

Limited Liability Partnership Registration Number OC 352 059

MORGAN COLE LLP

Report and Consolidated Financial Statements

31 March 2014

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COMPANIES HOUSE

MORGAN COLE LLP

OFFICERS AND PROFESSIONAL ADVISERS

MANAGING PARTNER

Carr E A

DESIGNATED MEMBERS

Carr E A

Griffiths N (resigned 1 April 2013)

Jardine P J

Potter B J

Stace M J

PRINCIPAL PLACE OF BUSINESS

Bradley Court

Park Place

Cardiff

CF10 3DR

BANKERS

Barclays Bank Plc

Level 7, United Kingdom House

180 Oxford Street

London

W1D 1EA

AUDITOR

Deloitte LLP

Cardiff

United Kingdom

MORGAN COLE LLP

MEMBERS' REPORT

The members present their report and the audited financial statements of the group for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

The principal activity of the group is the provision of legal services to clients in the UK.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A summary of the results for the year and the financial position are set out in the financial statements on pages 8 to 25.

In January 2014 the firm divested a part of its insurance practice as part of the firm's strategic review. The change in income and employee numbers from the prior year is largely attributable to that divestment.

The results for the year are considered satisfactory. Operating profit increased by 4% over the prior year. Profit per equity partner ranged from the highest of £222k to the lowest of £178k (2013: £162k to £135k) which is an increase of 37% over the prior year.

A summary of the results for the year and the financial position are set out in the financial statements on pages 8 to 24.

On 1 July 2014 the trade and assets of Morgan Cole LLP transferred to Blake Morgan Group. The transfer involved all staff and client work and as a consequence Morgan Cole LLP has ceased to trade.

DESIGNATED MEMBERS

The designated members of the firm, who served throughout the year unless stated otherwise, are as shown on page 1.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The members have reviewed the financial risk management objectives and policies of the group. The group does not as a regular policy enter into hedging instruments as there is not believed to be any material exposure. It does not enter into any speculative financial instruments. The group's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The group's principal financial assets are bank balances, trade receivables, other debtors and investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Appropriate trade terms are negotiated with clients and suppliers and together with client relationships are monitored and managed for any exposure on normal trade terms. The group prepares monthly forecasts of cash flow and liquidity and the requirement for additional funding is managed as part of the overall financing arrangements.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and for future developments, the firm uses a mixture of long-term and short-term debt finance.

MORGAN COLE LLP

MEMBERS' REPORT (continued)

GOING CONCERN

After making enquiries, the members have a reasonable expectation that the group has access to adequate resources to ensure that the group can continue to meet its liabilities as they fall due, however as a consequence of the transfer described above, the accounts have been prepared on a basis other than as a going concern.

Further details regarding the adoption of the going concern basis can be found on the statement of accounting policies in the financial statements.

MEMBERS' DRAWINGS AND CAPITAL POLICY

The members' policy on drawings is dependent upon the working capital requirements of the firm. A conservative level of monthly drawings is set at the start of the year and further distributions are made once the results for the year and the allocation of profit have been finalised.

The profits of the fixed share members are part guaranteed and part variable depending on the profit for the year. All other members participate fully in the firm's profit pool.

The capital requirements of the LLP are determined by the Board and are reviewed regularly. Each member is required to subscribe a portion of this capital. The amount of capital subscribed by each member is linked to their status and profit share arrangements. Interest is payable on capital contributions. Capital is repaid to members on cessation of membership of the firm in accordance with the terms set out in the members' agreement. During the year £1,992,650 (2013 - £151,194) of new capital was received and £1,859,050 (2013 - £241,450) was repaid to members on retirement.

SUPPLIER PAYMENT POLICY

The firm's policy is to settle terms of payment with suppliers when agreeing to the terms of each transaction, to ensure that suppliers are made aware of the terms of the payment and abide by the terms of payment.

POLITICAL AND CHARITABLE DONATIONS

During the current period the firm made charitable contributions of £3,213 (2013: £4,481) principally to local charities serving the communities in cities where the firm has offices. No political donations were made in the current or the prior year.

EMPLOYEES

The firm places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the firm. This is achieved through formal and informal meetings.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the firm continues and that appropriate training is arranged. It is the policy of the firm that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

MORGAN COLE LLP

MEMBERS' REPORT (continued)

AUDITOR

In the case of each of the persons who are members of the Group at the date when this report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint Deloitte LLP will be proposed at the next members' meeting.

Approved by the Board for its Members
and signed on behalf of the Board



Elizabeth Carr
Designated Member
Date 24th July 2014

MEMBERS' RESPONSIBILITIES STATEMENT

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the group and the profit or loss of the group for that period. In preparing these financial statements, the members are required to:

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

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN COLE LLP

We have audited the financial statements of Morgan Cole LLP for the year ended 31 March 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and LLP Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement, the members 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 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 the limited liability partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for and to our report.

Opinion on 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 limited liability partnership's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the business's ability to continue as a going concern. At 1 July 2014, the LLP transferred its trade and assets to a new legal entity, and ceased to trade. This transfer, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the business's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the business was unable to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORGAN COLE LLP (continued)

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

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

Andrew Wright (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cardiff, United Kingdom

1 August 2014

MORGAN COLE LLP

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 March 2014

	Note	2014 £'000	2013 £'000
REVENUE	2	28,720	33,668
Direct expenses		(15,404)	(18,563)
GROSS PROFIT		<u>13,316</u>	<u>15,105</u>
Indirect expenses: property		(2,311)	(3,006)
Exceptional charge relating to property	3	-	(832)
Total indirect expenses: property		<u>(2,311)</u>	<u>(3,838)</u>
Indirect expenses: administration costs		(3,439)	(4,001)
Central overheads		(384)	(372)
OPERATING PROFIT	3	<u>7,182</u>	<u>6,894</u>
Interest receivable and similar income	5	50	86
Interest payable and similar charges	5	(55)	(67)
PROFIT FOR THE FINANCIAL YEAR BEFORE TAXATION, MEMBERS' REMUNERATION AND PROFIT SHARES		<u>7,177</u>	<u>6,913</u>
Taxation	7	(171)	-
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		<u>7,006</u>	<u>6,913</u>
Members' remuneration charged as an expense	14	(2,683)	(2,361)
PROFIT FOR THE FINANCIAL YEAR FOR DISCRETIONARY DIVISION AMONG MEMBERS	14	<u>4,323</u>	<u>4,552</u>

All results relate to continuing activities.

There are no recognised gains or losses in either the current or the preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is prepared.

MORGAN COLE LLP

CONSOLIDATED BALANCE SHEET At 31 March 2014

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Intangible assets	8	331	430
Tangible assets	9	1,144	1,969
Other investments	10	45	46
		<u>1,520</u>	<u>2,445</u>
CURRENT ASSETS			
Debtors	11	13,362	16,890
Cash at bank and in hand		2,118	194
		<u>15,480</u>	<u>17,084</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(6,428)	(7,311)
NET CURRENT ASSETS		<u>9,052</u>	<u>9,773</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,572	12,218
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(32)	(250)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>10,540</u>	<u>11,968</u>
REPRESENTED BY:			
LOANS AND OTHER DEBTORS DUE TO MEMBERS			
Members' capital classified as a liability under FRS 25	14	6,046	6,179
Other amounts	14	-	1,237
		<u>6,046</u>	<u>7,416</u>
MEMBERS' OTHER INTERESTS			
Other reserves	14	4,494	4,552
		<u>10,540</u>	<u>11,968</u>
REPRESENTED BY:			
TOTAL MEMBERS' INTERESTS			
Amounts due from members (note 11)	14	(1,175)	(3,417)
Loans and other debts due to members	14	6,046	7,416
Members' other interests	14	4,494	4,552
	14	<u>9,365</u>	<u>8,551</u>

The financial statements of Morgan Cole LLP, Limited Liability Partnership Registration number OC 352 059, were approved and authorised for issue on 24th July 2014 by the members and signed on behalf of the members by:



M J Stace
Designated Member



E A Carr
Designated Member

MORGAN COLE LLP

LLP BALANCE SHEET At 31 March 2014

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Investments	10	45	46
		<u>45</u>	<u>46</u>
CURRENT ASSETS			
Debtors	11	13,033	16,813
Cash at bank and in hand		1,496	103
		<u>14,529</u>	<u>16,916</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(4,444)	(4,994)
NET CURRENT ASSETS		<u>10,085</u>	<u>11,922</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,130</u>	<u>11,968</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>10,130</u>	<u>11,968</u>
REPRESENTED BY:			
LOANS AND OTHER DEBTORS DUE TO MEMBERS			
Members' capital classified as a liability under FRS 25	14	6,046	6,179
Other amounts	14	11	1,237
		<u>6,057</u>	<u>7,416</u>
MEMBERS' OTHER INTERESTS			
Other reserves	14	4,073	4,552
		<u>10,130</u>	<u>11,968</u>
REPRESENTED BY:			
TOTAL MEMBERS' INTERESTS			
Amounts due from members (note 11)	14	(1,015)	(3,417)
Loans and other debts due to members	14	6,057	7,416
Members' other interests	14	4,073	4,552
	14	<u>9,115</u>	<u>8,551</u>

The financial statements of Morgan Cole LLP, Limited Liability Partnership Registration number OC 352 059, were approved and authorised for issue on 24th July 2014 by the members and signed on behalf of the members by:



M J Stace
Designated Member



E A Carr
Designated Member

MORGAN COLE LLP

CONSOLIDATED CASH FLOW STATEMENT **Year ended 31 March 2014**

	Note	2014 £	2013 £
Net cash inflow from operating activities	16	8,139	10,229
Returns on investments and servicing of finance	17	(5)	18
Capital expenditure and financial investment	17	(73)	(860)
Transactions with members	17	(6,363)	(10,420)
Financing	17	226	(519)
Increase/(decrease) in cash in the year		<u>1,924</u>	<u>(1,552)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice, "Accounting by Limited Liability Partnerships." There are no differences between the profit for the financial year before members' remuneration and profit shares and the profit available for division among the members and their historical cost equivalents.

Basis of preparation

The financial statements consolidate the results of Morgan Cole LLP and all its subsidiary undertakings, drawn up to 31 March each year. No profit and loss account is presented for Morgan Cole LLP, as permitted by Section 408 of the Companies Act 2006.

Going concern

The firm's business activities, together with a review of the business, are set out in the business review on page 2.

The members' report describes the financial position of the firm; its cash flows, liquidity position and borrowing facilities; the firm's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposure to liquidity and credit risk.

On 1 July 2014 the trade of Morgan Cole LLP transferred to Blake Morgan LLP. The transfer involved all staff and client work and as a consequence Morgan Cole LLP has ceased to trade.

After making enquiries, the members have a reasonable expectation that the group has access to adequate resources to ensure that the group can continue to meet its liabilities as they fall due, however as a consequence of the transfer described above, the accounts have been prepared on a basis other than as a going concern.

Fee income and revenue recognition

Fee income represents the fair value of legal services provided during the period on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, expertise and skills provided and expenses incurred. Fee income is stated net of Value Added Tax.

Legal services provided to clients during the period which, at the balance sheet date, have not been invoiced to clients have been recognised as fee income in accordance with Financial Reporting Standard 5 "Reporting the substance of transactions", Application Note G "Revenue recognition" and the Urgent Issues Task Force Abstract 40 "Revenue recognition and service contracts". Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the firm.

Contingent fee income (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs. Unbilled fee income is included as amounts recoverable under contracts within debtors.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

Amounts recoverable on contracts

Where it is deemed inappropriate to recognise revenue on specific matters, the current cost of service is included within work in progress.

Intangible assets

Intangible fixed assets relate to software licences and are written off on a straight-line basis over six years, being their useful economic lives.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less residual value, of each asset over its expected useful life as follows:

Leasehold improvements	10 years straight-line or to next lease break date if shorter
Furniture, fittings and equipment	7 years straight-line or the period of lease
Computer equipment	4 years straight-line or the period of lease

Investments

Investments are stated at cost less any provision for impairment except in the case of wasting debentures, which are amortised over the period of the debenture.

Taxation

The taxation payable on the profits of the Limited Liability partnership is the personal liability of the members for the period. An amount is retained from each member's profit share within Morgan Cole LLP to cover the member's estimated liability for income tax and social security contributions on their profit share.

Certain companies dealt with in these consolidated financial statements are subject to corporation tax based on their profits for the financial year.

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which a future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their estimated useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the periods of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease rentals are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Provisions

Provision is made for dilapidations in respect of property leases which contain requirements for the premises to be returned in their original state prior to the conclusion of the lease term.

Substantial insurance cover in respect of professional negligence claims is carried. Both the primary layer of cover and top-up cover are written through the commercial insurance market. The provision for claims represents the estimated costs to Morgan Cole LLP of defending and settling claims where a liability is considered by the members to be probable.

Provision is made for the best estimate of expected losses from onerous contracts, in particular on surplus property which is vacant.

Staff pensions

Morgan Cole LLP operates a defined contribution pension scheme.

The scheme is accounted for under UK Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The amount charged to the profit and loss account for the scheme is the amount payable for the period according to the scheme rules.

2. SEGMENTAL ANALYSIS

The members consider the business to have only one operating segment and therefore no further disclosure has been made.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

3. OPERATING PROFIT

	2014 £'000	2013 £'000
This is stated after charging		
Depreciation charge for the period:		
Owned assets	708	514
Leased assets	183	381
Amortisation of intangibles – leased assets	99	99
Operating lease rentals:		
Plant and machinery	-	-
Other	1,711	1,709
Auditor's remuneration:		
Fees payable for audit services	23	31
Fees payable for tax services	24	57
Fees payable for services in respect of the Solicitors'		
Accounts Rules	20	20
Fees payable for other services	67	-
Loss on disposal of fixed assets	6	24
Amortisation charge relating to investments	1	1

Property costs include £nil (2013: £832k) in respect of an exceptional property charge arising from continuing operations.

4. STAFF AND STAFF COSTS

Group

The average number of employees during the period, excluding members, was as follows:

	2014 No.	2013 No.
Client service staff	279	385
Support staff	83	94

The aggregate payroll costs of the employed staff, excluding members, were as follows:

	2014 £'000	2013 £'000
Salaries	11,095	13,361
Social security costs	1,104	1,374
Other pension costs	870	935
	<u>13,069</u>	<u>15,670</u>

At 31 March 2014 the sum of £73k (2013: £86k) was owed to the scheme in respect of employer's pension contributions.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

5. INTEREST

	2014 £'000	2013 £'000
Interest receivable and similar income	50	86
Interest payable on:		
Bank loans and overdrafts	(34)	(30)
Finance leases	(21)	(37)
Interest payable and similar charges	(55)	(67)

6. MEMBERS' SHARE OF PROFITS

Profits are shared among the members in accordance with agreed profit-sharing arrangements after the financial statements have been approved by the members.

	2014 No.	2013 No.
Average number of members in the year	48	52
	£'000	£'000
Profit which is attributable to the member with the largest entitlement to profit	222	162

7. TAXATION

The financial statements do not incorporate any charge or liability for taxation on the results of the LLP as the relevant tax is the responsibility of individual members.

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	7,177	6,913
Less: Amounts subject to personal tax	(6,756)	(6,913)
Amounts subject to corporate tax	421	-
UK corporation tax of 23% (2013: 24%)	97	-
<i>Factors affecting the charge for the year:</i>		
Expenses not deductible for tax purposes	15	-
Depreciation in excess of capital allowances	59	-
Transfer pricing adjustment arising in subsidiary	231	386
Compensation payment due from LLP members (note 14)	(231)	(386)
Total tax on profit on ordinary activities	171	-

In recent years the UK government has steadily reduced the rate of UK corporation tax, with the latest enacted rate standing at 23% with effect from 1 April 2013. Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, and substantively enacted at the balance sheet date. Accordingly the closing deferred tax assets and liabilities have been calculated at 20%.

A deferred tax asset amounting to £126k (2013: £107k) relating to timing differences between capital allowances and depreciation expense has not been recognised because, in the opinion of the directors, there is insufficient certainty around future recoverability.

MORGAN COLE LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2014

8. INTANGIBLE FIXED ASSETS

Group	Software licences £'000
Cost	
At 1 April 2013 and 31 March 2014	596
Accumulated depreciation	
At 1 April 2013	166
Charge for the year	99
At 31 March 2014	265
Net book value	
At 31 March 2014	331
At 31 March 2013	430

The net book value of assets held under finance leases and capitalised in intangible assets is £331k (2013: £430k).

9. TANGIBLE FIXED ASSETS

Group	Leasehold Improvements £'000	Furniture, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2013	607	555	5,820	6,982
Additions	4	6	64	74
Disposals	-	(212)	(243)	(455)
At 31 March 2014	611	349	5,641	6,601
Accumulated depreciation				
At 1 April 2013	201	379	4,433	5,013
Charge for the year	163	40	688	891
Eliminated on disposal	-	(205)	(242)	(447)
At 31 March 2014	364	214	4,879	5,457
Net book value				
At 31 March 2014	247	135	762	1,144
At 31 March 2013	406	176	1,386	1,969

The net book value of assets held under finance leases and capitalised in tangible assets is £183k (2013: £381k).

MORGAN COLE LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2014

10. FIXED ASSET INVESTMENTS

Group and LLP

	2014 £'000	2013 £'000
WRU debentures	2	3
Other debentures – at cost	3	3
	<u>5</u>	<u>6</u>
40,000 £1 non-voting redeemable preference shares, series SM1, in Leeward Insurance Company - at cost	40	40
	<u>45</u>	<u>46</u>

The WRU debentures are recorded at a cost of £23k less accumulated amortisation of £21k (2013: £19k).

The firm has investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of incorporation	Holding	%	Principal activity
MC Consulting Limited	England and Wales	£2 Ordinary	100	Dormant
Morgan Cole Services Limited	England and Wales	£2 Ordinary	100	Provision of services

11. DEBTORS

Group	2014 £'000	2013 £'000
Trade debtors	8,024	8,751
Amounts recoverable under contracts	2,779	3,306
Amounts due from members (note 14)	1,175	3,417
Other debtors	73	141
Prepayments	1,311	1,275
	<u>13,362</u>	<u>16,890</u>
LLP	£'000	£'000
Trade debtors	8,024	8,746
Amounts recoverable under contracts	2,779	3,306
Amounts owed by group undertakings	628	904
Amounts due from members (note 14)	1,015	3,417
Other debtors	19	14
Prepayments	568	426
	<u>13,033</u>	<u>16,813</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£'000	£'000
Group		
Bank loans and overdraft (note 13)	1,079	420
Obligations under finance leases and hire purchase contracts (note 13)	192	408
Trade creditors	160	128
Corporation tax	291	141
Other taxes and social security	1,121	1,432
Other creditors	983	1,260
Accruals and deferred income	2,602	3,522
	<hr/>	<hr/>
	6,428	7,311
	<hr/>	<hr/>
	£'000	£'000
LLP		
Bank loans and overdraft (note 13)	1,054	301
Trade creditors	9	11
Amounts owed to group undertakings	695	633
Corporation tax	120	141
Other taxes and social security	799	959
Other creditors	786	1,019
Accruals and deferred income	981	1,930
	<hr/>	<hr/>
	4,444	4,994
	<hr/>	<hr/>

As described in Note 1 'Accounting policies' the group makes appropriate provision for potential future liabilities. The group has taken advantage of the exemption in Chapter 26 Section 7.5 of Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets) and included all such provisions within accruals. This is on the basis that to disclose them separately together with the movements from the prior year is considered to be prejudicial to the interests of the group and its members.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013
	£'000	£'000
Group		
Bank loans	2	28
Obligations under finance leases and hire purchase contracts	30	222
	<u>32</u>	<u>250</u>
	£'000	£'000
Amounts falling due		
Within one year or on demand	1,079	420
Between one and two years	2	28
	<u>1,081</u>	<u>448</u>

The bank loans are unsecured and attract different rates of interest. Loans with a year-end value of £20k (2013: £133k) attract interest at the applicable bank base rate plus 2%. Loans with a year-end value of £9k (2013: £14.5k) attract a fixed interest rate of 12%. Loans with a year-end value of £427k (2013: £301k) attract a fixed rate interest of 1.6% (2013: 1.3%). Loans with a year-end value of £625k (2013: £nil) attract a fixed interest rate of 1%.

The bank overdraft is unsecured and attracts interest at the applicable bank base rate plus 2.1% (2013: 2.1%).

Finance leases

	£'000	£'000
Amounts falling due in one year or less	192	408
Between one and two years	30	222
	<u>222</u>	<u>630</u>

The finance leases are secured against the assets to which they relate and are repayable at fixed rates. The interest rates which are applicable to the leases range from 3.08% to 16.94% for both the current year and the previous year.

Bank loans and overdrafts

	£'000	£'000
Amounts falling due		
Within one year or on demand	1,054	301
	<u>1,054</u>	<u>301</u>

The bank overdraft is unsecured and attracts interest at the applicable bank base rate plus 2.1% (2013: 2.1%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

14. MEMBERS' INTERESTS

Group	Members' capital (classified as a liability) £	Other amounts due to/(from) members £	Total loans and other debts due to/(from) members £	Members' other interests £	Total members' interests £
Amounts due to members as at 1 April 2013	6,179	1,237	7,416	-	7,416
Amounts due from members as at 1 April 2013	-	(3,417)	(3,417)	4,552	1,135
Members' interests as at 1 April 2013	6,179	(2,180)	3,999	4,552	8,551
Profit for the financial year for discretionary division amongst members	-	-	-	4,323	4,323
Members' remuneration charged as an expense	-	2,683	2,683	-	2,683
	<u>6,179</u>	<u>503</u>	<u>6,682</u>	<u>8,875</u>	<u>15,557</u>
Allocation of prior year profit	-	4,552	4,552	(4,552)	-
Drawings	-	(5,967)	(5,967)	-	(5,967)
Capital withdrawn	(1,993)	-	(1,993)	-	(1,993)
Capital introduced	1,860	(263)	1,597	-	1,597
Corporation tax charge	-	402	402	-	402
Compensation payable to subsidiary undertaking for corporation tax liabilities	-	(231)	(231)	-	(231)
Transfer of Corporation tax payable by subsidiary	-	(171)	(171)	171	-
Members' interests as at 31 March 2014	6,046	(1,175)	4,871	4,494	9,365
Amounts due to members	<u>6,046</u>	<u>-</u>	<u>6,046</u>	<u>4,494</u>	<u>10,540</u>
Amounts due from members	-	<u>(1,175)</u>	<u>(1,175)</u>	-	<u>(1,175)</u>
	<u>6,046</u>	<u>(1,175)</u>	<u>4,871</u>	<u>4,494</u>	<u>9,365</u>

The members' agreement sets out the requirement for capital from designated members and other members. The amount per member is assessed annually with any changes usually being effective from 1 April. Capital is repaid to members upon cessation of membership of the Limited Liability Partnership in accordance with the terms set out in the members' agreement and is therefore presented above in the amounts due to members.

The members vote to approve the division of profit accrued after the balance sheet date. As a result, the balance of profit available for distribution amongst the members as at 31 March 2014 is included in members' other interests.

Drawings by members on account of profits for the year have been included within other amounts due to/(from) members. In the event of a winding up, loans and other debts due to members rank equally with unsecured creditors; members' other interests rank after unsecured creditors.

MORGAN COLE LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2014

14. MEMBERS' INTERESTS (continued)

The members' agreement in respect of members' balances applies to both the Group and the LLP. The only difference between the results of the Group and the results of the LLP relate to the profit earned within Morgan Cole Services Limited which is a wholly owned subsidiary of Morgan Cole LLP.

LLP

	Members' capital (classified as a liability) £'000	Other amounts due to/(from) members £'000	Total loans and other debts due to/(from) members £'000	Members' other interests £'000	Total members' interests £'000
Amounts due to members as at 1 April 2013	6,179	1,237	7,416	-	7,416
Amounts due from members as at 1 April 2013	-	(3,417)	(3,417)	4,552	1,135
Members' interests as at 1 April 2013	6,179	(2,180)	3,999	4,552	8,551
Profit for the financial year for discretionary division amongst members	-	-	-	4,073	4,073
Members' remuneration charged as an expense	-	2,683	2,683	-	2,683
	<u>6,179</u>	<u>503</u>	<u>6,682</u>	<u>8,625</u>	<u>15,307</u>
Allocation of prior year profit	-	4,552	4,552	(4,552)	-
Drawings	-	(5,796)	(5,796)	-	(5,796)
Capital withdrawn	(1,993)	-	(1,993)	-	(1,993)
Capital introduced	1,860	(263)	1,597	-	1,597
Corporation tax charge	-	231	231	-	231
Compensation payable to subsidiary undertaking for corporation tax liabilities	-	(231)	(231)	-	(231)
Members' interests as at 31 March 2014	6,046	(1,004)	5,042	4,073	9,115
Amounts due to members	<u>6,046</u>	<u>11</u>	<u>6,057</u>	<u>4,073</u>	<u>10,130</u>
Amounts due from members	-	<u>(1,015)</u>	<u>(1,015)</u>	-	<u>(1,015)</u>
	<u>6,046</u>	<u>(1,004)</u>	<u>5,042</u>	<u>4,073</u>	<u>9,115</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

15. OPERATING LEASE COMMITMENTS

Group

At 31 March the group had annual commitments under non-cancellable operating leases expiring as follows:

	2014		2013	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	207	51	207	29
Between two and five years inclusive	1,339	118	1,340	80
Over five years	-	-	-	52
	<u>1,546</u>	<u>169</u>	<u>1,547</u>	<u>161</u>

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014	2013
	£'000	£'000
Operating profit	7,182	6,894
Depreciation charge	891	895
Amortisation of intangibles	99	99
Amortisation of investments	1	1
Loss on sale of fixed assets	6	24
Decrease in amounts recoverable under contracts	527	1,785
Decrease in debtors	759	349
(Decrease)/increase in creditors	(1,326)	182
Net cash inflow from operating activities	<u>8,139</u>	<u>10,229</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

17. ANALYSIS OF CASH FLOWS

	2014	2013
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	50	86
Interest paid	(34)	(30)
Interest element of a finance lease	(21)	(38)
	<u>(5)</u>	<u>18</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(74)	(861)
Sale of tangible fixed assets	1	1
	<u>(73)</u>	<u>(860)</u>
Transactions with members		
Drawings and distributions	(5,967)	(10,322)
Capital contributions by members	1,597	151
Capital repayments to members	(1,993)	(249)
	<u>(6,365)</u>	<u>(10,420)</u>
Financing		
Repayment of bank loans	(1,387)	(716)
Receipt of bank loans	2,021	598
Capital element of finance leases repaid	(408)	(401)
	<u>226</u>	<u>(519)</u>

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT) / FUNDS

	2014	2013
	£'000	£'000
Increase/(decrease) in cash in the year	1,924	(1,552)
Cash flows from change in debt and lease financing	(226)	519
New finance leases	-	(96)
	<u>1,698</u>	<u>(1,129)</u>
Movement in net funds in the year		
Net (debt)/funds at 1 April	(884)	245
Net funds/(debt) at 31 March	<u>814</u>	<u>(884)</u>

MORGAN COLE LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2014

19. ANALYSIS OF CHANGES IN NET FUND/(DEBT)

	At 1 April 2013 £	Cash flow £	Non-cash movement £	At 31 March 2014 £
Cash at bank	194	1,924	-	2,118
	<u>194</u>	<u>1,924</u>	<u>-</u>	<u>2,118</u>
Bank and other loans due within one year	(420)	(634)	(26)	(1,080)
Bank and other loans due after one year	(28)	-	26	(2)
Finance leases due within one year	(408)	408	(192)	(192)
Finance leases due after one year	(222)	-	192	(30)
Net (debt)/funds before loans and other debts to members	<u>(884)</u>	<u>1,698</u>	<u>-</u>	<u>814</u>
Loans and other debts due to members	(7,416)	2,505	(1,135)	(6,046)
Less amounts due from members	<u>3,417</u>	<u>3,859</u>	<u>(6,101)</u>	<u>1,175</u>
Net (debt)/funds including loans and other debts due to members less amounts due from members	<u>(4,883)</u>	<u>8,062</u>	<u>(7,236)</u>	<u>(4,057)</u>

20. CONTINGENT LIABILITIES

The Group has contracts with various insurance companies for the provision of claims handling services. Historically these services have been treated as exempt for VAT purposes, but now, in common with other major providers of such services, this position is the subject of a challenge from Her Majesty's Revenue and Customs (HMRC). The issues involved in this challenge are highly technical, depending on the interpretation of the relevant legislation, HMRC guidance and rulings and to a large degree the precise nature of the services performed by the Group. Management has taken professional advice on these issues which concludes that HMRC's view can be challenged successfully. Furthermore, even if the principle of a liability were to be established, determination of the quantum of any liability would have to be subject to detailed further investigation to assess whether and to what extent the principle applies to the services supplied by the Group. In view of the considerable uncertainty as to both the existence of a liability and its quantification, together with the prospects of recovery from third parties of any amount that might be due, no provision has been made.

21. SUBSEQUENT EVENTS

On 1 July 2014 the trade of Morgan Cole LLP transferred to Blake Morgan Group. The transfer involved all staff and client work and as a consequence Morgan Cole LLP has ceased to trade.

22. CONTROLLING PARTY

In the opinion of the members, there is no controlling party as defined by Financial Reporting Standard 8 "Related party disclosures".