year with 41% revenue growth, largely driven by our sector based approach and it is anticipated that this will continue to reap benefits in the coming years. International and advisory tax services for large corporates is a key market for us and significant opportunities are being capitalised upon due to the ever increasing conflicts being experienced by clients in the appointment of their service providers.

Our audit and assurance business delivered a good overall performance within the highly competitive and regulated environment in which it must now operate. Turnover increased by 23% to £66m. Whilst there were a significant number of important new client wins in the year this was partly offset by not only normal attrition due to client sales but also lost tenders against low-ball pricing. Our policy of consistently delivering a high quality audit service, at sensible and sustainable commercial rates, will continue as we believe that this is the only policy which is in the best long-term interests of the firm and of our clients.

Our restructuring and recovery operations have now been reshaped to match reduced traditional demand for these services in what continues to be an overall benign market for businesses in financial difficulty, driven by historically low interest rates and creditor forbearance. Greater propensity by banks to sell blocks of debt rather than liquidate their positions directly with customers has also had a significant impact and our route to market for our services has been refined accordingly. Growth in this service line was 14% to £27m for the period and this included a much enlarged forensic services offering.

Capital markets activity showed good signs of recovery, particularly in London and the South, and the specialist sale mandate operations and company advisory services performed well. The transaction support services continued to operate in a highly price sensitive market, and turnover in the corporate finance service line showed an overall increase of 35% to £16m.

A new service line was added to the group's offering in the form of risk advisory services from the former Tenon business and contributed £15m to group turnover during the post-acquisition period. This service line provides internal audit services to the public and private sectors, as well as IT consultancy and assurance and fraud investigation services.

The group remains committed to its policy of continuing to develop its existing marketplaces and locations as well as new sectors where they align with the group's overall strategic plan. The year saw continued significant investment in some of the group's key property locations and our property estate is now of the highest quality. Following the Tenon acquisition, the group has new significant locations in Southampton, Reading, Swindon, Nottingham, Leicester, Telford, Grangemouth and Preston.

Whilst the expectation is that the prevailing economic conditions will improve, the group remains cautious as European and Far East markets settle into what may be the new norm. The group's policy of managing its debt and ensuring that it retains a strong balance sheet means that it remains well placed to take first mover advantage should further opportunities arise. A recent example has been the acquisition of a very high quality firm based in Aberdeen since the year-end which has satisfied our long held desire to have a significant presence in that location.

Another very significant strategic decision formally made just after the year-end was to change our international network membership from Baker Tilly International to RSM International ("RSM"), the world's 7th largest global network with revenues of US\$4.2bn and represented in 111 countries. This decision was only taken after a very detailed and careful comparison of the relative strengths of both networks and, in the board's opinion, it was clear cut given the quality and size of the RSM firms in some of the largest global economies. A

Baker Tilly UK Holdings Limited

STRATEGIC REPORT

detailed review is currently underway, at network and country level, to determine how best to align the network and independent member firm brands around the globe

In summary, the board considers that the group has had an excellent year, with integration completed, the mid-tier market effectively consolidated, significant growth, partner profits up, and the return of the group to a net cash position. Our decision to join the RSM network is already reaping considerable benefits

The outlook for the current year looks promising, with group results on budget for the first eight months and growth throughout our service lines. Our strategy of growing the business profitably is at the core of this and a greater emphasis on advisory services is a strategy that is being actively pursued. Nearly 80% of our revenues are considered to be recurring and, whilst this provides inherent stability, it also provides an ideal platform from which to grow new advisory service lines to meet ever changing client needs

2015 will be another challenging year for the group, as we continue to build on our enlarged service offering. The broad range of management skills available to us around the country, coupled with the dedication and support of our partners and staff, will ensure that we reap the long-term benefits of the excellent opportunity that has been afforded by the Tenon acquisition and our membership of RSM

The results for the year would not have been achievable without the continued dedication and commitment of our partners and staff and the board would like to convey its sincere thanks to all those that contributed so fully in the year

PRINCIPAL RISKS AND UNCERTAINTIES

As noted above, the group operates in a competitive market place. The principal risks to the group's business derive mainly from any failure to retain clients, key staff and to win new work. The group manages this risk by providing a value added, client focused service and maintaining strong relationships with both its clients and staff. Client take-on procedures are robust and are imbedded through the organisation with escalating approval mechanisms where potential issues or conflicts are identified

The financial position of the group, its cash flows and liquidity position are discussed above. Note 2 to the financial statements sets out the group's objectives, policies and processes for managing risks arising from the group's financial instruments, in particular its exposure to credit and liquidity risks. The process for managing the group's capital is detailed in note 3 and the borrowing facilities are set out in note 17

The group has sufficient financial resources together with established relationships with its clients and suppliers and, as a consequence, the directors believe that the group is well placed to manage its business risks successfully for the foreseeable future. The group's risk register is monitored by the board on a regular basis and updated where appropriate to reflect current exposures

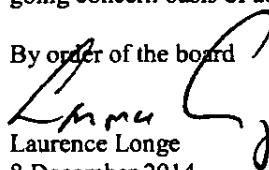
ENVIRONMENT

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment and implements policies to reduce any damage that might be caused by the group's activities

GOING CONCERN

The board, following a review of its profit and cash flow forecasts, has concluded that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis of accounting in preparing these annual financial statements

By order of the board


Laurence Longe
8 December 2014

Managing Director

Baker Tilly UK Holdings Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements of the group and company in accordance with applicable law and regulations

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare group and company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors 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 group and the company and of the profit or loss of the group for that period.

In preparing the group and company financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether they have been prepared in accordance with IFRSs adopted by the EU,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Baker Tilly UK Holdings Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAKER TILLY UK HOLDINGS LIMITED

We have audited the financial statements of Baker Tilly UK Holdings Limited for the year ended 31 March 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we have read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended,
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Baker Tilly UK Holdings Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BAKER TILLY UK HOLDINGS LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Cliff Ireton (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor
141 Wardour Street
London
W1F 0UT

8 December 2014

Baker Tilly UK Holdings Limited
CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2014

	Notes	2014 £ 000	2013 £'000 (restated)
CONTINUING OPERATIONS			
REVENUE	4	233,935	166,649
Cost of sales	5	(123,430)	(61,188)
Gross profit		110,505	105,461
Administrative expenses	5	(110,266)	(99,579)
OPERATING PROFIT	5	239	5,882
Underlying operating profit		3,286	5,882
Exceptional items	5	(3,047)	-
Gain on acquisition	15	12,975	-
Finance income	6	351	612
Finance costs	7	(1,675)	(879)
PROFIT BEFORE TAX		11,890	5,615
Taxation	9	3,725	(354)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT FROM CONTINUING OPERATIONS		15,615	5,261
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations (attributable to owners of the parent)	22	(1,475)	-
PROFIT FOR THE YEAR	28	14,140	5,261

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented for the parent company. The parent company profit for the financial year is disclosed in note 28.

Baker Tilly UK Holdings Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000 (restated)
Profit for the year		14,140	5,261
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items that may be reclassified subsequently to profit or loss when specific conditions are met			
Gain on revaluation of available-for-sale investments	14	4	40
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit pension scheme	31	(3,001)	(8,912)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(2,997)	(8,872)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		11,143	(3,611)

There is no income tax arising on the items of other comprehensive income, which are disclosed as net of tax

As permitted by section 408 of the Companies Act 2006, no separate statement of comprehensive income is presented for the parent company

The group has adopted the amendment to IAS19 regarding employee benefits during the year, resulting in a restatement of the 2013 results. The financial effect on that year is a reduction in profit before tax of £1.597m and a reduction of the actuarial loss above by the same amount. Accordingly there is no net impact on Total Comprehensive Income for that year and further details are disclosed on page 27.

Baker Tilly UK Holdings Limited

(Company Registration No 05924823)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 £'000	2013 £'000
NON-CURRENT ASSETS			
Intangible assets	12	55,562	15,434
Property, plant and equipment	13	16,069	13,667
Investments	14	113	109
Deferred tax asset	30	1,664	519
Retirement benefit surplus	31	-	221
Trade and other receivables	16	204	772
		<u>73,612</u>	<u>30,722</u>
CURRENT ASSETS			
Trade and other receivables	16	100,124	69,362
Deferred tax asset	30	2,409	-
Current tax receivable		-	563
Cash and cash equivalents		7,957	11,138
		<u>110,490</u>	<u>81,063</u>
TOTAL ASSETS		<u>184,102</u>	<u>111,785</u>
CURRENT LIABILITIES			
Borrowings	17	(20,006)	(5,719)
Trade and other payables	18	(70,163)	(42,202)
Current tax liabilities		(61)	-
Cash-settled share based payment liabilities	20	(1,202)	(900)
Provisions	21	(12,275)	(6,840)
		<u>(103,707)</u>	<u>(55,661)</u>
NON-CURRENT LIABILITIES			
Borrowings	17	(18,250)	(6,500)
Other payables	19	(8,712)	(6,487)
Deferred tax liabilities	30	(1,216)	(1,422)
Cash-settled share based payment liabilities	20	(92)	(154)
Retirement benefit deficit	31	(2)	-
Provisions	21	(13,083)	(12,252)
		<u>(41,355)</u>	<u>(26,815)</u>
TOTAL LIABILITIES		<u>(145,062)</u>	<u>(82,476)</u>
NET ASSETS		<u>39,040</u>	<u>29,309</u>

Baker Tilly UK Holdings Limited

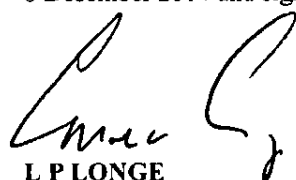
(Company Registration No 05924823)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Notes	2014 £'000	2013 £'000
EQUITY			
Called up ordinary share capital	23	672	672
Share premium account	23	9,697	10,117
Preferred ordinary shares	24	46	50
Share incentive plan shares	24	(6,306)	(6,531)
Shares to be issued	25	1,205	50
Revaluation reserve	27	113	109
Retained earnings	28	33,613	24,842
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		39,040	29,309

The financial statements on pages 10 to 64 were approved by the board of directors and authorised for issue on 8 December 2014 and signed on its behalf by



L P LONGE
Managing Director



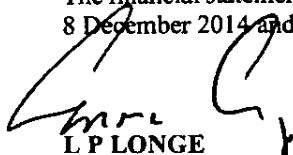
N J TRISTEM
Finance Director

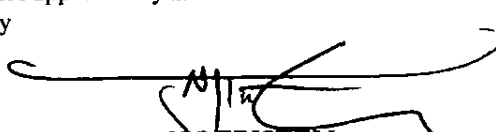
Baker Tilly UK Holdings Limited
COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 March 2014

(Company Registration No 05924823)

	Notes	2014 £'000	2013 £'000
NON-CURRENT ASSETS			
Intangible assets	12	53,955	14,495
Investments	14	77,684	54,520
Deferred tax asset	30	1,234	-
		<u>132,873</u>	<u>69,015</u>
CURRENT ASSETS			
Trade and other receivables	16	26,502	5,174
Current tax receivable		-	5
Cash and cash equivalents		36	1,152
		<u>26,538</u>	<u>6,331</u>
TOTAL ASSETS		<u>159,411</u>	<u>75,346</u>
CURRENT LIABILITIES			
Borrowings	17	(19,006)	(2,916)
Trade and other payables	18	(78,448)	(31,732)
Cash-settled share based payment liabilities	20	(1,202)	(900)
		<u>(98,656)</u>	<u>(35,548)</u>
NON-CURRENT LIABILITIES			
Other payables	19	(45)	(85)
Cash-settled share based payment liabilities	20	(92)	(154)
Deferred tax liabilities	30	(1,212)	(1,468)
		<u>(1,349)</u>	<u>(1,707)</u>
TOTAL LIABILITIES		<u>(100,005)</u>	<u>(37,255)</u>
NET ASSETS		<u>59,406</u>	<u>38,091</u>
EQUITY			
Called up ordinary share capital	23	672	672
Share premium account	23	9,697	10,117
Preferred ordinary shares	24	46	50
Share incentive plan shares	24	(6,306)	(6,531)
Shares to be issued	25	1,205	50
Merger reserve	26	11,326	11,326
Retained earnings	28	42,766	22,407
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>59,406</u>	<u>38,091</u>

The financial statements on pages 10 to 64 were approved by the board of directors and authorised for issue on 8 December 2014 and signed on its behalf by


L P LONGE
Managing Director


N J TRISTEM
Finance Director

Baker Tilly UK Holdings Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 March 2014

ATTRIBUTABLE TO OWNERS OF THE PARENT									
	Notes	Ordinary share capital £'000	Share premium account £'000	Preferred ordinary share capital £'000	Share incentive plan shares £'000	Shares to be issued £'000	Revaluation reserve £'000	Retained earnings £'000 (restated)	Total equity £'000 (restated)
1 APRIL 2012		670	10,449	56	(6,799)	200	69	30,788	35,433
COMPREHENSIVE INCOME									
Profit for the year		-	-	-	-	-	-	5,261	5,261
OTHER COMPREHENSIVE INCOME, NET OF TAX									
Gain on revaluation of available-for-sale investments	27	-	-	-	-	-	40	-	40
Actuarial loss on defined benefit obligations	31	-	-	-	-	-	-	(8,912)	(8,912)
Total other comprehensive income, net of tax		-	-	-	-	-	40	(8,912)	(8,872)
TOTAL COMPREHENSIVE INCOME		-	-	-	-	-	40	(3,651)	(3,611)
TRANSACTIONS WITH OWNERS									
Ordinary shares issued on acquisition of subsidiary undertakings and businesses	23, 25	2	198	-	-	(200)	-	-	-
Ordinary shares to be issued on acquisition of subsidiary undertakings and businesses	25	-	-	-	-	50	-	-	50
Preferred ordinary shares acquired by and granted to employees	24	-	(530)	(6)	-	-	-	-	(536)
Share incentive plan shares acquired	24	-	-	-	268	-	-	-	268
Dividends relating to 31 March 2012	10	-	-	-	-	-	-	(2,295)	(2,295)
TOTAL TRANSACTIONS WITH OWNERS		2	(332)	(6)	268	(150)	-	(2,295)	(2,513)
31 MARCH 2013		672	10,117	50	(6,531)	50	109	24,842	29,309

Baker Tilly UK Holdings Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 March 2014

ATTRIBUTABLE TO OWNERS OF THE PARENT

	Notes	Ordinary share capital £'000	Share premium account £'000	Preferred ordinary share capital £'000	Share incentive plan shares £'000	Shares to be issued £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
1 APRIL 2013		672	10,117	50	(6,531)	50	109	24,842	29,309
COMPREHENSIVE INCOME									
Profit for the year		-	-	-	-	-	-	14,140	14,140
OTHER COMPREHENSIVE INCOME, NET OF TAX									
Gain on revaluation of available-for-sale investments	27	-	-	-	-	-	4	-	4
Actuarial loss on defined benefit obligations	31	-	-	-	-	-	-	(3,001)	(3,001)
Total other comprehensive income, net of tax		-	-	-	-	-	4	(3,001)	(2,997)
TOTAL COMPREHENSIVE INCOME		-	-	-	-	-	4	11,139	11,143
TRANSACTIONS WITH OWNERS									
Ordinary shares issued on acquisition of subsidiary undertakings and businesses	23, 25	-	25	-	-	(25)	-	-	-
Preferred ordinary shares acquired by and granted to employees	24	-	(445)	(4)	-	-	-	-	(449)
Share incentive plan shares acquired	24, 25	-	-	-	225	1,180	-	-	1,405
Dividends relating to 31 March 2013	10	-	-	-	-	-	-	(2,368)	(2,368)
TOTAL TRANSACTIONS WITH OWNERS		-	(420)	(4)	225	1,155	-	(2,368)	(1,412)
31 MARCH 2014		672	9,697	46	(6,306)	1,205	113	33,613	39,040

Baker Tilly UK Holdings Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 March 2014

ATTRIBUTABLE TO OWNERS OF THE COMPANY									
	Notes	Ordinary share capital £'000	Share premium account £'000	Preferred Ordinary Share capital £'000	Share incentive plan shares £'000	Shares to be issued £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 APRIL 2012		670	10,449	56	(6,799)	200	11,214	24,737	40,527
TOTAL COMPREHENSIVE INCOME									
Profit for the year		-	-	-	-	-	-	77	77
TRANSACTIONS WITH OWNERS									
Ordinary shares issued on acquisition of subsidiary undertakings and businesses	23, 25	2	198	-	-	(200)	-	-	-
Ordinary shares to be issued on acquisition of subsidiary undertakings and businesses	25	-	-	-	-	50	-	-	50
Preferred ordinary shares acquired by and granted to employees	24	-	(530)	(6)	-	-	-	-	(536)
Transfer between reserves	26, 28	-	-	-	-	-	112	(112)	-
Share incentive plan shares acquired	24	-	-	-	268	-	-	-	268
Dividends relating to 31 March 2012	10	-	-	-	-	-	-	(2,295)	(2,295)
TOTAL TRANSACTIONS WITH OWNERS									
		2	(332)	(6)	268	(150)	112	(2,407)	(2,513)
31 MARCH 2013		672	10,117	50	(6,531)	50	11,326	22,407	38,091

Baker Tilly UK Holdings Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 March 2014

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Notes	Ordinary share capital £'000	Share premium account £'000	Preferred ordinary share capital £'000	Share incentive plan shares £'000	Shares issued £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 APRIL 2013		672	10,117	50	(6,531)	50	11,326	22,407	38,091
TOTAL COMPREHENSIVE INCOME									
Profit for the year		-	-	-	-	-	-	22,727	22,727
TRANSACTIONS WITH OWNERS									
Ordinary shares issued on acquisition of subsidiary undertakings and businesses	23, 25	-	25	-	-	(25)	-	-	-
Preferred ordinary shares acquired by and granted to employees	24	-	(445)	(4)	-	-	-	-	(449)
Share incentive plan shares acquired	24, 25	-	-	-	225	1,180	-	-	1,405
Dividends relating to 31 March 2013	10	-	-	-	-	-	-	(2,368)	(2,368)
TOTAL TRANSACTIONS WITH OWNERS		-	(420)	(4)	225	1,155	-	(2,368)	(1,412)
31 MARCH 2014		672	9,697	46	(6,306)	1,205	11,326	42,766	59,406

Baker Tilly UK Holdings Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	32	10,139	(2,562)
Corporation tax paid		(543)	(1,715)
Interest paid		(983)	(223)
		<u>8,613</u>	<u>(4,500)</u>
Cash flows from trading		(5,339)	-
Cash flows from exceptional items			
		<u>3,274</u>	<u>(4,500)</u>
Net cash flows from continuing operations		(1,498)	-
Net cash flows from discontinued operations			
		<u>1,776</u>	<u>(4,500)</u>
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Purchase of intangible assets	12	(162)	(62)
Purchase of property, plant and equipment	13	(5,439)	(5,973)
Proceeds on disposal of property, plant and equipment		815	821
Acquisition of subsidiaries, net of cash acquired	15	(20,302)	(46)
Net consideration on disposal of businesses		1,905	-
Deferred consideration paid		(4,629)	(15)
Dividends received from investments		-	4
Interest received		351	297
		<u>(27,461)</u>	<u>(4,974)</u>
NET CASH USED IN INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Proceeds from the acquisition of preferred ordinary shares by employees	24	414	407
Repurchased shares from employees	20, 24	(300)	(201)
Proceeds from new and renewed borrowings		47,000	5,000
Repayment of borrowings		(22,105)	(2,730)
Dividends paid to holders of preferred ordinary shares		(137)	(115)
Dividends paid to owners of the company	10	(2,368)	(2,295)
		<u>22,504</u>	<u>66</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES			
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(3,181)</u>	<u>(9,408)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,138	20,546
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>7,957</u>	<u>11,138</u>
CASH AND CASH EQUIVALENTS,			
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances			
		2014 £'000	2013 £'000
Cash at bank and in hand		7,957	4,338
Short-term bank deposits		-	6,800
		<u>7,957</u>	<u>11,138</u>

Baker Tilly UK Holdings Limited
COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,430	2,567
Corporation tax received/(paid)		5	(577)
Interest paid		(321)	-
		<u>2,114</u>	<u>1,990</u>
Cash flows from trading		(5,339)	-
Cash flow from exceptional items			
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		<u>(3,225)</u>	<u>1,990</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(32)	-
Acquisition of subsidiaries, net of cash acquired		(17,260)	(50)
Net consideration on disposal of businesses		1,903	-
Deferred consideration paid		(1,529)	-
Dividends received		6,470	-
		<u>(10,448)</u>	<u>(50)</u>
FINANCING ACTIVITIES			
Proceeds from the acquisition of preferred ordinary shares by employees	24	414	407
Repurchased shares from employees	20, 24	(300)	(201)
Proceeds from new and renewed borrowings		32,000	-
Repayment of borrowings		(17,052)	-
Dividends paid to holders of preferred ordinary shares		(137)	(115)
Dividends paid to owners of the company	10	(2,368)	(2,295)
		<u>12,557</u>	<u>(2,204)</u>
NET CASH GENERATED BY/(USED) IN FINANCING ACTIVITIES			
		<u>(1,116)</u>	<u>(264)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,152</u>	<u>1,416</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>36</u>	<u>1,152</u>

CASH AND CASH EQUIVALENTS,

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances

	2014 £'000	2013 £'000
Cash at bank and in hand	36	352
Short-term bank deposits	-	800
	<u>36</u>	<u>1,152</u>

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Baker Tilly UK Holdings Limited ("the company") and its subsidiaries (together "the group") predominantly provides auditing, corporate finance, restructuring and recovery, risk advisory services and tax and advisory services to corporate and other business entities, not-for-profit organisations and high net worth individuals. The group provides these business services principally in the United Kingdom.

The company is a private limited company and is incorporated and domiciled in Great Britain. The address of its registered office is 6th Floor, 25 Farringdon Street, London, EC4A 4AB.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the EU and the requirements of the Companies Act applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale investments. The principal accounting policies adopted are set out below.

GOING CONCERN

The group has considerable financial resources, including undrawn committed facilities of £9m, together with well-established relationships with clients and suppliers. As a consequence, the directors believe the group is well placed to manage its business risks successfully.

The board, following review of its profit and cash flow forecasts, is of the opinion that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the board continues to adopt the going concern basis in preparing these financial statements.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Baker Tilly UK Holdings Limited and all of its subsidiary undertakings and businesses including the LLPs of which it is directly, or indirectly, a member. The financial statements of all trading entities are made up to 31 March each year. Subsidiaries and businesses are fully consolidated from the effective date of acquisition (when control is obtained) and up to the effective date of disposal (when control is lost), as appropriate.

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the group.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Costs directly attributable to the acquisition are expensed as incurred.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of acquisition date, about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through the income statement.

All intra-group transactions, balances and unrealised gains on transactions between group companies and businesses are eliminated on consolidation.

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

INTANGIBLE ASSETS

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given for a business over the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition. Such goodwill is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not reversed.

On loss of control of any part of the business, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Client relationships

Client relationships acquired as a result of business combinations are recognised as an asset and the cost is amortised evenly over the expected useful life of the relationships, estimated to be between 5 and 10 years. Amortisation commences in the first full year following acquisition.

Restrictive covenants

Restrictive covenants attached to client portfolios acquired as a result of business combinations are recognised as an asset and the cost is amortised over the appropriate individual member's contractual period.

Software rights

Software rights are stated at cost less accumulated amortisation and are amortised evenly over 10 years.

Computer software

Costs associated with the development of software for use within the business which will generate economic benefits exceeding one year are capitalised. Such costs are amortised evenly over the expected economic lives of three to five years. On-going maintenance costs are charged to the income statement as incurred. All research and other development costs are written off as incurred, as the conditions for capitalisation are not considered to be met.

Trademarks

The cost of registering trademarks is capitalised. Trademarks are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

Where trademarks are registered for a period of one year or less, the cost is immediately recognised in the income statement.

Gain on acquisition

Where the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition exceed the fair value of the consideration given for a business, an assessment is performed to confirm that all of the assets acquired and all of the liabilities assumed have been correctly identified and to review the procedures used to measure the identifiable assets acquired and liabilities assumed and the consideration transferred. If the excess remains after undertaking this assessment, it is recognised immediately in the income statement as a "gain on acquisition".

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

PROPERTY, PLANT AND EQUIPMENT

Depreciation is charged on all property, plant and equipment, other than freehold land, at rates to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

Buildings	over 50 years
Leasehold improvements	over lease term
Furniture and office equipment	over 10 years/lease term
Computer equipment	over 3 years
Motor vehicles	over 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each reporting date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

PROVISIONS

Professional liability claims

Provision is made on a case by case basis in respect of the estimated cost of defending and concluding claims. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any expected reimbursement.

Surplus property

Provision is made for the present value of rental and other costs relating to properties which are surplus to the group's requirements net of expected income from sub-letting. Unwinding of the discount within the determination of present value is included within finance costs.

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

PROVISIONS (continued)

Former member commitments

The present value of the best estimate of the expected liabilities for future payments to retired members, or their dependants, arising from commitments under earlier arrangements, is calculated annually by a qualified actuary and provided in full. Changes in estimates and assumptions in respect of the obligations are recognised in administrative expenses. The unwinding of the discount is recognised in finance costs.

RETIREMENT BENEFITS

Group personal pension plan

A group personal pension plan is in operation and is open to all employees of the group under which contributions are paid into an independently administered fund. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

The group has no further payment obligations once the contributions have been paid.

Defined benefit scheme

The group operates a defined benefit pension scheme ('the Scheme') for eligible employees. The Scheme was closed to new members and future accrual on 31 March 2010 and deferred pensions were granted to all members who were still active members on the date of closure.

The cost of providing benefits is determined using the deferred accrued benefits method, with actuarial valuations being carried out at each reporting date.

Actuarial gains and losses arising are recognised directly in other comprehensive income in the period in which they arise.

The net defined benefit liability or asset recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets and as adjusted for any limit on the net defined benefit asset. Any asset resulting from this calculation is limited to the lower of the surplus in the defined benefit plan and the present value of available refunds and any reductions in future contributions to the plan. Net interest on the net defined benefit liability or asset is recognised in profit or loss and is determined by multiplying the net defined benefit liability or asset by the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The return on the plan assets and any change in the limit on the net defined benefit asset that is not included within the net interest on the net defined benefit liability or asset is recognised in other comprehensive income.

LEASING

Where assets are financed by agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright and the lease is classified as a finance lease. All other leases are classified as operating leases.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the agreement. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

LEASING (continued)

Benefits receivable as an incentive to enter into operating leases are spread on a straight line basis over the lease term

The group as lessor

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the relevant lease

TAXATION

Taxation on the results of the LLPs of which Baker Tilly UK Holdings Limited is directly, or indirectly, a member, is the liability of the individual members of those LLPs. Accordingly, the taxation charge and corresponding taxation assets or liabilities represent the position arising out of the group's corporate entities only

Taxable profit differs from accounting profit reported because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the "balance sheet" liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income

SHARE BASED PAYMENTS

Cash-settled share based payments

Cash-settled share based awards are granted to certain employees and members. A liability and expense equal to the fair value of the services received is recognised on a straight line basis over the vesting period based on the estimate of the awards that will eventually vest. The liability is re-measured to current fair value determined at each reporting date. Changes in fair value are recognised in the income statement. The fair value is measured by an external third party

Provision is made for national insurance contributions on outstanding share based payments that are expected to be exercised, based upon the latest enacted national insurance rates

REVENUE RECOGNITION

Group revenue represents amounts chargeable to clients for professional services provided during the year, inclusive of direct expenses incurred on client assignments but excluding value added tax. Group revenue also includes goods sold, services provided, and fees earned by certain subsidiary companies and businesses

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION (continued)

Revenue is recognised when a right to consideration has been obtained through performance under each contract. Consideration accrues as contract activity progresses by reference to the value of the work performed.

Revenue is not recognised where the right to receive payment is contingent on events outside the control of the group.

Unbilled revenue is included in trade and other receivables as "Amounts recoverable on services". Amounts billed on account in excess of the amounts recognised as revenue are included in trade and other payables as "Payments received on account".

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the group has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence (such as customers with financial difficulties or in default on payments) that amounts will not be recovered in accordance with original terms of the agreement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held with original maturities of less than three months. Any bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Investments

Investments in subsidiaries and participating interests which are held for the long-term, are stated at cost, less provision for any impairment.

Investments classified as available-for-sale are non-derivatives that are designated as available-for-sale or not classified in any other category of financial asset. Investments classified as available-for-sale are initially recorded at fair value plus transaction costs. Such instruments are subsequently measured at fair value with gains and losses being recognised directly in other comprehensive income until the instrument is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recycled and recognised in the income statement for the period. Impairment losses are recognised in the income statement when there is objective evidence of impairment, including significant or prolonged decline in the fair value of the investment below its cost.

Dividend income arising from investments held at fair value is recognised in the income statement separately from gains or losses arising from changes in fair value and is disclosed within finance income.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value net of transaction costs. Finance charges are accounted for on an accruals basis in the income statement over the term of the instrument using the effective interest method.

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (continued)

Trade payables

Trade payables are not interest bearing and are initially stated at fair value and subsequently measured at amortised cost using the effective interest method

Classification of financial liabilities and equity

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 group after deducting all of its liabilities

Preferred ordinary shares

Preferred ordinary shares have a fixed coupon rate. However, whilst these shares are held by the Trustees of Baker Tilly UK Holdings Limited Share Incentive Plan, the Trustees waive their right to any dividend on the shares. Hence any preferred ordinary shares held by staff are classified as liabilities and preferred ordinary shares held by the Trustees are classified as equity. Dividends on preferred ordinary shares classified as liabilities are presented within finance costs

Ordinary share capital

Ordinary share capital issued by the company is classified as equity and is recorded at the proceeds received, net of direct issue costs

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view

ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

New and amended standards adopted by the group

The group adopted the following new or amended standards that it was required to adopt during the financial year

- IAS 19 (amendment) "Employee Benefits" The amendment requires that actuarial gains and losses will be recognised immediately in other comprehensive income. The amendment also changes the accounting for past service costs, which are no longer deferred, applies the same discount rate to the defined benefit obligation and the plan assets and restricts the recognition of a defined benefit surplus to the present value of any economic benefit. The method of calculating income on plan assets required by IAS19 (Revised) has resulted in a reduction in profit for the year ended 31 March 2013 of £1 597m. The actuarial loss recognised in other comprehensive income reduced by £1 597m
- IFRS 13 "Fair value measurement" The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. There have been no changes to the Fair Value Measurement of available for sale investments or the disclosed fair values for financial instruments as a result of the adoption of IFRS13
- IAS 1 (Revised) "Presentation of Financial Statements" The revision requires items presented in other comprehensive income to be grouped on the basis of whether or not they are potentially recycled to profit or loss. This presentation has been given in the consolidated statement of other comprehensive income on page 11

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS (continued)

The group has early adopted the following amended standard during the financial year

- IAS 36 (amended) "Impairment of Assets" The amended standard requires disclosure of recoverable amount when an impairment loss is recognised or reversed in respect of an individual asset or CGUs and, when recoverable amount is based on fair value less costs of disposal, disclosure of the fair value hierarchy levels and, for levels 2 and 3, the valuation technique and key assumptions used

There were no new or amended standards that the group was required to adopt during or at the end of the previous financial year

Standards adopted early by the group

The group has not adopted any standards or interpretations early in either the current or the preceding financial year

Interpretations to existing standards and new standards that have been issued but are not yet effective and have not been adopted by the group

At the date of authorisation of these financial statements, the following Standards and Interpretations which are applicable to the activities of the group or the company have not been applied as they were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015, once endorsed by the EU) The standard contains new requirements for accounting for financial assets and liabilities replacing the corresponding requirements of IAS 39 "Financial Instrument Recognition and Measurement"
- Amendment to IAS 32 "Financial Instruments Presentation" – "Offsetting Financial Assets and Liabilities" (effective for annual periods beginning on or after 1 January 2014) The amendment adds guidance on the meaning of "a legally enforceable right to set off", on simultaneous settlement
- IAS 27 (revised) "Consolidated and Separate Financial Statements" (applicable in the EU for financial years starting on or after 1 January 2014) The revision retains the existing guidance on group reorganisations where a new parent entity is established and sets out disclosure requirements in separate financial statements
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017, once endorsed by the EU) The standard requires revenue recognition based on the consideration the company expects to be entitled to in exchange for the transfer of promised goods or services. It introduces five steps to achieve this, identification of the contract(s), identification of the performance obligations within the contract(s), determination of the transaction price, allocation of the transaction price to the performance obligations and recognition of revenue when (or as) the entity satisfies a performance obligation. The standard also enhances disclosures to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers "
- Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective for annual periods beginning on or after 1 January 2016, once endorsed by the EU) Clarifies revenue-based methods to calculate depreciation charges or amortisation charges are not permitted
- Amendment to IAS 27 "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016, once endorsed by the EU) Restores the option to use the equity method to accounting for investments in subsidiaries in the entity's separate financial statements

Baker Tilly UK Holdings Limited

SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS (continued)

- “Improvements to IFRSs 2010-2012 Cycle” (effective for annual periods beginning on or after 1 July 2014, once endorsed by the EU) The improvements include amendments to the IFRS 2 “Share-based payments” definitions of a “market condition”, “performance condition” and “service condition”, amendments to IFRS 3 “Business Combinations” so all non-equity contingent consideration is measured at fair value through profit or loss and to IFRS 13 “Fair Value Measurement” to clarify that short-term receivables and payables need not be discounted if the effect is immaterial
- “Improvements to IFRS 2011-2013 Cycle” (effective for annual periods beginning on or after 1 January 2014, once endorsed by the EU) The improvements clarify that the fair value measurement of a group of asset and liabilities based on the net risk exposure applies to all contracts within the scope of IAS 39 “Financial Instruments Recognition and Measurement” including certain contracts to buy or sell non-financial items
- “Improvements to IFRS 2012-2014 Cycle” (effective for annual periods beginning on or after 1 January 2016, once endorsed by the EU) The improvements clarify that in determining the discount rate applied to the defined benefit obligation and the plan assets in accordance with IAS 19 “Employee Benefits” the presence of a deep market in high quality corporate bonds should be considered at a currency level as opposed to a country level ”
- IFRS 10 “Consolidated Financial Statements” (applicable in the EU for financial years starting on or after 1 January 2014 Amendments have also been made to the transition guidance in IFRS10) The standard will replace IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation – Special Purpose Entities” IFRS 10 retains the principle of control, but redefines control and provides further guidance on how to apply the control principle
- IFRS 12 “Disclosure of Interests in Other Entities” (applicable in the EU for financial years starting on or after 1 January 2014 Amendments have also been made to the transition guidance in IFRS12) The standard applies to entities that have interests in subsidiaries, joint arrangements, associates and other unconsolidated structured entities and aims to make disclosures in respect of such entities consistent

The impact of IFRS15 will be considered once the standard has been endorsed by the EU None of the other standards not yet effective are expected to have a material impact on the financial statements of the group, save that additional disclosures are required

A number of other new amendments and interpretations have been endorsed by the EU as part of adopted IFRSs, but are not yet effective

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equate to the subsequent actual results. However, management considers the estimates and assumptions used in the financial statements to be reasonable

Impairment of goodwill

The impairment of goodwill is determined as set out in the accounting policies, under "Intangible Assets" and requires estimates being made in relation to future cash flows (note 12). No provision for impairment was made in the year (2013: £Nil) and the carrying amount of goodwill in respect of business combinations at the reporting date was £14.495m (2013: £14.495m)

Professional liability claims

The group estimates the value of professional liability claims to be the expected cost of defending and concluding the ongoing claims

Former member commitments

The provision for annuities and similar arrangements for former members has been independently valued based on information provided by the group. The principal assumptions are disclosed in note 21. The group will continue to review these assumptions against the group's experience and market data, and adjustments will be made in future periods where appropriate

Retirement benefits

The trustees make estimates about the range of long-term trends and market conditions to determine the value of the deficit or surplus on the retirement benefit scheme, based on the trustees' expectation of the future and advice from qualified actuaries. The principal assumptions are disclosed in note 31

Long-term forecasts and estimates are necessarily highly judgemental and subject to risk that actual events may be different to those forecast. If actual events deviate from the assumptions made then the reported surplus or deficit in respect to retirement benefits may be materially different

Share based payments

In valuing the share based payments various assumptions are made with regard to the inputs to the valuation model (note 29). Judgements are also made with regard to the number of awards that are expected to vest taking into consideration the expected forfeiture rates

Fair value adjustments

In the year the group purchased certain subsidiaries of RSM Tenon Group Plc from the administrators ("Tenon acquisition") following which fair values have been reviewed. The significant items are as follows

Client relationships

As part of accounting for business combinations under IFRS3, client relationships have been valued at £40.430m. In valuing client relationships assumptions were made regarding client attrition rates, revenue projections and return on working capital.

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (continued)

Amounts recoverable on services

The fair value of amounts recoverable on services acquired on the Tenon acquisition was reviewed to ensure they were valued in line with the accounting policies of the group. The impact was a reduction to the initial net assets acquired of £6.218m.

Deferred income tax

At the date of the Tenon acquisition the Tenon subsidiaries were recognising a deferred tax asset for historical tax losses as the group had planned to hive up the trade to other trading entities. It was concluded that the tax losses of £11.994m would not be recoverable at the value acquired in the original entities.

2 FINANCIAL RISK

The group's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The group manages these risks through an effective risk management programme that seeks to minimise potential adverse effects on the group's performance.

Exposure to financial risks is monitored by the central finance department under policies approved by the board. An assessment of the risks is provided to the board at regular intervals and is discussed to ensure that the risk mitigation procedures are compliant with the group policy and that any new risks are appropriately managed.

Liquidity risk

The group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the group as they fall due. The group has additional undrawn facilities at its disposal to further mitigate liquidity risk.

Detailed analysis of the debt facilities taken out together with the maturity profile are disclosed in note 17.

Credit risk

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for estimated irrecoverable amounts. The group has no significant concentration of credit risk, with exposure spread over a large number of clients.

Interest rate risk

The group's borrowings and any surplus cash balances are held at floating interest rates linked to LIBOR and the Base Rate. The group's policy requires that financing be undertaken without creating significant interest exposure. All group borrowings are at floating rates, and the terms are set out in note 17.

The effect on the profit before tax and equity of a movement in interest rates of one percentage point would be approximately £0.350m (2013: £0.025m).

3 CAPITAL MANAGEMENT

The group manages its capital to ensure that entities in the group will be able to continue as going concerns, whilst maximising the returns to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 17, and equity attributable to owners of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 23 to 28.

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

4 REVENUE

<i>Class of business</i>	2014 £'000	2013 £'000
Continuing operations,		
Audit and assurance	66,031	53,855
Corporate finance	16,389	12,131
Restructuring and recovery	27,431	23,985
Tax and advisory	107,241	75,809
Risk advisory	14,524	-
Other	2,319	869
	<u>233,935</u>	<u>166,649</u>

As the group's revenue is derived principally from its operations in the United Kingdom, no secondary revenue analysis is presented

5 OPERATING PROFIT

	2014 £'000	2013 £'000
Operating profit is stated after charging		
Depreciation of property, plant and equipment		
Charge for the year		
Owned assets	5,101	3,169
Amortisation and impairment of intangible assets	464	1,098
Loss on disposal of property, plant and equipment	1,844	740
Auditors' remuneration		
Audit services (parent and consolidated accounts)	50	25
Audit services (subsidiaries pursuant to legislation)	225	142
Operating lease rentals		
Land and buildings	9,697	6,838
Other	79	39
	<u></u>	<u></u>

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

5	OPERATING PROFIT (continued)	2014	2013
		£'000	£'000
	Cost of sales and administrative expenses include		
	Employee and members costs (note 8)	163,608	103,639
	Depreciation, amortisation, impairment charges and loss on disposal of property, plant and equipment	7,419	5,007
	Client disbursements	12,382	7,878
	Employee recruitment and development	5,221	5,787
	Property including operating leases	15,348	14,504
	IT and other equipment	4,300	4,143
	Business development and advertising	2,619	2,512
	Professional fees and related insurance costs	9,636	8,984
	Travel costs	10,739	3,877
	Other general expenses	2,424	4,436
		<u>233,696</u>	<u>160,767</u>
	Included within cost of sales and administrative expenses are exceptional items	2014	2013
		£'000	£'000
	Employee and members costs	2,075	-
	Administrative expenses	972	-
		<u>3,047</u>	<u>-</u>

Following the acquisition of certain subsidiaries of RSM Tenon Group Plc from the administrators in the year, the group has incurred exceptional costs. These relate to projects to reduce headcount and exit certain properties. The group also incurred legal and other costs in relation to the acquisition.

6	FINANCE INCOME	2014	2013
		£'000	£'000
			(restated)
	Dividends received	8	4
	Bank interest receivable	161	157
	Other interest receivable	109	140
	Expected return on pension scheme assets in excess of interest on pension liabilities/(asset) (note 31)	73	311
		<u>351</u>	<u>612</u>
7	FINANCE COSTS	2014	2013
		£'000	£'000
	On bank loans and overdrafts	1,156	223
	Dividend on preferred ordinary shares	145	124
	Unwinding of discount on provisions	374	532
		<u>1,675</u>	<u>879</u>

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

8	EMPLOYEES AND MEMBERS	2014 Number	2013 Number
	The average monthly number of employees (including directors) and members of the group during the year was		
	Directors and management	13	13
	Audit and assurance	1,252	526
	Corporate finance	149	98
	Restructuring and recovery	386	195
	Tax and advisory	901	670
	Risk advisory	304	-
	Support	602	293
		<u>3,607</u>	<u>1,795</u>
		2014 £'000	2013 £'000
	Remuneration for the above persons		
	Remuneration	148,613	95,226
	Social security costs	10,381	6,020
	Pension costs – group personal pension plan	3,099	2,024
	Share based payments – employees (note 20)	352	369
	Share based payments – members (note 29)	1,163	-
		<u>163,608</u>	<u>103,639</u>
	Remuneration of key management personnel		
	The remuneration of the directors, who are the key management personnel of the group, relates to short-term employee benefits		
		2014 £'000	2013 £ 000
	Remuneration of directors		
	Aggregate remuneration	<u>3,833</u>	<u>2,337</u>
	Remuneration of the highest paid director	<u>735</u>	<u>337</u>
	No contributions were made to the group's pension scheme during the year for the directors, nor did they receive any share based payments (2013: £Nil) No benefits are accruing under the defined benefit scheme to the directors (2013: £Nil)		

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

9 TAXATION

The taxation charge which arises in the corporate entities included within these financial statements is as follows

	2014 £'000	2013 £'000
Current tax		
UK corporation tax payable on results for the year	61	1,332
Adjustments in respect of prior year	(126)	(220)
Transfer pricing reimbursement in respect of current year	(202)	(411)
Total current tax (credit)/charge	(267)	701
Deferred tax (note 30)		
Origination and reversal of temporary differences	(3,402)	(305)
Adjustments in respect of prior year	78	-
Effect of decreased rate on opening asset	(134)	(42)
Total deferred tax credit	(3,458)	(347)
Tax attributable to the company and its subsidiaries	(3,725)	354

UK corporation tax is calculated at 23% (2013 24%) on the assessable profit for the year

The charge for the year can be reconciled to the profit before tax as follows

	2014 £'000	2013 £'000 (restated)
Profit before tax	11,890	5,615
Tax at the UK corporation tax rate of 23% (2013 24%)	2,735	1,348
Effects of		
Expenses that are not deductible for tax purposes	12,657	349
Profit not subject to tax	(1,531)	(1,124)
Adjustments to tax charge in respect of previous year	(48)	(220)
Movement in unprovided deferred tax	(2,909)	190
Effect of change in deferred tax rate	52	(42)
Movements in share incentive plan	-	(147)
Utilisation of tax losses	(14,681)	-
Tax charge	(3,725)	354

Certain tax adjustments arising in the group's interests in the LLPs are the responsibility of the individual members

As a result of the change in the UK corporation tax rate from 23% to 21%, that was substantively enacted on 2 July 2013 and which took effect from 1 April 2014, the relevant deferred tax balances have been re-measured

The company has tax losses carried forward of £55 756m (2013 £Nil), a deferred tax asset of £1 234m (2013 £Nil) has been recognised in respect of these losses

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

10 DIVIDENDS – ORDINARY SHARES

Final dividends were paid in 2014 and 2013 of £2 368m (3.6p per share) and £2 295m (3 5p per share) respectively

A dividend in respect of the year ended 31 March 2014 of 3 75p per share, amounting to a total dividend of £2 5m, is to be proposed at the shareholder meeting on 16 December 2014. These financial statements do not reflect this dividend as a payable.

11 FINANCIAL INSTRUMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

<i>Company</i>	Loans and receivables 2014 £'000	Loans and receivables 2013 £'000
FINANCIAL ASSETS		
<i>Current,</i>		
Trade and other receivables	116	-
Cash and cash equivalents	36	1,152
Total	<u>152</u>	<u>1,152</u>

The maximum exposure to credit risk in respect of the financial assets is the carrying amount

OTHER FINANCIAL LIABILITIES	2014 £'000	2013 £'000
<i>Current,</i>		
Borrowings	19,006	2,916
Trade and other payables	1,871	302
	<u>20,877</u>	<u>3,218</u>
<i>Non-current,</i>		
Other payables	45	85
	<u>45</u>	<u>85</u>
Total	<u>20,922</u>	<u>3,303</u>

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

11 FINANCIAL INSTRUMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION
(continued)

Group

FINANCIAL ASSETS

	<i>Loans and receivables</i>	<i>Available- for-sale</i>	<i>Total</i>	<i>Loans and receivables</i>	<i>Available- for-sale</i>	<i>Total</i>
	2014	2014	2014	2013	2013	2013
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Non-current,</i>						
Investments	-	113	113	-	109	109
Trade and other receivables	204	-	204	772	-	772
	<u>204</u>	<u>113</u>	<u>317</u>	<u>772</u>	<u>109</u>	<u>881</u>
<i>Current,</i>						
Trade and other receivables	88,145	-	88,145	63,179	-	63,179
Cash and cash equivalents	7,957	-	7,957	11,138	-	11,138
	<u>96,102</u>	<u>-</u>	<u>96,102</u>	<u>74,317</u>	<u>-</u>	<u>74,317</u>
Total	<u>96,306</u>	<u>113</u>	<u>96,419</u>	<u>75,089</u>	<u>109</u>	<u>75,198</u>

The maximum exposure to credit risk in respect of the financial assets is the carrying amount

OTHER FINANCIAL LIABILITIES

	2014	2013
	£ 000	£'000
<i>Current,</i>		
Borrowings	20,006	5,719
Trade and other payables	50,122	29,079
	<u>70,128</u>	<u>34,798</u>
<i>Non-current,</i>		
Borrowings	18,250	6,500
Other payables	8,712	6,487
	<u>26,962</u>	<u>12,987</u>
Total	<u>97,090</u>	<u>47,785</u>

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

12 INTANGIBLE ASSETS

<i>Company</i>	<i>Goodwill £'000</i>	<i>Client relationships £'000</i>	<i>Total £ 000</i>
Cost			
1 April 2012	14,482	-	14,482
On acquisitions	13		13
31 March 2013	14,495	-	14,495
On acquisitions	-	39,460	39,460
31 March 2014	14,495	39,460	53,955

<i>Group</i>	<i>Goodwill £'000</i>	<i>Client relationships £'000</i>	<i>Restrictive covenants £'000</i>	<i>Software rights and computer software £ 000</i>	<i>Trademarks £'000</i>	<i>Total £'000</i>
Cost						
1 April 2012	14,564	3,407	414	3,489	233	22,107
Additions	-	-	-	5	57	62
On acquisition	13	114	-	-	-	127
31 March 2013	14,577	3,521	414	3,494	290	22,296
Additions	-	80	-	3	79	162
On acquisition (note 15)	-	40,430	-	-	-	40,430
31 March 2014	14,577	44,031	414	3,497	369	62,888
Amounts written off						
1 April 2012	82	3,009	192	2,477	4	5,764
Amortisation	-	408	48	628	14	1,098
31 March 2013	82	3,417	240	3,105	18	6,862
Amortisation	-	31	49	273	15	368
Impairment	-	-	-	-	96	96
31 March 2014	82	3,448	289	3,378	129	7,326
Net book value						
31 March 2014	14,495	40,583	125	119	240	55,562
31 March 2013	14,495	104	174	389	272	15,434
1 April 2012	14,482	398	222	1,012	229	16,343

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

12 INTANGIBLE ASSETS (continued)

Group

All amortisation has been charged within administrative expenses

Goodwill

Goodwill arises on acquisitions where the fair value of the consideration given for the business exceeds the fair value of assets acquired and liabilities assumed

Following acquisition of a business, the directors have identified the individual CGUs acquired and, where possible, allocated the underlying assets acquired and liabilities assumed to each of those CGUs. These CGUs were then integrated within similar existing CGUs being the existing trading entities.

The directors considered the allocation of goodwill to these combined CGUs and groups of CGUs and concluded that any allocation would be arbitrary.

The directors have considered the carrying value of the goodwill by assessing whether key staff within the acquired businesses have been retained and are satisfied that the value attributable to goodwill for individual businesses acquired is in excess of carrying value and no impairment is required. The goodwill attributable to synergies is not deemed to be significant.

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

13 PROPERTY, PLANT AND EQUIPMENT

Group

	<i>Land and buildings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Furniture and office equipment £'000</i>	<i>Computer equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost						
1 April 2012	337	-	20,878	3,214	5,248	29,677
Additions	-	-	4,085	486	1,402	5,973
Disposals	-	-	(3,702)	(1,574)	(1,620)	(6,896)
31 March 2013	337	-	21,261	2,126	5,030	28,754
Additions	-	-	2,500	420	2,519	5,439
Acquisitions	-	945	195	3,606	-	4,746
Disposals	-	(42)	(88)	(4,202)	(1,625)	(5,957)
31 March 2014	337	903	23,868	1,950	5,924	32,982
Depreciation						
1 April 2012	72	-	11,054	2,920	3,208	17,254
Charge in the year	-	-	1,882	324	963	3,169
Disposals	-	-	(2,813)	(1,574)	(949)	(5,336)
31 March 2013	72	-	10,123	1,670	3,222	15,087
Charge in the year	-	409	2,233	1,222	1,237	5,101
Disposals	-	(26)	(79)	(2,145)	(1,025)	(3,275)
31 March 2014	72	383	12,277	747	3,434	16,913
Net book value						
31 March 2014	265	520	11,591	1,203	2,490	16,069
31 March 2013	265	-	11,138	456	1,808	13,667
1 April 2012	265	-	9,824	294	2,040	12,423

Assets are transferred between Group entities at net book value

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

13 **PROPERTY, PLANT AND EQUIPMENT** *(continued)*

Company

	<i>Furniture and office equipment £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Cost			
1 April 2012	-	-	-
Additions	-	-	-
Disposals	-	-	-
31 March 2013	-	-	-
Acquisitions	195	3,606	3,801
Additions	2	30	32
Disposals	(7)	(2,059)	(2,066)
Intra-group transfers	(190)	(1,577)	(1,767)
31 March 2014	-	-	-
Depreciation			
1 April 2012	-	-	-
Charge in the year	-	-	-
Disposals	-	-	-
31 March 2013	-	-	-
Charge in the year	139	799	938
Intra-group transfers	(139)	(799)	(938)
31 March 2014	-	-	-
Net book value			
31 March 2014	-	-	-
31 March 2013	-	-	-
1 April 2012	-	-	-

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

14 INVESTMENTS

<i>Company</i>	<i>Subsidiary undertakings £'000</i>
Cost	
1 April 2012	59,794
Additions	369
31 March 2013	60,163
Additions	23,164
31 March 2014	83,327
Provisions	
1 April 2012	5,755
Impairment (note 26)	(112)
31 March 2013 and 31 March 2014	5,643
Net book value	
31 March 2014	77,684
31 March 2013	54,520
1 April 2012	54,039

The directors have previously recognised an impairment of the investment in Arrandco Investments Limited which is a wholly owned subsidiary of the company. The impairment write back in the year ended 31 March 2013 arose due to the results in that sub-group and the resulting improvement on future cash flows.

The directors have considered the carrying value of the other investments in subsidiaries and are satisfied that their recoverable amounts are in excess of their carrying value.

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

14 INVESTMENTS (continued)

Group

	<i>Available- for-sale investments £'000</i>
Cost or valuation	
1 April 2012	69
Increase in fair value	40
31 March 2013	109
Increase in fair value	4
31 March 2014	113
Provisions	
1 April 2012	-
31 March 2013 and 31 March 2014	-
Net book value	
31 March 2014	113
31 March 2013	109
1 April 2012	69

The fair values of available-for-sale investments are based on either the surrender or market value using the quoted prices of those investments in active markets. Consequently, such investments fall within "Level 1" of the fair value hierarchy. The market value of listed investments is £0 113m (2013 £0 109m).

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

14 INVESTMENTS (continued)

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of the company's subsidiaries, all of which are registered in the United Kingdom, as at 31 March 2014 which principally affect the results or assets of the Group

Limited Liability Partnerships

Baker Tilly UK Holdings Limited is, directly or indirectly, a member of the following LLPs

Baker Tilly UK Group LLP – Holding LLP

Baker Tilly UK Audit LLP – Audit assurance services

Baker Tilly Corporate Finance LLP – Corporate finance services

Baker Tilly Restructuring and Recovery LLP – Restructuring and recovery services

Baker Tilly Tax and Advisory Services LLP – Tax and advisory services

Baker Tilly Executive Services LLP – Management services

CESTO LLP – Financial management outsourcing solutions

Baker Tilly Risk Advisory Services LLP – Risk advisory services

Baker Tilly Creditor Services LLP – Creditor services

	<i>Class of holding</i>	<i>Proportion directly held</i>	<i>Nature of business</i>
Subsidiary Undertakings			
Arrandco Investments Ltd	Ordinary	100%	Intermediate holding company
Baker Tilly Tax and Accounting Ltd	Ordinary	100%	Tax, accounting, advisory and employment services
Arrandco Business Services Ltd*	Ordinary	100%	Tax, accounting, advisory and restructuring services
Baker Tilly CF Limited	Ordinary	100%	Corporate finance services
Baker Tilly Corporate Transactions Ltd	Ordinary	100%	Regulated corporate finance services
<i>Owned by Arrandco Investments Ltd</i>			
Arrandco Properties Ltd	Ordinary	100%	Property interests
Baker Tilly Management Ltd	Ordinary	100%	Employment and property services
Baker Tilly & Co Ltd	Ordinary	100%	Regulated investment advice and services
Debt Lifeboat Ltd	Ordinary	100%	Individual Voluntary Arrangements
Baker Tilly Revas Ltd	Ordinary	100%	Online accounting, payroll and other services
Baker Tilly Insurance Services Ltd	Ordinary	100%	Insurance broking
Arrandco Products Ltd	Ordinary	87%	Intermediate holding company

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

14 INVESTMENTS (continued)

Owned by Arrandco Products Ltd
HWL Innovation Limited

Ordinary 100% Software and consultancy

Owned by Arrandco Financial Management Ltd

RSM Group (UK) Limited

Ordinary 100%

Intermediate holding company

Baker Tilly Investment Solutions Ltd*

Ordinary 100%

Financial management services

Owned by RSM Group (UK) Limited

Baker Tilly Financial Management Ltd*

Ordinary 100%

Financial management services

Beneficially owned by Baker Tilly UK Audit LLP

Baker Tilly Audit Limited

Ordinary 100%

Audit Assurance services

*denotes ceased trading since the year-end due to hive-up or sale

The following subsidiary companies are exempt from the requirements of the Companies Act 2006 ('the Act') relating to the audit of their individual accounts by virtue of section 479A of the Act

Subsidiary companies conditions for exemption from audit

Baker Tilly Executive Services LLP

Arrandco Products Ltd

HWL Innovation Ltd

Mutual One Ltd

Baker Tilly Overseas Limited

All subsidiaries are included in the consolidated financial statements and have accounting reference dates of 31 March

Baker Tilly Risk Advisory Services LLP and Baker Tilly Creditor Services LLP were incorporated in the year, but did not start to trade until after the year-end The first period they will be audited is that to 31 March 2015

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

15 PURCHASE OF BUSINESSES

Group

On 2 September 2013 the group acquired the entire share capital of RSM Tenon Limited and RSM Tenon Audit Limited, businesses that provided advisory, accounting, tax, audit and risk advisory services

RSM Tenon Group Plc the holding company of RSM Tenon Limited and its subsidiaries was in administration at the date of acquisition. The fair value of the identifiable net assets was greater than the total consideration paid, creating negative goodwill on acquisition. The negative goodwill is recognised as a gain on acquisition within the Income statement for the year ended 31 March 2014.

The acquisition was consistent with the group's continuing growth strategy. The transaction has been accounted for by the acquisition method of accounting.

A summary of the assets and liabilities acquired is as follows

	<i>Initial book value £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value at date of acquisition £'000</i>
Goodwill	55,302	(55,302)	-
Intangible assets	-	40,430	40,430
Tangible assets	5,210	(464)	4,746
Trade and other receivables	73,012	(15,935)	57,077
Cash and cash equivalents	2,511	-	2,511
Trade and other payables	(50,966)	(800)	(51,766)
Provisions	(11,551)	(5,659)	(17,210)
	<u>73,518</u>	<u>(37,730)</u>	<u>35,788</u>
Gain on acquisition recognised in the income statement			(12,975)
Total consideration			<u>22,813</u>
Consideration represented by			2014 £'000
Cash paid			<u>22,813</u>
Net cash outflow arising on acquisition,			2014 £'000
Cash consideration			22,813
Cash and cash equivalents acquired net of bank overdraft			(2,511)
			<u>20,302</u>

Acquisition costs incurred of £0.496m have been included within exceptional administrative expenses.

It is impractical to provide details of the revenue and profit contributed since the acquisition date or the revenue and profit as if the acquisition had occurred at 1 April 2013, since the businesses acquired have been integrated into existing trading entities and service lines of the Group.

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

16 TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£'000	£ 000	£'000	£'000
CURRENT ASSETS				
Amounts recoverable on services	21,667	15,827	-	-
Trade receivables	56,887	37,891	-	-
Amounts owed by group undertakings	-	-	26,386	5,170
Due from members of subsidiary LLPs	-	7,251	-	-
Other receivables	9,591	2,210	116	-
Prepayments and accrued income	11,979	6,183	-	4
	<u>100,124</u>	<u>69,362</u>	<u>26,502</u>	<u>5,174</u>
NON-CURRENT ASSETS				
Other receivables	204	772	-	-
	<u>100,328</u>	<u>70,134</u>	<u>26,502</u>	<u>5,174</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair values and is the maximum exposure to credit risk. Other receivables include £0.540m (2013 £0.716m) of investment bonds which mature over the next 5 years and which attract interest at 4%. The fair value accruing to the group at 31 March 2014 is estimated to be £0.732m (2013 £0.932m).

Trade receivables

An allowance has been made for estimated irrecoverable amounts from trade receivables of £3.849m (2013 £2.361m). The group's policy is to provide for all debts to the extent that they may not be recoverable determined by review on a client by client basis.

A detailed review of the credit quality of each client is completed before an engagement commences and the concentration of credit risk is limited, as exposure is spread over a large number of clients.

The age of and maximum credit risk relating to trade receivables is analysed as follows:

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
30 days or less, fully performing	37,167	26,224	-	-
Over 30 days	23,569	14,028	-	-
Impairment provision	(3,849)	(2,361)	-	-
	<u>56,887</u>	<u>37,891</u>	<u>-</u>	<u>-</u>

The other classes of assets within trade and other receivables do not contain impaired assets.

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

17 **BORROWINGS**

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
CURRENT				
Bank loans	16,640	2,803	15,640	-
Preferred ordinary shares (note 24)	3,366	2,916	3,366	2,916
	<u>20,006</u>	<u>5,719</u>	<u>19,006</u>	<u>2,916</u>
NON-CURRENT				
Bank loans	<u>18,250</u>	<u>6,500</u>	<u>-</u>	<u>-</u>
The borrowings are repayable as follows	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Within one year	20,720	5,755	19,491	2,916
Between one and two years	11,526	522	-	-
In the second to fifth years inclusive	3,452	6,358	-	-
Greater than five years	4,489	-	-	-
	<u>40,187</u>	<u>12,635</u>	<u>19,491</u>	<u>2,916</u>
Less future interest charges	(1,931)	(416)	(485)	-
	<u>38,256</u>	<u>12,219</u>	<u>19,006</u>	<u>2,916</u>
Less amounts due for settlement within one year (shown under current liabilities)	(20,006)	(5,719)	(19,006)	(2,916)
Amounts due for settlement after one year	<u>18,250</u>	<u>6,500</u>	<u>-</u>	<u>-</u>
The weighted average interest rates paid were	%	%	%	%
Bank loans	<u>3.08</u>	<u>2.37</u>	<u>4.39</u>	<u>-</u>

Bank loans and overdrafts

The bank loans are arranged at floating rates, thus exposing the group to cash flow interest rate risk. The directors estimate that the fair value of the group's current borrowings is not significantly different to the carrying value. These valuations fall to be classed as "level 2" of the fair value hierarchy. Bank loans totalling £16.2m are secured by fixed and floating charges over the group's assets with the remaining borrowings being unsecured. All borrowings take preference for repayment over amounts due to members of subsidiary LLPs in the event of winding up. Since the balance sheet date all security has been released as the £16.2m loan facility was repaid in full.

The principal features of the group's borrowings are as follows:

Bank loans totalling £35.45m (2013: £9.303m) are repayable by a mixture of quarterly and annual installments between April 2014 and April 2023. Interest is charged on these loans at 2.1% to 4.61% over LIBOR.

The bank overdraft facilities are subject to annual review and are unsecured. Interest is charged on any bank overdraft at 1.4% to 1.5% over the Base Rate.

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

17 BORROWINGS (continued)

The group had £9m (2013 £14m) of unutilised bank facilities at its disposal at the year-end

Preferred ordinary shares

These relate to the purchase of preferred ordinary shares by employees from the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan on a "buy one, get one free" basis. Details of the plan are detailed in notes 24 and 29. Preferred ordinary shareholders are entitled to a guaranteed annual dividend of at least 5 times the nominal value of the shares.

18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£ 000	£ 000	£ 000	£ 000
Payments received on account	4,533	4,148	-	-
Trade payables	6,340	2,783	-	-
Amounts owed to group undertakings	-	-	76,577	31,430
Due to members of subsidiary LLPs	23,951	18,375	-	-
Due to former members	1,706	1,991	-	-
Other taxation and social security	13,835	8,930	-	-
Other payables	6,176	1,769	1,673	104
Accruals and deferred income	13,622	4,206	198	198
	<u>70,163</u>	<u>42,202</u>	<u>78,448</u>	<u>31,732</u>

19 NON-CURRENT LIABILITIES – OTHER PAYABLES

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
	£ 000	£'000	£'000	£'000
Other payables	8,712	6,487	45	85
	<u>8,712</u>	<u>6,487</u>	<u>45</u>	<u>85</u>
Amounts payable as follows				
Within one year	6,176	1,769	1,673	104
Between one and two years	651	408	15	40
In the second to fifth years inclusive	1,920	1,753	30	45
After five years	6,141	4,326	-	-
	<u>14,888</u>	<u>8,256</u>	<u>1,718</u>	<u>189</u>
Less: amounts due for settlement within one year (shown under current liabilities)	(6,176)	(1,769)	(1,673)	(104)
Amounts due for settlement after one year	<u>8,712</u>	<u>6,487</u>	<u>45</u>	<u>85</u>

The 2013 Group comparative figure has been reclassified to more closely reflect the timing of the release of rent free periods under certain property leases. The financial effect has been to decrease accruals and deferred income within current liabilities by £6.402m and increase other payables within non-current liabilities by the same amount.

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

20 CASH-SETTLED SHARE BASED PAYMENT LIABILITIES

<i>Group and Company</i>	2014 £'000	2013 £'000
1 April	1,054	747
Charged to profit or loss for the year (note 8)	351	369
Exercised by employees	(111)	(61)
Withdrawn from the scheme by employees	-	(1)
31 March	<u>1,294</u>	<u>1,054</u>
Included in current liabilities	1,202	900
Included in non-current liabilities	92	154
	<u>1,294</u>	<u>1,054</u>

21 PROVISIONS

<i>Group</i>	<i>Professional liability claims</i> £'000	<i>Surplus property</i> £'000	<i>Former member commitments</i> £'000	<i>Total</i> £'000
1 April 2013	6,958	6,641	5,493	19,092
Acquired during year	12,570	4,640	-	17,210
Utilised during year	(9,233)	(5,973)	(905)	(16,111)
Charged/(credited) to profit and loss				
- Additional provisions	2,480	3,405	-	5,885
- Unused amounts reversed	-	(730)	(422)	(1,152)
- Unwinding of discount	-	157	217	374
- Change in discount rate/assumptions	-	(286)	346	60
31 March 2014	<u>12,775</u>	<u>7,854</u>	<u>4,729</u>	<u>25,358</u>

	2014 £'000	2013 £'000
Included in current liabilities	12,275	6,840
Included in non-current liabilities	13,083	12,252
	<u>25,358</u>	<u>19,092</u>

Professional liability claims

The professional liability claims represent the estimated cost of defending and concluding claims. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any expected reimbursement.

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

21 PROVISIONS (continued)

Surplus property

The surplus property provision is provided to cover the expected losses on sublet and vacant properties where expected benefits are less than the unavoidable costs. The remaining lease terms are between one and four years. The provision has been estimated using current costs and has been discounted to present value at a rate of 4.5% (2013: 4.7%).

Former member commitments

The former members' provision has been actuarially calculated and is the present value of the future obligation of the group to provide retirement annuities and similar arrangements to former members.

The principal actuarial assumptions which have been used in calculating the liabilities, after the application of mortality rates, are as follows:

	2014 Per annum	2013 Per annum
Discount rate	4.5%	4.7%
Inflation rate	3.3%	3.4%

Any movements in former members' commitments are included within administrative expenses.

22 HELD FOR SALE AND DISCONTINUED OPERATIONS

Group

The trade of the Financial Management businesses were sold after the balance sheet date (note 36).

No assets or liabilities were sold and therefore are not held for sale at the balance sheet date.

Analysis of the results of discontinued operations and the result recognised on the disposal group is as follows:

	2014 £'000	2013 £'000
Revenue	11,197	-
Expenses	(12,551)	-
Loss before tax of discontinued operations	(1,354)	-
Taxation	(121)	-
Loss after tax of discontinued operations	(1,475)	-

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

23 ORDINARY SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Group and Company

	2014 £'000	2013 £'000
Authorised		
180,000,000 ordinary shares of 1 pence each (2013 180,000,000)	1,800	1,800

Allotted, issued and fully paid

	<i>Number of shares (thousands)</i>	<i>Ordinary shares £'000</i>	<i>Share premium account £'000</i>	<i>Total £'000</i>
1 April 2012	66,975	670	10,449	11,119
Ordinary shares issued (note 25)	182	2	198	200
Preferred ordinary shares acquired by and granted to employees (see below and note 24)	-	-	(530)	(530)
31 March 2013	67,157	672	10,117	10,789
Ordinary shares issued (note 25)	25	-	25	25
Preferred ordinary shares acquired by and granted to employees (see below and note 24)	-	-	(445)	(445)
31 March 2014	67,182	672	9,697	10,369

In October 2013 25,000 ordinary shares of 1p each were issued at a premium of 99p as part consideration for the Miles & Partners Consulting LLP acquisition which occurred in the year ended 31 March 2013

The preferred ordinary shares acquired by and granted to employees relate to the purchase of preferred ordinary shares by employees from the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan on a "buy one, get one free" basis (note 29)

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

24 PREFERRED ORDINARY SHARES AND SHARE INCENTIVE PLAN SHARES

Group and Company

Preferred ordinary shares

The year to 31 March 2014 was the fifth year in which employees were invited to purchase preferred ordinary shares from the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan on a "buy one, get one free" basis

Preferred ordinary shareholders are entitled to a guaranteed annual dividend of at least 5 times the nominal value of the shares. However, the Trustees waived their right to any dividend on shares not issued to staff. Dividends paid during the year are included in Finance Costs (note 7)

Preferred ordinary shareholders have no voting rights nor are they permitted to attend meetings of the company

Other than the above, the preferred ordinary shares and ordinary shares rank *pari passu*

	2014 £'000	2013 £'000
Authorised		
20,000,000 preferred ordinary shares of 1p each	200	200

Shares beneficially held by the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan, classified as equity, are as follows

	<i>Number of shares (thousands)</i>	<i>Nominal value £'000</i>	<i>Share premium account £'000</i>	<i>Total £'000</i>
1 April 2012	5,619	56	5,563	5,619
Transactions for the year				
Acquired by and granted to employees	(813)	(8)	(805)	(813)
Repurchased from employees	140	1	139	140
Forfeited by employees	76	1	75	76
Exercised by employees	61	-	61	61
Transferred to current borrowings (note 17)	(536)	(6)	(530)	(536)
31 March 2013	5,083	50	5,033	5,083
Transactions for the year				
Acquired by and granted to employees	(828)	(8)	(820)	(828)
Repurchased from employees	189	2	187	189
Forfeited by employees	79	1	78	79
Exercised by employees	111	1	110	111
Transferred to current borrowings (note 17)	(449)	(4)	(445)	(449)
31 March 2014	4,634	46	4,588	4,634

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

24 PREFERRED ORDINARY SHARES AND SHARE INCENTIVE PLAN SHARES (continued)

The maximum number of preferred ordinary shares held by the Trustees of the Baker Tilly UK Holdings Share Incentive Plan during the year was £5 35m (2013 £5 756m)

The total number of the called-up preferred ordinary shares is 8,000,000 (2013 8,000,000)

The preferred ordinary shares are held by the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan until such shares are acquired by and granted to employees

Group and Company

Share Incentive Plan shares

Movement in own shares held

	<i>Number</i> (thousands)	<i>Cost</i> £'000
1 April 2012	(6,799)	(6,799)
Acquired by employees	407	407
Repurchased from employees	(140)	(140)
Withdrawn from the scheme by employees	1	1
31 March 2013	(6,531)	(6,531)
Acquired by employees	414	414
Repurchased from employees	(189)	(189)
31 March 2014	(6,306)	(6,306)

Of the above shares, 1,672,000 shares (2013 1,448,000 shares) are held by the Trustees of the Baker Tilly UK Holdings Limited Share Incentive Plan on behalf of members and represent matching free shares to be vested over the next three years (note 29)

25 SHARES TO BE ISSUED

Group and Company

	2014 £'000	2013 £'000
1 April 2013	50	200
Shares issued during the year (note 23)	(25)	(200)
Shares to be issued relating to acquisition of subsidiary undertakings and businesses (note 15)	-	50
Shares to be issued to members (note 29)	1,180	-
31 March 2014	1,205	50

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

26 MERGER RESERVE

<i>Company</i>	2014 £'000
1 April 2012	11,214
Transfer from retained earnings in respect of the reversal of investment impairment	112
31 March 2013 and 31 March 2014	<u>11,326</u>

The impairment reversal arises in relation to Arrandco Investments Limited as detailed in note 14

27 REVALUATION RESERVE

<i>Group</i>	<i>Available- for-sale investments</i> £'000
1 April 2012	69
Revaluation surplus on available-for-sale investments	40
31 March 2013	<u>109</u>
Revaluation surplus on available-for-sale investments	4
31 March 2014	<u>113</u>

28 RETAINED EARNINGS

	<i>Group</i> £'000 (restated)	<i>Company</i> £'000
1 April 2012	30,788	24,737
Profit for the year	5,261	77
Equity dividends paid (note 10)	(2,295)	(2,295)
Actuarial loss on defined benefit obligations (note 31)	(8,912)	-
Transfer of investment impairment to merger reserve (note 26)	-	(112)
31 March 2013	<u>24,842</u>	<u>22,407</u>
Profit for the year	14,140	22,727
Equity dividends paid (note 10)	(2,368)	(2,368)
Actuarial loss on defined benefit obligations (note 31)	(3,001)	-
31 March 2014	<u>33,613</u>	<u>42,766</u>

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

29 SHARE BASED PAYMENTS

Employees

The group's Share Incentive Plan (SIP) provides eligible employees with the opportunity to purchase preferred ordinary shares in Baker Tilly UK Holdings Limited on a "buy one, get one free" basis

The matching free shares are forfeited if the employee leaves the service of the group under certain conditions, within three years of the matching free shares being awarded, or when the employee withdraws their purchased shares within three years of the date of their acquisition

Movements in the number of SIP matching shares outstanding and their weighted average exercise price are as follows

	<i>Number</i> (thousands)	<i>Cost</i> £'000	<i>Price per</i> <i>Share</i> £
1 April 2012	1,179	1,179	1
Granted during the year	407	407	1
Forfeited during the year	(76)	(76)	1
Exercised during the year	(61)	(61)	1
Withdrawn from the scheme by employees	(1)	(1)	1
31 March 2013	1,448	1,448	1
Granted during the year	414	414	1
Forfeited during the year	(79)	(79)	1
Exercised during the year	(111)	(111)	1
31 March 2014	1,672	1,672	1

The share incentives outstanding at 31 March 2014 had a weighted average remaining contractual life of three years. The fair value of the share based payments granted during the year was £0.414m (2013 £0.407m) determined by using a valuation model which is determined by an external third party. The share price on the date exercised was £1 (2013 £1)

The total intrinsic value at the end of the year relating to those matching shares that have vested during the year amounts to £0.277m (2013 £0.346m)

Members

The group operates a Members Share Scheme whereby, in consideration for surrendering part of their performance based profit share to the parent, the parent will issue ordinary shares to the member on a "buy one, get one free" basis provided that the member remains with the group throughout the three year vesting period. During the year, members subscribed for 1.7m ordinary shares which were issued following the year-end

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

30 DEFERRED TAX

Company

	2014 £'000	2013 £'000
Deferred tax liabilities		
- Amounts due to be settled after one year	1,212	1,468
Deferred tax assets		
- Amounts due to be recovered after one year	(1,234)	-
	<u>(22)</u>	<u>1,468</u>

The movement in the year in the company's net deferred tax position was as follows

	2014 £'000	2013 £'000
1 April 2013	1,468	1,727
Credited to profit or loss for the year	(1,490)	(259)
31 March 2014	<u>(22)</u>	<u>1,468</u>

The following are the major deferred tax liabilities/(assets) recognised by the company, and the movements thereon, during the year

	<i>Accelerated tax depreciation</i> £'000	<i>Tax losses</i> £'000	<i>SIP contribution</i> £'000	<i>Total</i> £'000
1 April 2012	96	-	1,631	1,727
Credited to profit or loss for the year	21	(71)	(209)	(259)
1 April 2013	<u>117</u>	<u>(71)</u>	<u>1,422</u>	<u>1,468</u>
Credited to profit or loss for the year	(117)	(1,163)	(210)	(1,490)
31 March 2014	<u>-</u>	<u>(1,234)</u>	<u>1,212</u>	<u>(22)</u>

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
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30 DEFERRED TAX (continued)

<i>Group</i>	2014 £ 000	2013 £'000
Analysis for financial reporting purposes		
Deferred tax liabilities		
- Amounts due to be settled after one year	1,216	1,422
Deferred tax assets		
- Amounts due to be recovered within one year	(2,409)	-
- Amounts due to be recovered after one year	(1,664)	(519)
Net position at 31 March 2014	<u>(2,857)</u>	<u>903</u>

The movement in the year in the group's net deferred tax position was as follows

	2014 £'000	2013 £'000
1 April 2013	903	1,250
Acquired	(424)	-
Credited to profit or loss for the year (note 9)	(3,336)	(347)
31 March 2014	<u>(2,857)</u>	<u>903</u>

Group

The following are the major deferred tax liabilities/(assets) recognised by the group, and the movements thereon, during the year

	<i>Accelerated tax depreciation £'000</i>	<i>Tax losses £'000</i>	<i>Other £ 000</i>	<i>SIP contribution £'000</i>	<i>Total £'000</i>
1 April 2012	(28)	(272)	(81)	1,631	1,250
Charged/(credited) to profit or loss for the year	(252)	146	(32)	(209)	(347)
31 March 2013	<u>(280)</u>	<u>(126)</u>	<u>(113)</u>	<u>1,422</u>	<u>903</u>
Acquired	(17)	(407)	-	-	(424)
Charged/(credited) to profit or loss for the year	13	(3,281)	20	(210)	(3,458)
Charged/(credited) to discontinued loss for the year	(6)	128	-	-	122
31 March 2014	<u>(290)</u>	<u>(3,686)</u>	<u>(93)</u>	<u>1,212</u>	<u>(2,857)</u>

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

31 RETIREMENT BENEFITS

Group personal pension plan

A group personal pension plan is in operation and is open to all employees of the group. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged represents contributions payable by the company and amounted to £3.099m (2013: £2.024m). Contributions totalling £0.836m (2013: £0.459m) were payable to the fund at the year-end and are included in trade and other payables.

Defined benefit scheme

The group operates a defined benefit scheme ("the Scheme") for eligible employees. The Scheme was closed to new members and future accrual on 31 March 2010 and deferred pensions were granted to all members who were still active members on the date of closure.

Any future contributions required to be made to the Scheme are determined by a qualified actuary on the basis of regular valuations using the deferred accrued benefits method, the most recent completed full actuarial valuation being at 31 March 2013.

The major assumptions used by the independent actuary were:

	At 31 March 2014 %	At 31 March 2013 %
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	3.7	3.4
Discount rate	4.5	4.7
Inflation assumption (RPI)	3.3	3.4
Statutory revaluation (CPI)	2.3	1.9
Mortality	As below	As below
Expected return on plan assets	As below	As below

The assumption for post-retirement mortality has been set to be in line with the standard SIPA tables, which is consistent with the assumption adopted for the last formal actuarial valuation of the Scheme as at 31 March 2013. Future improvements in longevity are assumed to be in line with the CMI 2012 projections, with a long term rate of improvement of 1.5% p.a. for males and 1.25% p.a. for females.

The assets in the scheme and the expected rate of return were:

	Rate of return at 31 March 2014 %	Value at 31 March 2014 £'000	Rate of return at 31 March 2013 %	Value at 31 March 2013 £'000
Equities	7.4	97,453	7.4	90,893
Corporate bonds	4.4	10,963	4.2	10,886
Cash	1.3	200	3.0	158
Total fair value of scheme assets		108,616		101,937
Present value of scheme liabilities		(108,618)		(101,716)
Net pension (deficit)/asset recognised in the statement of financial position		(2)		221

Baker Tilly UK Holdings Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2014

31 RETIREMENT BENEFITS (continued)

Movements in the fair value of scheme assets were as follows

	2014 £ 000	2013 £'000 (restated)
1 April 2013	101,937	91,227
Interest on plan assets	4,820	4,576
Employer contributions	2,705	2,600
Benefits paid	(1,469)	(2,003)
Return on plan assets excluding interest income	623	5,537
31 March 2014	108,616	101,937

Movements in the present value of defined benefit obligations were as follows

	2014 £'000	2013 £'000
1 April 2013	101,716	85,005
Interest cost	4,747	4,265
Benefits paid	(1,469)	(2,003)
Actuarial loss	3,624	14,449
31 March 2014	108,618	101,716

The expected return on assets is based on a proportion of long-term investment returns for each asset class, less an allowance for management charges. The calculation incorporates the expected return on risk free investments and the historical risk premium associated with other invested assets.

<i>Analysis of amount credited to finance income</i>	2014 £'000	2013 £'000 (restated)
Interest on plan assets	4,820	4,576
Interest on pension scheme liabilities	(4,747)	(4,265)
Net return	73	311

The actual return on scheme assets was £5 443m (2013 £10 113m)

<i>Analysis of amount recognised in other comprehensive income</i>	2014 £ 000	2013 £'000 (restated)
Return on plan assets excluding interest income	623	5,537
Experience gains and losses arising on scheme liabilities	8,692	(1,916)
Changes in assumptions underlying the present value of the scheme liabilities	(12,316)	(12,533)
Actuarial loss recognised	(3,001)	(8,912)

Baker Tilly UK Holdings Limited
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31 RETIREMENT BENEFITS (continued)

<i>Movement in (deficit)/surplus during the year</i>	2014 £'000	2013 £ 000
Surplus in scheme at beginning of the year	221	6,222
Movement in year		
Employer contributions	2,705	2,600
Interest on plan assets	4,820	4,576
Interest on pension scheme liabilities	(4,747)	(4,265)
Actuarial loss	(3,001)	(8,912)
(Deficit)/surplus in scheme at end of the year	(2)	221

Group contributions of £2.7m (2012: £2.6m) were paid during the year and the group has committed to contribute £2.8m during the following year. No contributions will be made by the eligible employees.

<i>History of experience gains and losses</i>	2014 £'000	2013 £'000	2012 £ 000	2011 £'000	2010 £'000
Difference between the expected and actual return on Scheme assets					
Amount	623	5,537	(4,467)	1,075	12,473
Percentage of Scheme assets (%)	0.6	5.1	(4.9)	1.2	15.1
Experience gains and losses on Scheme liabilities					
Amount	8,692	(1,916)	814	(1,387)	1,399
Percentage of present value of the Scheme liabilities (%)	8.0	(1.9)	1.0	(1.7)	1.6
Total amount recognised in other comprehensive income					
Amount	(3,001)	(8,912)	(4,136)	9,203	(14,853)
Percentage of present value of the Scheme liabilities (%)	(2.7)	(8.2)	(4.9)	11.1	(16.7)

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

32 CASH GENERATED FROM/(USED IN) OPERATIONS

	<i>Group</i>		<i>Company</i>	
	2014	2013	2014	2013
<i>Continuing operations,</i>	£ 000	£'000 (restated)	£'000	£'000
Profit for the year before tax	11,890	5,615	14,693	(207)
Adjustments for				
Exceptional items	3,047	-	2,864	-
Gain on acquisition	(12,974)	-	(28,670)	-
Depreciation of property, plant and equipment	5,101	3,169	938	-
Loss on disposal of property, plant and equipment	1,844	740	2,044	-
Profit on disposal of businesses	(120)	-	(120)	-
Amortisation and impairment of intangible assets	464	1,098	-	-
Investment impairments	-	-	-	(112)
Finance income	(351)	(612)	-	-
Finance costs	1,675	879	1,013	124
Decrease in retirement benefit obligations	(3,542)	(2,600)	-	-
Decrease in provisions	(10,180)	(3,447)	-	-
Share based payments	352	369	-	-
Operating cash flows before movements in working capital	(2,794)	5,211	(7,238)	(195)
Decrease/(increase) in receivables	25,139	(2,187)	5,253	(212)
(Decrease)/increase in payables	(12,206)	(5,586)	4,415	2,974
Cash generated from/(used in) operations	10,139	(2,562)	2,430	2,567

33 RELATED PARTY TRANSACTIONS

Company

The company received a profit share from its interest in Baker Tilly UK Group LLP of £Nil (2013 £Nil) during the year. The company received a management charge from Baker Tilly UK Group LLP of £5 775m (2013 £Nil).

At the end of the year the amount owed to Baker Tilly UK Group LLP in respect of intra-group funding arrangements was £49 692m (2013 £24 961m) which includes £20m (2013 £20m) relating to the corporate member's fixed capital contribution.

At the end of the year there were net trading balances with subsidiaries of £0 880m (2013 £1 299m).

Baker Tilly UK Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

33 RELATED PARTY TRANSACTIONS (continued)

During the year dividends were paid to the following directors

	2014 £	2013 £
M B Rodgers	24,480	23,800
L P Longe	28,800	28,000
J C Bleach	20,160	19,600
D Gwilliam	17,280	16,800
E W Jarvis	21,600	21,000
K P O'Connor	15,840	15,400
J A Randall	25,920	25,200
N J Tristem	28,800	28,000

34 CAPITAL COMMITMENTS

	2014 £'000	2013 £'000
Capital expenditure contracted for by the group at 31 March 2014 but not yet incurred – furniture and office equipment	847	284

35 OPERATING LEASE ARRANGEMENTS

Group as a lessee

The minimum lease payments under non-cancellable operating leases for the group are, in aggregate, as follows

	2014 £'000	2013 £'000
Amounts due		
Within one year	12,068	11,099
Between two and five years	37,952	28,847
After five years	48,564	46,883
	<u>98,584</u>	<u>86,829</u>

Operating lease payments represent rentals payable by the group for certain of its properties and office equipment

Group as a lessor

At the year end, the group had contracted with tenants, under non-cancellable leases, for the following future minimum lease payments

	2014 £'000	2013 £'000
Amounts due		
Within one year	462	1,435
Between two and five years	650	1,117
After five years	144	204
	<u>1,256</u>	<u>2,756</u>

The property rental income earned during the year was £0 878m (2013 £1 086m)

Baker Tilly UK Holdings Limited

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36 POST BALANCE SHEET EVENTS

On 6 June 2014 the group sold its wealth management business to Towry, retaining the underlying assets and liabilities. On 29 August 2014 the group sold its employee benefits business to Arthur J Gallagher, retaining the underlying assets and liabilities. Total consideration was £25.1m albeit the financial effect on the group cannot as yet be accurately determined.

Under the terms of the RSM Tenon acquisition agreement, further consideration became payable if the wealth management businesses were sold within 5 years. The further consideration, which is payable to the bank and not accrued for in these financial statements, is estimated to be £2.4m.

On 1 October 2014 the group acquired the business, trade and net assets of Simpson Forsyth, an Aberdeen based accounting and business advisory partnership for a total consideration of £2.11m plus net assets acquired. The financial impact on the group of the acquisition cannot as yet be accurately determined.

Since the balance sheet date, the group has negotiated a new seven year £10m facility with Lloyds Bank PLC repayable in quarterly instalments over a ten year period with a bullet repayment due at the end of the loan term. The loan is unsecured and attracts interest at 2.25% over LIBOR.

37 CONTROLLING PARTY

In the opinion of the directors there is no single controlling party.