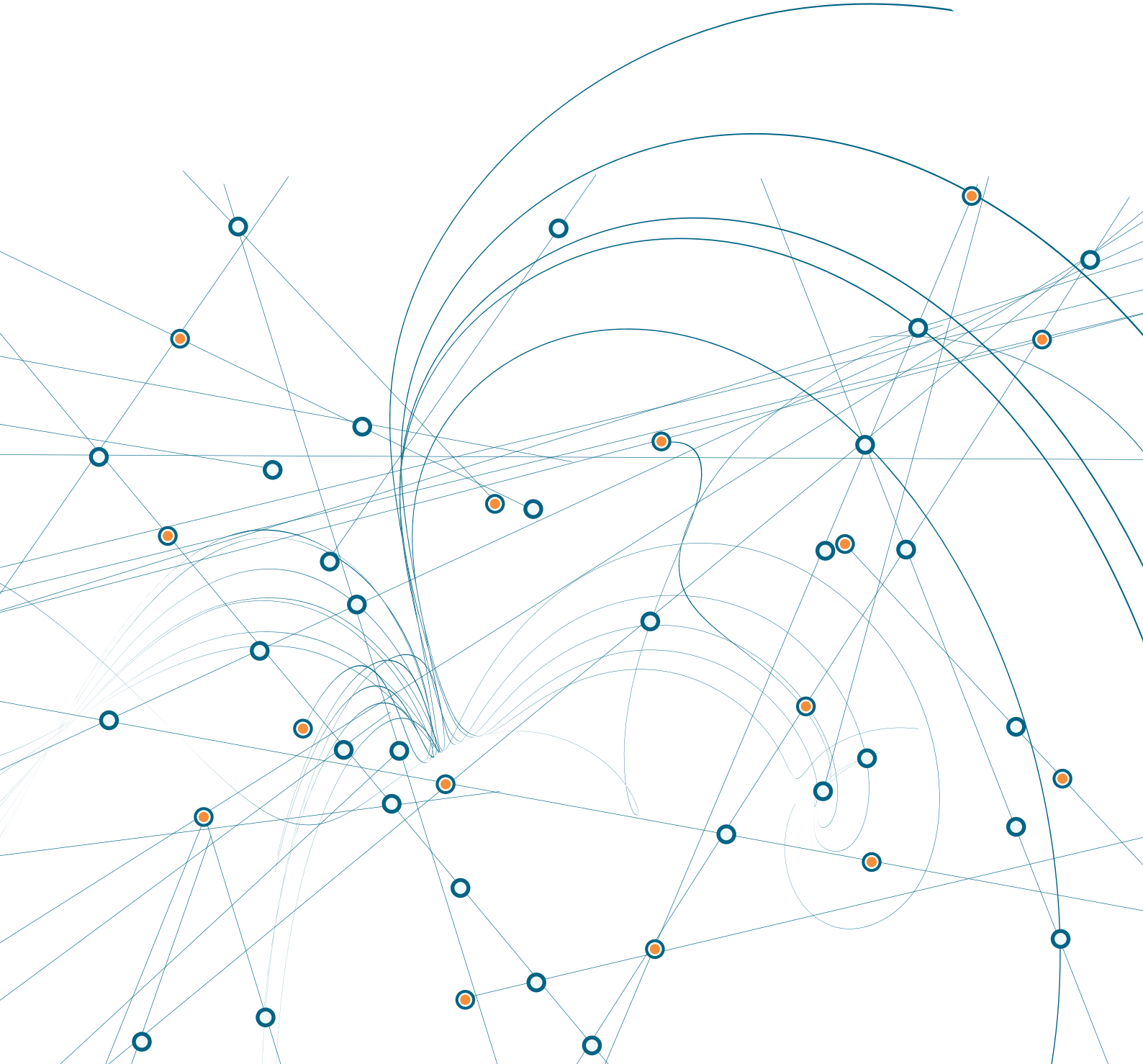
ALLEN & OVERY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2017



CONTENTS

MEMBERS' REPORT

THE BOARD PRESENTS ITS REPORT TO THE MEMBERS AND THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ALLEN & OVERY LLP FOR THE YEAR ENDED 30 APRIL 2017.

GROUP STRUCTURE

These financial statements consolidate the financial statements of Allen & Overy LLP and its subsidiary undertakings (the **Group**) for the year ended 30 April 2017. Allen & Overy is the collective name for an international legal practice comprising Allen & Overy LLP and its subsidiary undertakings. In this report the terms 'the Group' and 'Allen & Overy' are interchangeable.

Allen & Overy LLP (the **LLP**) is a limited liability partnership registered in England and Wales with registered number OC306763. A list of Members and of the non-Members who are designated as partners is available for inspection at One Bishops Square, London E1 6AD, United Kingdom, which is also the LLP's principal place of business and registered office. For more information visit www.allenovery.com.

PARTNERS/MEMBERS

The term **partner** in this annual report is used to refer to a Member of the LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of the LLP's subsidiary undertakings. The term **Member** in this annual report is used to refer only to a Member of the LLP. The term **full partner** in this document is used to refer to partners remunerated entirely by profit sharing points.

PRINCIPAL ACTIVITY

Allen & Overy's principal activity is the provision of premium legal services. All results derive from continuing activities.

1930 — 1 Office — London

1985 — 4 Offices — New York

1989 — 7 Offices — Paris

1992 — 11 Offices — Singapore, Prague

1994 — 15 Offices — Frankfurt

1999 — 19 Offices — Bratislava

1978 — 3 Offices — Dubai, Brussels

1988 — 6 Offices — Hong Kong, Tokyo

1991 — 9 Offices — Warsaw, Madrid

1993 — 14 Offices — Moscow, Budapest, Beijing

1998 — 18 Offices — Milan, Rome, Bangkok

2000 — 21 Offices — Amsterdam, Luxembourg

2002 — 24 Offices — Shanghai

2008 — 30 Offices — Bucharest*, São Paulo, Munich

2011 — 37 Offices — Belfast, Washington, D.C., Casablanca

2013 — 41 Offices — Yangon

2015 — 44 Offices — Seoul

2001 — 23 Offices — Antwerp, Hamburg

2007 — 27 Offices — Riyadh**, Düsseldorf, Abu Dhabi

2010 — 34 Offices — Doha, Sydney, Perth, Jakarta*

2012 — 40 Offices — Istanbul, Hanoi, Ho Chi Minh City

2014 — 43 Offices — Barcelona, Johannesburg

* Associated office
** Cooperation office

STRATEGY

AT THE HEART OF OUR STRATEGY IS A CLEAR AMBITION: TO BECOME THE WORLD'S MOST ADVANCED LAW FIRM. THAT MEANS BEING AT THE FOREFRONT OF LEGAL THINKING AND BUILDING ON OUR REPUTATION FOR PIONEERING IDEAS ON HOW WE SERVE OUR CLIENTS AND RUN OUR BUSINESS.

ALLEN & OVERY'S STRATEGY HAS THREE KEY DIMENSIONS: GLOBAL REACH, LOCAL DEPTH; LASTING RELATIONSHIPS, MARKET LEADERSHIP; AND HIGH PERFORMANCE CULTURE.

GLOBAL REACH, LOCAL DEPTH

Our clients expect us to be able to operate internationally to high standards while, at the same time, fully understanding the local regulatory framework and how business is actually done in each market.

We have built a network comprising 44 offices in 31 countries. The size of our network along with our corresponding breadth of expertise is a key differentiator in the market.

We have also developed strong ties with relationship law firms in more than 100 countries where we do not have a physical presence. We combine our international resources and sector expertise to work on cross-border transactions directly in the markets and regions important to our clients.

LASTING RELATIONSHIPS, MARKET LEADERSHIP

Our clients are at the heart of our strategy and we aim to build long-term relationships where we are completely trusted to handle their most complex legal problems.

As well as first-rate legal knowledge and expertise, we aim to bring to our clients strategic and commercial insights based on a profound understanding of their business.

Our strategy is to be tier one in all practice areas in our chosen markets. Our deeply rooted sector expertise allows us to understand the broad business, not just legal, issues faced by our clients daily.

IN THE LAST FINANCIAL YEAR WE PROVIDED ADVICE TO OUR TOP 50 CLIENTS IN AN AVERAGE OF 24 OFFICES

24 OFFICES

ELEVEN PRIORITY SECTORS

HIGH PERFORMANCE CULTURE

Our clients expect the highest standards of performance and service and we have similarly high expectations of each other.

We offer our people the opportunity to develop personally and professionally and to gain experience by moving around our global network.

We know that our future success depends on identifying and developing talented potential leaders, with the knowledge and skills required to flourish in a challenging business environment.

ADVANCED DELIVERY

In recent years, we have directed our innovation initiatives to maximising the benefit our clients derive from our strategy. We call our response to this challenge Advanced Delivery. Through it we offer a range of high-quality resourcing and technology options which are unique in the flexibility they offer our clients. Together with our clients we design solutions which combine these capabilities with our core law firm expertise.

LEGAL SERVICES CENTRE

High volumes; the highest standards

Our Legal Services Centre in Belfast specialises in streamlining elements of complex client projects. In addition to lawyers and legal professionals, the Centre now has a team of PhD-level scientific analysts for patent work.

PEERPOINT

Interim resource; specific needs

Peerpoint, our flexible global resourcing business, carefully matches highly qualified legal consultants with specific client requirements. This has continued its pattern of strong growth in financial year 2016/7, expanding Peerpoint operations in Asia and adding capacity in Australia and the UK.

PROJECT MANAGEMENT OFFICE

Intelligent delivery; client transparency

2017 also saw rapid growth in our Project Management Office. This team aims to enhance the effective delivery of cross-border and complex matters by applying project management capability and tools to the largest projects, introducing other Advanced Delivery capabilities where appropriate.

Our intelligent use of technology has been boosted in three ways recently:

1. LEGAL TECHNOLOGY GROUP

Client challenges; tech solutions

We have established a Legal Technology Group dedicated to harnessing emerging technologies both to the transformation of our own services and to the benefit of our clients' businesses.

2. i2 – IDEAS AND INVESTMENTS GROUP

Funnelling ideas; continuous improvement

Our i2 (Ideas and Investments) Group, established in 2015, is a digital innovation funnel which aims to capture the ideas of lawyers and support professionals for incremental, technology-enabled improvements to how they perform their work, assess those ideas in an agile way and then roll them out or reject them promptly.

3. FUSE

Collaboration space; tech development

We recently announced the establishment in our London office of Fuse, a tech innovation space where tech companies, clients and Allen & Overy experts will collaborate to develop and test legal, regulatory and deal-related solutions to our clients' challenges. Fuse will open in September 2017.

Two examples of how resourcing and technology capabilities can be combined with legal expertise into a client solution are aosphere and MarginMatrix™.

AOSPHERE

Global complexity; simple compliance

aosphere helps clients reduce legal, regulatory and operational risk through user-friendly, online access to detailed, cross-border legal and compliance information. During this financial year aosphere has continued to grow, adding a significant number of clients in the funds industry.

MARGINMATRIX™

Regulatory change; scaled implementation

Allen & Overy is collaborating with Deloitte to provide an end-to-end solution for the renegotiation of thousands of margin arrangements to comply with new margin rules for uncleared derivatives. Allen & Overy developed MarginMatrix™, the technology tool which automates the regulatory analysis and document drafting aspects of this solution.

STRATEGIC FRAMEWORK

Taken as a whole, our strategy is flexible and distinctive, and delivers value and high quality service to our clients worldwide.

BUSINESS AND FINANCIAL PERFORMANCE

REVENUE

Our revenue grew 16% to a record level of £1,519 million (2016: £1,310 million). Our new businesses and our ICM practice grew strongly and we enjoyed good growth across most practice areas. We also benefited from the favourable movements in exchange rates from financial year 2016 to financial year 2017, although we continue to see competition and pressure from clients to manage total legal spend.

PROFIT FOR THE FINANCIAL YEAR

Profit before taxation of £716 million for the financial year 2017 (2016: £562 million) was also a record for the firm and rose £154 million from the 2016 result. The increase resulted from the favourable foreign exchange movements noted above, combined with a steady increase in client work as well as careful management of the cost base. Part of the exchange gains experienced reflect the lower value of sterling and are likely to be repeated as long as the value of Sterling remains low relative to our other trading currencies. Another part of the exchange gains experienced reflects the revaluation of monetary assets in-year and is not likely to be repeated. In order to understand the underlying position, we have provided a second profit per full partner measure. This is not a constant currency measure, but is intended to demonstrate the underlying operating performance of the firm.

Average profit per full partner based on the profits shown in these statutory accounts was £1.51 million (2016: £1.20 million) or £1.40 million excluding the one-off foreign exchange gains recognised in financial year 2017.

OPERATING COSTS

Our total staff costs increased by £66 million to £523 million (2016: £457 million), reflecting the impact of headcount increases, 1 May 2016 pay awards and increases in total staff financial reward. Other operating expenses reduced by £11 million to £252 million. The swing in exchange gains/losses of £50 million from 2016 to 2017 more than offset cost increases resulting from the conversion of non-Sterling costs to Sterling.

STAFF PENSIONS

2,099 of our staff are active members of the firm's UK defined contribution pension arrangements.

The firm ceased making contributions to the firm's defined benefit scheme from 31 August 2014, following completion of an actuarial funding report as at 1 January 2014. That report showed a significant improvement in the funding position on the Trustee's funding basis (known as 'technical provisions'). The next funding report due, with an effective date of 1 January 2017, is currently in progress.

The separate annual valuation undertaken for the purpose of these financial statements at 30 April 2017 indicates a defined benefit pension surplus of £51.3 million, compared with a surplus of £27.4 million in the prior year.

NET ASSETS AND FINANCING

Our balance sheet remains strong, with net assets of £521 million (2016: £417 million).

The Group is financed through a combination of partners' capital, partners' subordinated loans and undistributed profits (including tax retentions). Partners' capital contributions totalling £140 million (2016: £139 million) and partners' subordinated loans totalling £59 million (2016: £53 million) are contributed by reference to the Capital Unit per profit sharing point. The Capital Unit is agreed by the Board with reference to the future working capital needs of the business. Capital and subordinated loans are provided interest free and are repayable following the partner's retirement.

The Group's borrowing facilities are held with a number of banks. Facilities expire on different dates so that renewals are spread. At 1 May 2017, the Group had unused committed bank facilities of £150 million (note 15).

The Board is satisfied that the available facilities are more than sufficient to meet the expected peak cash requirements of the Group over the next 12 months.

REVENUE UP **16%** TO

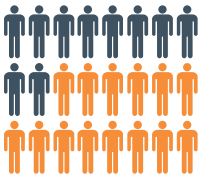
£1,519 million

2.3%
revenue growth recorded 2016

PROFIT BEFORE TAXATION

£716 million

Average profit per full partner
£1.51m



TOTAL STAFF COSTS INCREASED BY

£66 million

1.1%
Increase in overall staff headcount

PARTNERS' PROFIT SHARE AND DRAWINGS

Partners are remunerated solely out of the profits of the firm after adjusting for annuity payments to certain former partners. The amount of profit to be distributed to partners is determined by the Board after the year-end.

Where a partner receives his/her remuneration as an employee or a consultant, this is shown under the heading of 'Partners' remuneration charged as an expense' in the Consolidated Income Statement.

In the Consolidated Balance Sheet, the amounts shown as 'Total partners' other interests' and 'Amounts due from partners' relate to amounts due to and from Members of the LLP or partners of its subsidiary undertakings. Balances due to partners remunerated as employees or consultants are shown within 'Trade and other payables'.

Full partners usually draw a proportion of their expected profit share in 12 monthly instalments during the year in which the profit is earned, with the balance of their share of allocated profits, net of a tax retention, paid in 12 equal instalments starting in August of the subsequent financial year. All payments are made subject to the cash requirements of the business.

As partners draw a proportion of their expected profit share during the year before the profits for the year have been determined, divided and allocated to them, by the year-end their personal current accounts with Allen & Overy are in deficit. The total of these accounts is shown in the Consolidated Balance Sheet within 'Amounts due from partners'. Once the profit for the year has been divided and allocated, the partners' current accounts are in surplus by the amount of their share of the year's profits not already drawn.

In the majority of territories, the tax payable on a partner's profit allocation is the personal liability of the partner. However, tax is retained from their profit entitlement which is then paid to the relevant tax authorities on their behalf, with any excess being released and any shortfall being charged to the partner as appropriate. The balance of such retentions is included in the partners' accounts, the total of which is shown within 'Amounts due from partners' in the Consolidated Balance Sheet.

TAX POLICY

The firm is committed to being a responsible and compliant taxpayer in the countries in which it operates. We engage openly with HM Revenue & Customs and other tax authorities around the world.

Responsibility for the conduct of the firm's tax affairs lies with the firm's Finance & Operations Director and is subject to scrutiny by the Audit Committee and the Board.

TAX CONTRIBUTION

Allen & Overy makes significant financial contributions to the economies of the territories in which it practises through the payment of taxes by both the firm and its partners, and also by the collection of taxes from others. The total contributions are approximately £553 million (2016: £461 million).

Allen & Overy and its partners have paid, or will pay, taxes of over £345 million in relation to the year ended 30 April 2017. Globally this amount comprises approximately £294 million of profit taxes, £38 million of employer's social security contributions, £8 million of property taxes and £5 million of other taxes.

In addition, Allen & Overy has collected approximately £208 million of taxes on behalf of governments of the territories in which we practise. £113 million was collected by way of payroll and social security deductions from remuneration paid to our staff and £95 million of VAT, GST and similar taxes was collected from clients.

POLITICAL DONATIONS

The LLP has no political affiliation. The firm does not make any cash donations to any political party or other groups with a political agenda.

TOTAL TAX CONTRIBUTIONS

£553 million

£208m
of taxes collected on behalf of governments

ALLEN & OVERY AND ITS PARTNERS HAVE PAID, OR WILL PAY, TAXES OF OVER **£345 million** in relation to the year ended 30 April 2017

SUPPLIER PAYMENT POLICY

Allen & Overy seeks to agree commercial payment terms with its suppliers and, provided performance is in accordance with the agreed terms, to make payment accordingly. The amount due to trade creditors at 30 April 2017 was equivalent to 39 days' purchases (2016: 41 days), based on the average daily amount invoiced by suppliers during the year.

AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed.

GOING CONCERN

The Board has a reasonable expectation that the Group has adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

GOVERNANCE

RESPONSIBILITY FOR THE STRATEGIC DIRECTION OF ALLEN & OVERY RESTS WITH THE BOARD. THE BOARD IS ACCOUNTABLE FOR THE LONG-TERM SUCCESS OF THE FIRM AND IS THE CURATOR OF THE FIRM'S VALUES. IT SETS THE STRATEGIC INVESTMENT PRIORITIES AND HOLDS THE EXECUTIVE TO ACCOUNT.

The Board comprises the Senior and Managing Partners and six independent partner directors (IPDs). All of these are elected positions carrying a four-year term. For the year ended 30 April 2017, the Board comprised Wim Dejonghe (Senior Partner), Andrew Ballheimer (Managing Partner), Simon Black (IPD), Angela Clist (IPD), Ben Fox (IPD), Jack Heinberg (IPD), David Lee (IPD) and Helge Schäefer (IPD). In addition to the elected members, the Board benefits from the advice of four support directors: Richard Grove (Marketing, Business Development and Communications Director), Jason Haines (Finance & Operations Director), Sasha Hardman (Human Resources Director) and Andrew Brammer (IT & Shared Services Director).

The nature of our business means that we have a management matrix. From 1 June 2017, we have introduced a more formal structure to the firm's governance below Board level. This involves the introduction of a formal Executive Committee for the first time, together with the establishment of a new Client Group.

The Executive Committee will be responsible for the development and implementation of the firm's overall strategy; major initiatives, priorities and investments. It will be the firm's key decision-making body and be responsible for the overall performance management of the business. The Executive Committee comprises the Senior Partner and Managing Partner plus eight other partners (Philip Bowden, Simon Hill, Tim House, Ian Ingram-Johnson, Astrid Krueger, Vicki Liu, Dirk Meeus and Barbara Stettner) from across the firm. The membership of the Executive Committee is reflective of the firm's product and geographic diversity. From 1 May 2018 two representatives from the Client Group will join the existing members of the Executive Committee. The Executive Committee also benefits from the advice of the four support directors.

The Client Group brings a more structured approach to the development and management of client relationships. It will be structured around a number of industry sectors and priority clients and will be accountable for growth in those sectors and for the development of priority client relationships. It will be chaired by the Senior Partner and include representatives of the sectors and client relationship teams.

Both the Executive Committee and Client Group will work closely with the Board, which will have an enhanced role in reviewing strategy and maintaining the firm's culture going forward.

WIM DEJONGHE

MANAGING PARTNER, ALLEN & OVERY
UNTIL 30 APRIL 2016

SENIOR PARTNER, ALLEN & OVERY
FROM 1 MAY 2016

ANDREW BALLHEIMER

MANAGING PARTNER, ALLEN & OVERY
FROM 1 MAY 2016

SIMON BLACK

PARTNER, ALLEN & OVERY

ANGELA CLIST

PARTNER, ALLEN & OVERY

BEN FOX

PARTNER, ALLEN & OVERY

JACK L. HEINBERG

PARTNER, ALLEN & OVERY

DAVID LEE

PARTNER, ALLEN & OVERY

HELGE SCHÄEFER

PARTNER, ALLEN & OVERY

RISK AND COMPLIANCE

ALLEN & OVERY HAS STRONG INSTITUTIONAL AND INTEGRATED RISK MANAGEMENT STRUCTURES, SYSTEMS AND PROCEDURES. THE BOARD IS ALLEN & OVERY'S OVERARCHING GOVERNING BODY AND THE PRINCIPAL FORUM FOR CONSIDERING ALL SUBSTANTIVE RISK MANAGEMENT ISSUES. ON A DAY-TO-DAY BASIS, RISK MANAGEMENT IS UNDERTAKEN BY OFFICES, PRACTICE GROUPS AND SUPPORT GROUPS AT A MANAGERIAL LEVEL SO THAT LOCAL MANAGING PARTNERS, RISK PARTNERS, DIRECTORS AND HEADS OF THE SUPPORT DEPARTMENTS ACTIVELY MANAGE THE BUSINESS RISKS TO WHICH ALLEN & OVERY IS EXPOSED.

THE BOARD, THE PARTNERS AND THE WIDER FIRM ARE SUPPORTED IN A NUMBER OF WAYS.

BUSINESS PROTECTION AND BUSINESS ACCEPTANCE UNITS

The Business Protection Unit, overseen by Andrew Clark (General Counsel), and the Business Acceptance Unit, led by Simon Fuge, are staffed by lawyers and analysts in the UK, the US and Singapore. Between them, they deal with business acceptance, sanctions, anti-money laundering, professional indemnity, in-house legal advice, risk management, compliance, data protection and ethical issues.

AUDIT COMMITTEE

The Audit Committee, chaired by David Lee, is responsible for reviewing the Group's financial risks. The Audit Committee is appointed by the Board and consists of five partners and one independent external member. It reviews Allen & Overy's financial statements and receives reports from the external auditors regarding the findings of the audit.

It also considers the scope, results and effectiveness of internal and external audits, including reviewing the independence of external auditors and their non-audit services and fees.

RISK COMMITTEE

The Risk Committee, chaired by Andrew Clark, is appointed by the Board and consists of eight partners, the Head of Risk, the Human Resources Director and the IT & Shared Services Director. It does not have executive powers and responsibilities but its role is to identify and assess the Group's material non-financial risks, formulate and review the Group's approach to risk, and support others with risk management responsibilities to improve the control and coordination of risk management across the Group.

RISK PARTNERS/SUPPORT

Allen & Overy has designated risk partners and risk support for each office, London practice group and support department who assist with the day-to-day supervision of risk management tasks. This includes communicating risk messages, local training, providing local perspectives on risk issues, and having oversight of the risk register in their jurisdiction/group.

IT BOARD

Given the significance of information technology in the business, an IT Board, chaired by Andrew Ballheimer, is responsible for ensuring that we receive value for our substantial investment in IT. The IT Board has responsibility for considering potential IT investments and prioritising investment decisions. It consists of 11 partners, the IT & Shared Services Director, the Finance & Operations Director and the CEO of Peerpoint.

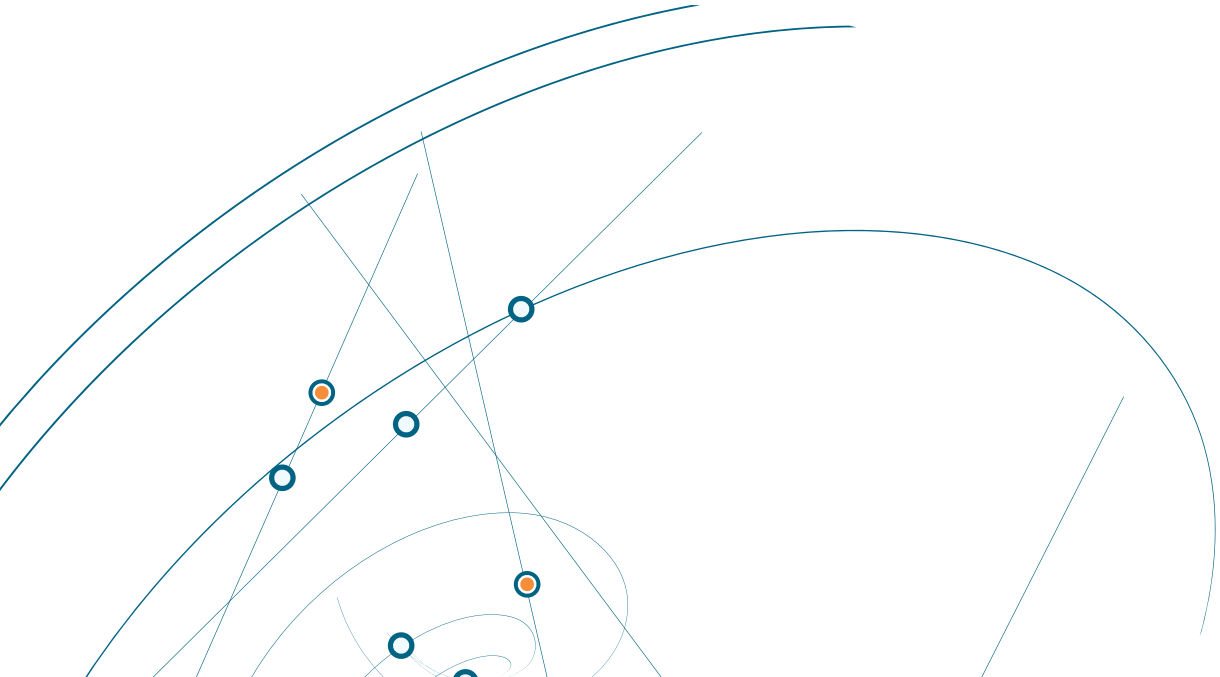
REVIEWING RISK

While we develop our own strategies and policies based on our business circumstances, we also actively engage with the concerns and priorities of our clients, our regulators (in particular the Solicitors Regulation Authority of England and Wales), government agencies and the wider legal market. The Group creates and employs a number of innovative strategies to protect and enhance the confidentiality of the information which Allen & Overy holds (including client data). We have a proactive approach to information security, robust information security processes and procedures and cutting-edge technological solutions, led by the firm's Chief Information Security Officer. We also regularly liaise with external agencies and experts.

PRINCIPAL FINANCIAL RISKS AND UNCERTAINTIES

The principal risk and uncertainty affecting the financial results of the Group is the variability of the market for premium legal advice. Geo-political forces also introduce uncertainty. Management seeks to match the Group's resources to the expected demand, while expanding the Group's market share where possible and international reach where appropriate.

The Group's main financial risks relate to the non-recoverability of client receivables and foreign currency risk due to the international nature of the Group. More generally, the principal risks faced by the firm and certain ways in which management respond to them are as follows:



OUR PRINCIPAL RISKS

Risk	Response
Reputation and brand: Damage to our reputation and brand.	– Embedding Allen & Overy culture in partners and staff. – Business acceptance processes cover client engagement terms and scope. – Global risk management policies, training and awareness programmes. – Crisis management and public relations plans. – Management of PI cases/complaints.
Financial: Pressure on earnings, margins and costs.	– Annual budgets approved by the Board. – Monthly analysis of financial results by practice group and by office. – Working capital management, including monitoring exposure to clients. – Fee management committee oversight of pricing. – People/resource planning to monitor headcount. – Cost optimisation programmes.

Risk	Response
Evolving Markets: Impact of changes in legal markets and client requirements and of political, regulatory and security risks in emerging markets.	– Diverse practice in terms of legal services offered and geographical spread. – Alternative business models offered including subscriptions services and legal process offshoring. – Efficient systems and procedures for service delivery. – Assessment and monitoring of risks posed by new and changing markets. – Secondment of partners to key management roles in client organisations. – Business continuity plans for offices which take account of security and political risks and a travel security policy. – Engagement with local regulatory authorities and lawyers to ensure compliance.
Service: Delivery of service which does not meet the high quality required.	– Planning and staffing of assignments, including project management office. – Supervision of associates by partners. – Innovative delivery methods, eg Peerpoint, aosphere, Collaborate and MarginMatrix™. – ISO 22301 certification in the UK for business continuity management. – Scope of work and terms of business agreed. – Institutionalising client relationships.
People and talent: Inability to recruit, retain and develop the best people.	– Recruitment strategies to identify and attract talent. – Appraisal, training and development programmes. – Promotion of diversity, equal opportunities and flexible working. – Investment in professional support to capture and embed knowledge and know-how.
IT, information and data security: Loss or misuse of confidential data or of the firm's IT systems.	– Information security management system is ISO/IEC 27001:2013 compliant. – IT technical solutions covering encryption, event monitoring and incident management, including expert internal resource to support agility and responsiveness to threats. – Physical security controls covering premises. – Personnel security and vetting controls. – Global information security training and awareness programmes. – Chief Information Security Officer oversight. – Personal data policies and procedures including GDPR compliance programme.
Brexit: Possible adverse impact on practices.	– Short and medium term review of the potential implications of Brexit for clients and the firm in terms of risks and opportunities overseen by firm-wide specialist group.

PEOPLE AND PERFORMANCE

Throughout our 87 year history, it is the talent, experience and commitment of our people that have helped us to shape the future of law and of our business.

Our approach to attracting and retaining the best people in their fields is to give them the freedom to be ambitious and to work in ways that are right for them. The fact that, this year, UK graduates voted us Best Graduate Recruiter in Law for the twelfth year running and Graduate Employer of the Year across all industries at the TARGETjobs National Graduate Recruitment Awards suggests our approach is working.

To ensure that we continue to create an environment where people can thrive, in 2015 we assembled our People and Performance Board. The Board is made up of 12 partners and senior support representatives from across the firm who focus on our people at a strategic level. The Board is also supported by a Global People and Performance Forum made up of 25 individuals who reflect the full spectrum of roles and regions across Allen & Overy, and who ensure that our strategy resonates at a global and local level.

A COMPELLING PROMISE TO OUR PEOPLE

One of the key priorities for the People and Performance Board is to reinforce the promise that we, as a firm, make to our people. The People & Performance Board this year has been working to support the delivery of a compelling proposition for our people which differentiate us from our competitors. We believe that this is achieved by creating a working environment that is all about relationships and being part of a team; is challenging, providing the opportunity to learn; and which equips our people for the future.

Our activity has been focussed on three areas to help us to deliver that.

FUTURE GROWTH

Compass – 'Learn. Grow. Succeed.' – we have completed a six month pilot of a new approach to performance management, involving more than 500 people across six offices. The approach, which enables better and more frequent and forward looking performance/career conversations, will be expanded to involve a further 500 people in offices and departments where there is a desire to adopt it.

Embedding the Allen & Overy Business School and Support Academy – we have a market leading skills development programme for our associates and support staff and over the last year, we have had a real focus on increasing awareness and understanding of the programmes on offer. The Allen & Overy Business School programmes develop our fee-earners to be more than specialists in their field – the programmes enhance their understanding of commercial challenges, encourage them to develop a keen eye for new business opportunities, and to think entrepreneurially for our clients and the firm. The Support Academy offers a series of regionally delivered, face to face training programmes, focusing on business and soft skills needed at each career development stage.

Owning Your Career programme – we have rolled out our career management programme for mid level associates globally. The programme is designed to increase engagement, motivation and, in particular, the retention of associates where this is a particular risk at that level.

Career Portal – we have redeveloped our global career portal to give all our people the tools and information they need to proactively manage their careers. The portal has numerous tools and resources for individuals to work through in their own time.

Future leadership – we have continued to focus on developing our leaders with an emphasis on identifying and developing emerging leaders across our fee-earner and support staff population. We are investing more in talent programmes for support staff and continue to run our Emerging Leader programme for fee-earners. Sponsorship and coaching from across the network has continued to play a key role, in addition to training.

CULTURE OF EXCELLENCE

Mental health and wellbeing – we have been focusing on promoting wellbeing, providing support for our people and a focus on prevention. For example, we actively supported the City of London's Mental Health Awareness Campaign this year and have joined the City Mental Health Alliance. We are planning firm wide activities to coincide with World Mental Health Day in October.

Diversity and Inclusion – continues to be a strategic priority. We continue to focus firm-wide on gender and LGBT diversity, without losing sight of other aspects of diversity. In respect of gender diversity, we are particularly focusing on improving our sponsorship and development of high potential female talent across the firm. Our LGBT network, A&Out, continues to promote visible role models and is working on developing inclusive networks across our international offices.

Values – our culture is a critical aspect of what makes Allen & Overy a great place to work. We have taken a fresh look at the firm's values, developing a new set of four statements that try as simply and as powerfully as possible to capture the key aspects of our culture. The revised values are instinctively thoughtful, collectively ambitious, insightfully inventive; and refreshingly open. Our values have particular relevance in the context of recruitment and our ability to attract and select the best talent, as well as setting expectations about behaviours across the firm.

BRILLIANT TRANSITIONS

Returnship programme – we are running a further programme, following the success of a pilot last year, encouraging Allen & Overy alumni in London who have been on a career break for three years or more to return to work.

Global induction – we are developing a new online induction portal to engage and inform pre-joiners, ensuring they get a consistent induction experience, irrespective of the office they join.

PRO BONO AND COMMUNITY INVESTMENT

We volunteer our time and resources at Allen & Overy so that vulnerable people around the world – and those helping them – can benefit from increased access to justice, education and employment. Another key focus is on strengthening the rule of law. This has long been central to our business and the Financial Times has recognised our pro bono and community investment programme in its Innovative Lawyers Awards for the past three years.

We try to address some of society's most pressing issues – for instance, the growing humanitarian crisis of displaced people, as well as disaster situations – by bringing together our international network on large multi-jurisdictional projects, as well as reflecting the priorities of our local communities through the programmes our offices run.

Some of our key successes this year include:

WAR CHILD – SUPPORTING TRAUMATISED SYRIAN CHILD REFUGEES

In November 2016, we launched a new global charity partnership with War Child, an international charity chosen by A&O staff in a worldwide vote.

Our two-year partnership is supporting War Child's 'Rescue Childhood' programme and aims to raise enough money to fully fund a child-friendly space in one of Jordan's largest refugee camps. Through this facility, War Child will provide pyscho-social support, education and creative therapy to 2,160 Syrian child refugees, many of who are severely traumatised, as well as supporting nearly 200 parents and caregivers struggling to cope with their own difficult experiences.

Through a global fundraising campaign, we raised £500,000 in the first six months of the partnership. With this, plans for construction of the complex in Jordan have started and War Child will begin delivering its life-changing services to children in September 2017.

AMREF HEALTH AFRICA – REDUCING TEENAGE PREGNANCY RATES IN TANZANIA

Our success with War Child builds on our previous partnership with Amref Health Africa to reduce teenage pregnancy rates in Tanzania and keep more girls in education. Our two-year partnership concluded in October 2016 with 40 offices contributing a record £1.72 million. This was made up of:

– £930,000 in fundraising/donations; and

– £786,000 of pro bono and in-kind support.

Through our two-year partnership, Amref has reached over 106,000 youths with improved access to sexual and reproductive health education and services across two remote regions of Tanzania: Meatu and Handeni. This has been achieved by training hundreds of teachers to support peer educators who provide sexuality education through clubs for in-school and (harder to reach) out-of-school youths.

Amref has also trained hundreds of health workers and refurbished 37 health facilities to provide youth-friendly services, as well as convincing community leaders to agree to end FGM practices and implement Alternative Rites of Passage for girls.

Once these programmes have been fully implemented, they will reach more than 170,000 young people in Tanzania, with teenage pregnancy rates expected to start dropping in two to three years.

Underpinning our global fundraising efforts was significant pro bono support, implementing 27 projects for Amref. This included the largest project we have ever delivered for a global charity partner, building Amref's legal advocacy skills to help it campaign more effectively for changes to sexual and reproductive health at community and government level.

An A&O team of 30 lawyers and support staff volunteered 850 hours to develop an interactive toolkit and training programme on the legal rights and instruments relevant to Amref's areas of advocacy, as well as on how to develop effective communication strategies. This has led to Amref successfully campaigning for a financial commitment from the District Council – the first time a budget has ever been allocated for sexual and reproductive health and education.

Through our pro bono support, Amref has built skills that it can continue to use into the future, both in Tanzania and more widely in sub-Saharan Africa, ensuring the impact of our partnership is sustainable.

Allen & Overy has received the prestigious Queen's Enterprise Award in the UK for 'Promoting Opportunity through Social Mobility'. We received the award for our Smart Start programme to provide young people from non-privileged backgrounds with high-quality, accredited work experience. We were also recognised for co-founding the sector-wide initiative PRIME, which has provided high-quality work experience to more than 4,000 disadvantaged young people across the UK. Smart Start is the first work experience scheme in the UK legal sector to be formally accredited and in 2016 was launched in India and South Africa.

THE ALLEN & OVERY FOUNDATION

The Allen & Overy Foundation is funded by contributions from partners worldwide. Through our Global Grants Programme we make donations to charities that address our core themes of access to justice and access to education and employment. We also make donations in response to disaster relief efforts around the world.

This year the Global Grants Programme has donated £567,227 to 18 charities. The causes we fund are wide-ranging and have included:

Rehabilitating a school in Syria to provide support for 250 children and 15 full-time staff

Six months into the project, Syria Relief has enrolled 225 children in school (45% are girls) and has exceeded targets with an 85% attendance rate. Ensuring parents and local authorities value education over child labour reduces the risk of a 'lost generation' emerging in Syria and lowers instances of child marriage, abuse and violence towards children on the streets.

Improving access to justice for victims of discriminatory torture and ill-treatment in Moldova

A&O's grant is supporting the Equal Rights Trust to build the capacity of Moldovan lawyers to identify and litigate cases and to increase the number of cases taken to court. In the first six months, the Trust has trained 20 lawyers and supported two cases of strategic litigation: one relating to the alleged discriminatory treatment of a disabled female prisoner, which is awaiting consideration by the European Court of Human Rights; and the second alleging serious human rights violations and gender-based discrimination from the State's failure to protect a woman from being murdered by her abusive husband – despite her seeking protection during a seven-year campaign of domestic violence. This case is awaiting examination by the Moldovan Government.

All our global grants recipients are offered pro bono support to underpin our financial donations. This year, we have delivered nearly £500,000 worth of pro bono volunteering to former and current grants recipients.

ENVIRONMENT

Allen & Overy conducted its first environmental audit in 2008. We have publicly reported on our environmental performance every year since.

We have committed to offsetting our CO2 emissions from global air travel for 2016 by investing in high-quality carbon credits from verified projects in the developing world.

In the UK, we are also continuing with our strategy of reducing carbon dioxide emissions by investing in demand-side initiatives to reduce electricity consumption – for example installing energy efficient LED lighting – and supply-side initiatives such as the purchase of 100% renewable electricity for our London office (as certified by the Carbon Trust).

ENVIRONMENTAL PERFORMANCE FOR CALENDAR YEAR 2016

During the year, we have continued to maintain certification to both ISO 14001 Environmental Management Systems, and ISO 50001 Energy Management Systems, for our London, Belfast and Amsterdam offices.

Our global carbon footprint has decreased from 36,441 tCO^2 equivalent (using national emissions factors for grid electricity) in calendar year 2015, to 33,402 tCO^2 equivalent in calendar year 2016. This decrease of 8.3% is within the context of a growth in employee numbers of 1% and a small reduction in occupied office floor space of 0.5% globally.

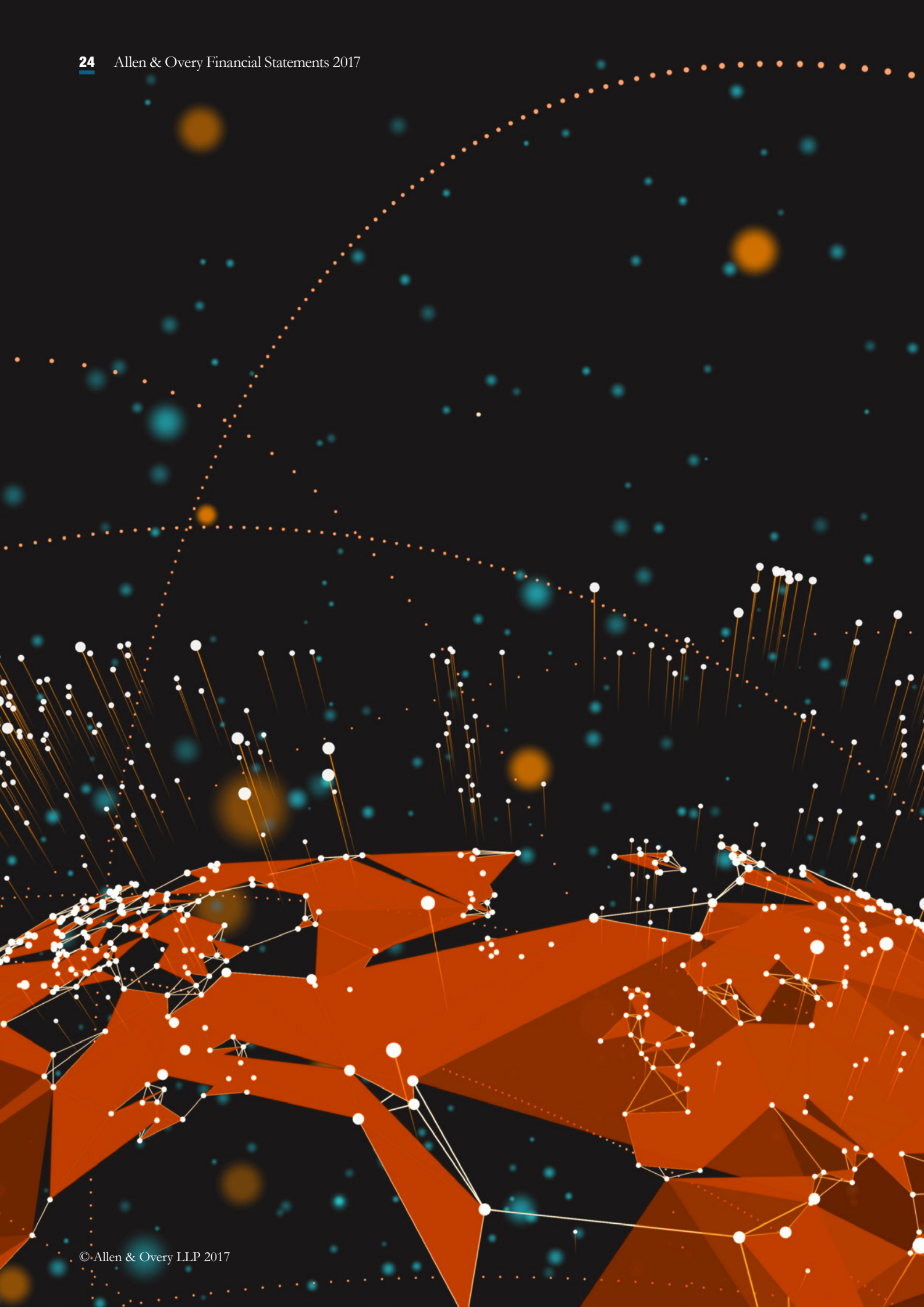
Our carbon footprint has therefore decreased on a per capita and per unit area basis.

The most significant reasons for our reduced carbon footprint are:

– a reduced UK grid emissions factor for electricity consumed in England and Northern Ireland;

– an overall reduction in air travel across short, medium and long haul flights; and

– improved performance of low carbon heat pump technology in our Amsterdam office.



STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

THE MEMBERS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

Company Law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the **Regulations**) requires the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements for the LLP and the Group in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union. Under company law, as applied to limited liability partnerships, the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the LLP, and of the profit or loss of the Group for that period. In preparing these financial statements, the Members are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on a going concern basis unless it is inappropriate to presume that the LLP and Group will continue in business.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the LLP and the Group, 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the Board on behalf of the Members.

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Members are aware:

– there is no relevant audit information of which the LLP's auditors are unaware; and

– the Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the partners and signed on their behalf on 11 September 2017 by

Wim Dejonghe
Senior Partner

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLEN & OVERY LLP

Report on the financial statements

Our opinion

In our opinion:

– Allen & Overy LLP's group financial statements and limited liability partnership financial statements (the "financial statements") give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 30 April 2017 and of the group's profit and the group's and the limited liability partnership's cash flows for the year then ended;

– the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;

– the limited liability partnership financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

– the consolidated income statement and consolidated statement of comprehensive income for the year then ended;

– the consolidated and limited liability partnership balance sheets as at 30 April 2017;

– the consolidated and limited liability partnership cash flow statements for the year then ended;

– the consolidated and limited liability partnership statement of changes in equity for the year then ended; and

– the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the limited liability partnership financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or

– 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 limited liability partnership financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Members

As explained more fully in the Statement of Members' responsibilities in respect of the financial statements set out on page 25, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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

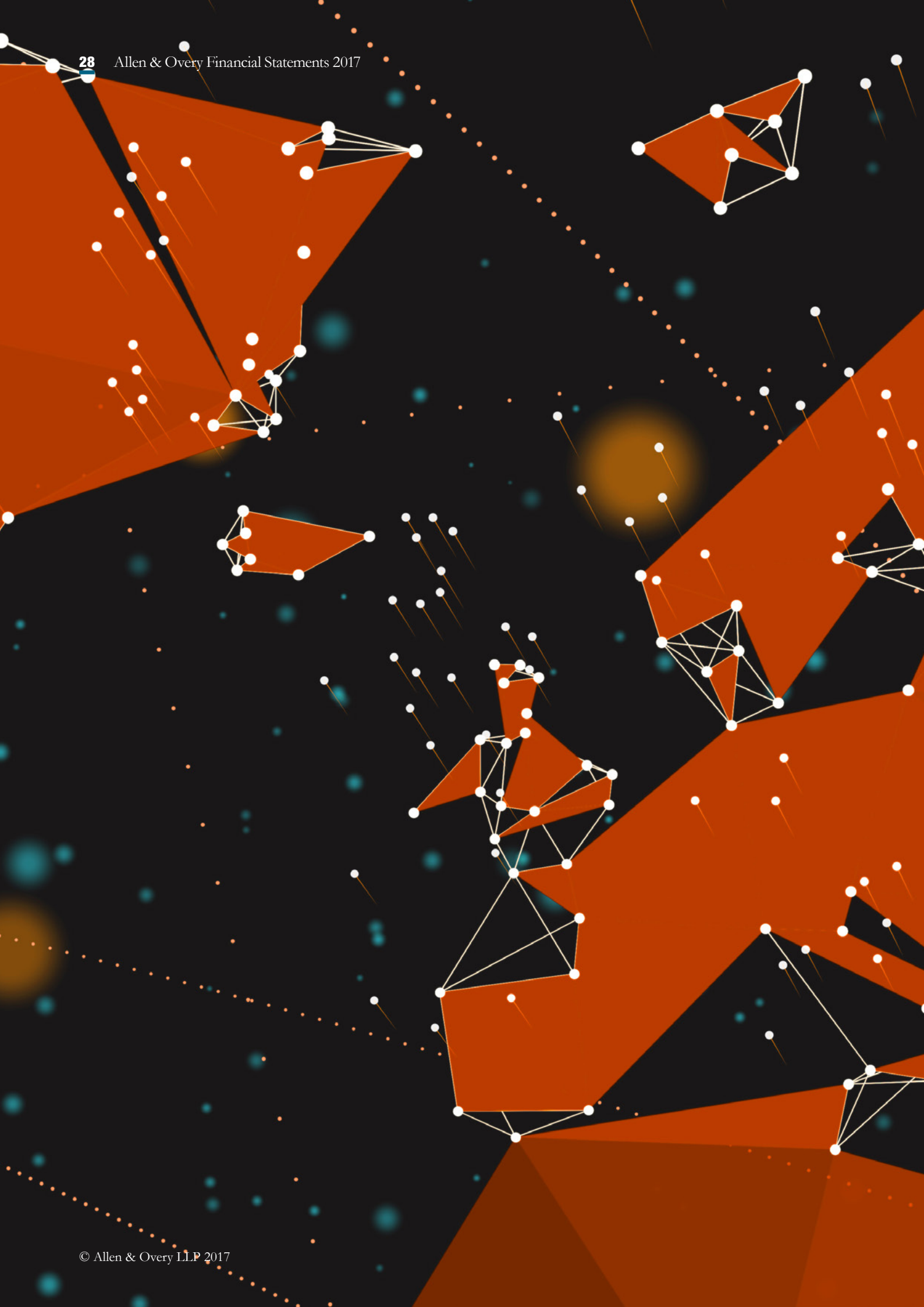
– the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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 misstatements or inconsistencies we consider the implications for our report.

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 September 2017



ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT – YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Turnover		1,498.1	1,293.7
Other income		21.2	16.5
Revenue		1,519.3	1,310.2
Operating costs			
Staff costs	5	(523.2)	(457.0)
Depreciation, amortisation and impairment		(27.7)	(27.6)
Other operating expenses		(251.7)	(262.7)
Operating profit		716.7	562.9
Finance income	6	1.5	2.0
Finance costs	6	(2.6)	(2.7)
Profit before taxation		715.6	562.2
Taxation	7	(23.9)	(22.5)
Profit before partners' remuneration and profit shares		691.7	539.7
Partners' remuneration charged as an expense		(200.2)	(150.2)
Profit for the financial year available for division among partners		491.5	389.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Profit for the financial year available for division among partners		491.5	389.5
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss: Exchange (loss)/gain on translation of foreign operations		(24.7)	15.5
Items that will not be reclassified to profit or loss: Actuarial gain/(loss) on defined benefit pension scheme	21	23.0	(0.5)
Other comprehensive (loss)/income for the year		(1.7)	15.0
Total comprehensive income for the year	22	489.8	404.5

CONSOLIDATED BALANCE SHEET – AT 30 APRIL 2017

	Notes	At 30 April 2017 £m	At 30 April 2016 £m
Assets			
Non-current assets			
Intangible assets	9	1.1	–
Property, plant and equipment	10	80.5	81.6
Investments	12	0.1	0.1
Retirement benefit surplus	21	51.3	27.4
		133.0	109.1
Current assets			
Client and other receivables	13	729.9	662.5
Amounts due from partners	22	117.5	85.3
Cash and cash equivalents	14	170.8	113.7
		1,018.2	861.5
Total assets		1,151.2	970.6
Liabilities			
Current liabilities			
Trade and other payables	15	(289.7)	(239.4)
Current tax liabilities		(1.4)	(2.3)
Provisions	16	(14.5)	(9.9)
Partners' capital	22	(7.0)	(2.9)
		(312.6)	(254.5)
Non-current liabilities			
Trade and other payables	15	(98.5)	(81.0)
Provisions	16	(86.7)	(82.3)
Partners' capital	22	(132.7)	(136.0)
		(317.9)	(299.3)
Total liabilities		(630.5)	(553.8)
Net assets		520.7	416.8
Equity			
Partners' other reserves		530.0	401.4
Translation reserve		(9.3)	15.4
		520.7	416.8
Total partners' interests			
Amounts due from partners	22	(117.5)	(85.3)
Partners' capital classed as a liability	22	139.7	138.9
Total partners' other interests	22	520.7	416.8
		542.9	470.4

The financial statements on pages 29 to 66 were authorised for issue by the partners and signed on their behalf on 11 September 2017 by:

Wim Dejonghe
Senior Partner
Allen & Overy LLP
Registered no. OC306763

Andrew Ballheimer
Managing Partner

Jason Haines
Finance & Operations Director

LIMITED LIABILITY PARTNERSHIP BALANCE SHEET – AT 30 APRIL 2017

	Notes	At 30 April 2017 £m	At 30 April 2016 £m
Assets			
Non-current assets			
Intangible assets	9	1.1	–
Property, plant and equipment	11	60.2	65.1
Investments	12	10.5	9.7
Retirement benefit surplus	21	51.3	27.4
		123.1	102.2
Current assets			
Client and other receivables	13	677.3	687.9
Amounts due from Members	22	88.7	50.8
Cash and cash equivalents	14	134.0	65.5
		900.0	804.2
Total assets		1,023.1	906.4
Liabilities			
Current liabilities			
Trade and other payables	15	(290.8)	(272.7)
Current tax liabilities		(2.5)	(1.5)
Provisions	16	(13.1)	(9.0)
Members' capital	22	(6.6)	(2.8)
		(313.0)	(286.0)
Non-current liabilities			
Trade and other payables	15	(56.5)	(57.5)
Provisions	16	(80.7)	(76.9)
Members' capital	22	(125.0)	(128.8)
		(262.2)	(263.2)
Total liabilities		(575.2)	(549.2)
Net assets		447.9	357.2
Equity			
Members' other reserves			
At 1 May		347.2	367.0
Profit for the financial year attributable to Members		414.8	335.7
Other changes in members' other reserves		(309.1)	(355.5)
		452.9	347.2
Translation reserve		(5.0)	10.0
		447.9	357.2
Total partners interests			
Amounts due from Members	22	(88.7)	(50.8)
Members' capital classed as a liability	22	131.6	131.6
Total Members' other interests	22	447.9	357.2
		490.8	438.0

The financial statements on pages 29 to 66 were authorised for issue by the Members and signed on their behalf on 11 September 2017 by:

Wim Dejonghe
Senior Partner
Allen & Overy LLP
Registered no. OC306763

Andrew Ballheimer
Managing Partner

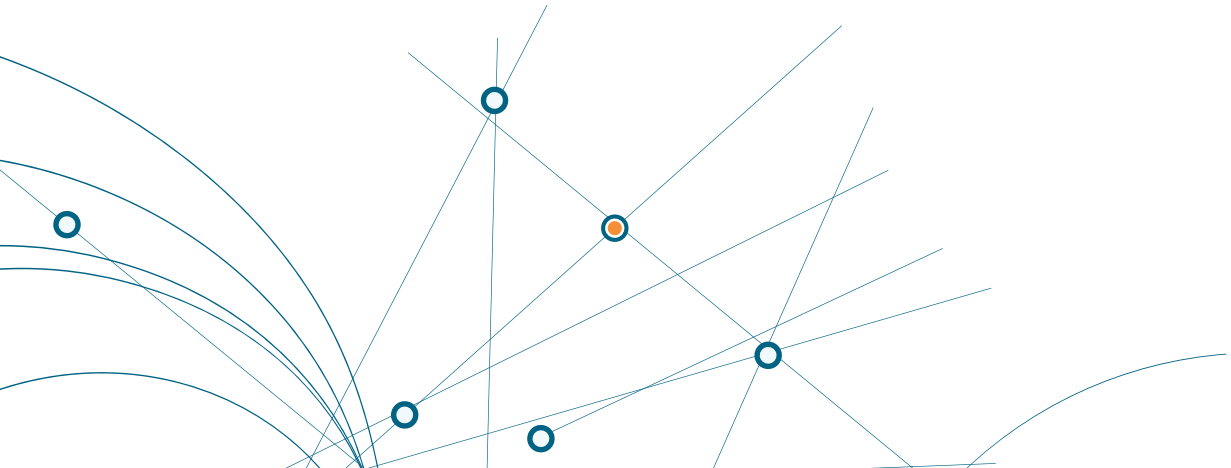
Jason Haines
Finance & Operations Director

CONSOLIDATED CASH FLOW STATEMENT – YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	19	747.5	577.5
Tax paid		(24.8)	(20.5)
Net cash inflow from operating activities		722.7	557.0
Cash flows from investing activities			
Purchase of property, plant and equipment		(25.2)	(19.1)
Purchase of intangible assets		(1.1)	–
Interest received		0.6	1.0
Proceeds on disposal of property, plant and equipment		0.5	0.1
Net cash used in investing activities		(25.2)	(18.0)
Cash flows from financing activities			
Partners' capital introduced	22	12.9	13.1
Capital repayments to partners	22	(12.4)	(13.5)
Payments to and on behalf of partners		(618.5)	(530.4)
Retirement benefits paid to former partners		(8.1)	(8.5)
Interest paid		(1.1)	(1.0)
Net cash used in financing activities		(627.2)	(540.3)
Net increase/(decrease) in cash and cash equivalents		70.3	(1.3)
Cash and cash equivalents at beginning of year		113.7	117.2
Effects of foreign exchange rate changes		(13.2)	(2.2)
Cash and cash equivalents at end of year	14	170.8	113.7

LIMITED LIABILITY PARTNERSHIP CASH FLOW STATEMENT – YEAR ENDED 30 APRIL 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	20	621.2	447.5
Tax paid		(19.8)	(16.4)
Net cash inflow from operating activities		601.4	431.1
Cash flows from investing activities			
Purchase of property, plant and equipment		(13.3)	(10.6)
Purchase of intangible assets		(1.1)	–
Interest received		0.5	0.8
Net cash used in investing activities		(13.9)	(9.8)
Cash flows from financing activities			
Members' capital introduced	22	11.8	11.7
Capital repayments to Members	22	(12.0)	(10.3)
Payments to and on behalf of Members		(508.0)	(427.2)
Retirement benefits paid to former Members		(8.1)	(7.6)
Interest paid		(1.0)	(0.9)
Net cash used in financing activities		(517.3)	(434.3)
Net increase/(decrease) in cash and cash equivalents		70.2	(13.0)
Cash and cash equivalents at beginning of year		65.5	82.4
Effects of foreign exchange rate changes		(1.7)	(3.9)
Cash and cash equivalents at end of year	14	134.0	65.5



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2017

	Equity 2017			Equity 2016		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	401.4	15.4	416.8	403.1	(0.1)	403.0
Profit for the financial year available for division among partners	491.5	–	491.5	389.5	–	389.5
Exchange (loss)/ gain on translation of foreign operations	–	(24.7)	(24.7)	–	15.5	15.5
Actuarial gain/ (loss) on pension scheme	23.0	–	23.0	(0.5)	–	(0.5)
Total comprehensive income for the year	514.5	(24.7)	489.8	389.0	15.5	404.5
Profit allocated to partners	(385.9)	–	(385.9)	(390.7)	–	(390.7)
Total transactions with partners recognised directly in equity	(385.9)	–	(385.9)	(390.7)	–	(390.7)
Equity at 30 April	530.0	(9.3)	520.7	401.4	15.4	416.8

LIMITED LIABILITY PARTNERSHIP STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2017

	Equity 2017			Equity 2016		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	347.2	10.0	357.2	367.0	1.5	368.5
Profit for the financial year attributable to Members	414.8	–	414.8	335.7	–	335.7
Exchange (loss)/ gain on translation of foreign operations	–	(15.0)	(15.0)	–	8.5	8.5
Actuarial gain/ (loss) on pension scheme	23.0	–	23.0	(0.5)	–	(0.5)
Total comprehensive income for the year	437.8	(15.0)	422.8	335.2	8.5	343.7
Profit allocated to Members	(332.1)	–	(332.1)	(355.0)	–	(355.0)
Total transactions with Members recognised directly in equity	(332.1)	–	(332.1)	(355.0)	–	(355.0)
Equity at 30 April	452.9	(5.0)	447.9	347.2	10.0	357.2

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2017

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards **(IFRS)** and International Financial Reporting Interpretation Committee **(IFRIC)** interpretations adopted for use in the European Union and issued and effective as at 30 April 2017, and with those parts of the Companies Act 2006 applicable to limited liability partnerships reporting under IFRS. The financial statements have been prepared on the historical cost basis. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ADOPTED IN THE YEAR ENDED 30 APRIL 2017

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 May 2016 that had a material impact on the Group.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted, subject to EU endorsement.

The impact of IFRS 15 is being assessed by management. Implementation of IFRS 15 requires a thorough review of existing contractual arrangements. At present, management anticipates there will be no material impact on adoption of the new standard.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 May 2017, and have not been applied in preparing these consolidated financial statements. IFRS 16 'Leases' replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The standard is effective for annual periods beginning on or after 1 January 2019. A full review in relation to IFRS 16 'Leases' has not yet been undertaken and the impact has therefore not been assessed by management.

BASIS OF PREPARATION

These financial statements consolidate the financial statements of Allen & Overy LLP (the **LLP**) and its subsidiary undertakings (the **Group**) for the year ended 30 April 2017. Allen & Overy is the collective name for an international legal practice comprising the LLP and its subsidiary undertakings. In these financial statements the terms 'the Group' and 'Allen & Overy' are interchangeable.

The term **partner** in these financial statements refers to a Member of the LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of the LLP's subsidiary undertakings. The term **Member** refers only to a Member of the LLP. The term **full partner** refers to partners remunerated entirely by profit sharing points.

Where a partner receives his/her remuneration as an employee or a consultant, this is shown under the heading 'Partners' remuneration charged as an expense' in the Consolidated income statement.

No individual income statement is presented for the LLP as permitted by section 408 of the Companies Act 2006 as applied to limited liability partnerships. The profit for the financial year available for division among Members within the financial statements of the parent undertaking, the LLP, was £414.8 million (2016: £335.7 million).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the LLP and its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the LLP, which may be partnerships or separate corporate entities. Control exists when the LLP has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions are eliminated in the consolidated financial statements.

TURNOVER

Turnover represents amounts chargeable to clients for professional services provided during the year including expenses (excluding sales tax), and subscriptions to information solutions provided through electronic formats to clients. The Group only recognises turnover once services have been provided.

Services provided to clients which at the balance sheet date have not been billed have been recognised as turnover. Turnover recognised in this manner is based on an assessment of the fair value of services provided by the balance sheet date. Where the right to receive payment is contingent on factors outside the control of Allen & Overy, turnover is only recognised (over and above any agreed minimum fee) when the contingent event occurs. Unbilled revenue is included in client and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as other payables held within trade and other payables.

OTHER INCOME

Other income comprises operating lease rental income received from the sub-lease of surplus office space.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost (original purchase price and construction costs), net of depreciation and any provision for impairment.

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 as income.

Depreciation is provided to write off the cost, less the estimated residual value, of the relevant assets by equal instalments over their estimated useful economic lives, which are as follows:

Leasehold improvements	The shorter of the period of the lease, the expected use of the property, and ten years
Furniture, fixtures and fittings	The shorter of five years and the expected use of the asset
Computer equipment	Two to five years
Motor vehicles	Five years

The assets' residual values and useful economic lives are reviewed, and if necessary adjusted, at each balance sheet date.

INTERNALLY GENERATED INTANGIBLE ASSETS

An internally generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives, which are as follows:

Computer software	The shorter of five years and the expected use of the asset

Computer software under development is not amortised. Amortisation starts from the date on which the software is available for use. If a decision is made to halt development then the cost is immediately expensed.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Costs associated with maintaining computer software programs are recognised as an expense when incurred.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each balance sheet date, the Group reviews the carrying amount 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 any impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised as an expense immediately.

INVESTMENTS

Investments are stated at cost less provision for impairment. Investments are considered to be impaired when their carrying value is greater than their estimated recoverable amount. Quoted and unquoted shares classified as held for trading are measured at fair value through the income statement.

CLIENT AND OTHER RECEIVABLES

Client and other receivables are initially recognised at fair value, and are subsequently reduced for estimated irrecoverable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the client receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within 'Other operating expenses'.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand or demand deposits and other short-term highly liquid investments.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently reduced for discounts given by suppliers.

TAXATION

In most locations, including the UK, the taxation payable on the profits of limited liability partnerships is the personal liability of the equity partners and hence is not shown in these financial statements. A retention from profit distributions is made to fund the taxation payments on behalf of equity partners. These retentions are included within 'Amounts due from partners'.

The tax expense in the Consolidated income statement represents the sum of the current and deferred tax relating to the corporate subsidiaries and branches that are subject to tax based on their profits.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 generally 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.

The carrying amount of deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date in the relevant country. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

FOREIGN CURRENCIES

The individual financial statements of each of the Group's operations are presented in the currency of the primary economic environment in which it operates (its functional currency).

Transactions denominated in currencies other than the functional currency of the operation are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency at the balance sheet date are translated at the rates ruling at that date. Translation differences to functional currencies are dealt with in the income statement.

For the purpose of the consolidated financial statements the results and financial position of each operation are expressed in Sterling, which is the functional currency of the largest branch of the LLP, and the presentation currency for the consolidated financial statements.

The results of operations where the functional currency is not Sterling are translated at the average rates of exchange for the period, and their balance sheets at the rates ruling at the balance sheet date. Differences arising on translation of the opening net assets and results of such operations are reported in the Consolidated statement of comprehensive income. Where loans are made from the UK LLP to international branches or subsidiaries, these are not deemed to be permanent in nature and therefore any exchange differences on consolidation are recorded in the income statement.

Partners' capital denominated in currencies other than Sterling is translated at the rates ruling on the balance sheet date. Any translation differences are reported in the Consolidated income statement.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

All other leases are classified as operating leases.

GROUP AS LESSEE

Operating lease rentals are charged to the income statement in equal amounts over the lease term from the date on which the asset becomes available for use.

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

GROUP AS LESSOR

The Group sublets certain parts of its office premises. Rental income from these operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease and any benefits payable as an incentive to enter into the operating lease are also spread on a straight line basis over the lease term. The rental income is included within other income.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. The increase during the year in the discounted amount arising from the passage of time and the effect of any change in the discount rate is charged to the income statement as a finance cost.

RETIREMENT BENEFIT OBLIGATIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan sets out an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that are denominated in the currency in which benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

For defined contribution plans the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

PARTNERS' AND MEMBERS' CAPITAL AND RESERVES

Partners are required to contribute capital or make subordinated loans in proportion to the number of profit sharing points allocated to them and by reference to the Capital Unit per profit sharing point. The value of the Capital Unit is assessed annually, with any changes becoming effective on 1 May. Capital or subordinated loans are repaid to partners following their retirement from Allen & Overy.

In the event of the LLP going into administration or being wound up, partner capital and subordinated loans within the LLP generally rank after debts due to unsecured creditors who are not Members.

Amounts due to partners whose remuneration is charged as an expense are included in 'Trade and other payables'.

The translation reserve comprises all foreign exchange translation differences arising on the results and financial position of subsidiaries and overseas branches which do not report in the Group's reporting currency.

Other reserves comprise principally undistributed profits arising in the current and previous periods available for distribution in the future.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future actual outcomes could differ from those estimates.

The key estimates and assumptions relate to the actuarial assumptions used in calculating the retirement benefit obligations, in particular relating to discount rate, inflation rate and mortality, provisions in respect of client claims, onerous property costs and debt impairment, and the fair value of unbilled revenue on client assignments. Further details are set out in each of the relevant accounting policies and the notes to the financial statements. Management will continue to review the assumptions used against actual experience and market data and adjustments will be made in future periods where appropriate.

3 PROFIT BEFORE TAXATION

	2017 £m	2016 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	27.7	27.6
Loss on sale of property, plant and equipment	0.2	0.1
Net foreign exchange (gain)/loss	(48.2)	1.9

4 AUDITORS' REMUNERATION

Fees payable to PricewaterhouseCoopers LLP and their associates are shown below:

	2017 £m	2016 £m
Fees payable to the LLP's auditors for the audit of the LLP's and the Group's consolidated financial statements	0.4	0.4
Fees payable to the LLP's auditors and its associates for other services:		
– The audit of the LLP's subsidiary undertakings pursuant to legislation	0.2	0.2
– Other services pursuant to legislation	0.1	0.1
– Taxation compliance services	1.5	1.5
– Taxation advisory services	0.3	0.2
– All other services	0.6	0.5
	3.1	2.9

5 STAFF AND STAFF COSTS

	Consolidated		Limited Liability Partnership	
	2017 No.	2016 No.	2017 No.	2016 No.
The average number of people employed during the year (excluding partners) was:				
Lawyers and other fee earners	2,382	2,327	1,725	1,670
Support staff	2,199	2,205	1,405	1,388
	4,581	4,532	3,130	3,058

	2017 £m	2016 £m	2017 £m	2016 £m
Staff costs incurred during the year were:				
Salaries (including staff bonus)	416.3	356.8	313.1	269.9
Social security costs	36.9	33.2	30.8	28.0
Pension costs	18.4	15.6	15.8	13.0
Other costs (such as staff development, recruitment, medical expenses, and the cost of temporary staff)	51.6	51.4	45.8	46.8
	523.2	457.0	405.5	357.7

6 FINANCE INCOME AND COSTS

	2017 £m	2016 £m
Finance income		
Interest receivable on bank deposits	0.6	1.0
Net finance income on retirement benefits plan (note 21)	0.9	1.0
	1.5	2.0
Finance costs		
Interest payable on bank loans and overdrafts	(1.1)	(1.0)
Unwinding of and change in discount on provisions (note 16)	(1.5)	(1.7)
	(2.6)	(2.7)

7 TAXATION

	2017 £m	2016 £m
Current tax on profits for the year	24.2	23.0
Adjustments in respect of prior years	(0.3)	(0.5)
Total current tax	23.9	22.5

In most locations, including the UK, income tax payable on the profits allocated to partners is the personal liability of the partners and hence is not shown in these financial statements.

In some other locations the income tax payable on the allocation of profits to partners is the personal liability of the partners resident in that location but the element payable by the partners not resident in that location is the liability of the LLP. Only the latter amounts are reflected in these financial statements.

	2017 £m	2016 £m
Profit before taxation	715.6	562.2
Less: Amounts subject to personal tax	(646.7)	(498.0)
Profits subject to taxation	68.9	64.2

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average UK corporation tax rate applicable to profits of the Group as follows:

	2017 £m	2016 £m
Profits subject to tax	68.9	64.2
At UK corporation tax of 20% (2016: 20%)	13.7	12.8
Tax effects of:		
Different tax rates and bases in other jurisdictions	8.7	8.5
Unrelieved losses	1.8	1.7
Adjustment in respect of prior years	(0.3)	(0.5)
Current year charge for the year	23.9	22.5

8 PARTNERS' SHARE OF PROFITS

The Board determines the amount of profits to be distributed after the financial statements have been finalised and approved by the partners. These distributable profits are then divided among the partners in accordance with agreed profit sharing arrangements.

On promotion to partnership, remuneration is initially a fixed prior share of profits plus a profit related bonus. Thereafter partners are promoted to full partner and start on a lock-step system of earnings. This remains the basis for the vast majority of partner compensation.

The highest paid partner will receive £3,519k, including a retirement payment; (2016: £2,808k). The total profit payable to any partner in a particular year can be substantially above that of a partner at the top of the lock-step because of compensation costs such as tax equalisation and expatriate benefits payable to partners seconded to jurisdictions outside their home office, or because of joining or retirement payments.

Profits payable to partners as employees or consultants, and amounts agreed between Allen & Overy and leaving partners, are charged as an expense to the income statement.

Profits are allocated on a gross basis before income tax charges, which are mainly the personal liability of the individual partners. Partners do not receive any interest on their capital contributions or subordinated loans, or any remuneration other than their share of the profits.

In the current financial year, a one-off foreign exchange gain has increased the reported average profit per full partner by approximately £109k. The current year profit per full partner has been restated to exclude this amount. The restated figure provides a guide to the underlying profit per full partner excluding one-off foreign exchange gains.

	2017 No.	2016 No.
Average number of partners	528	523
Average number of full partners	441	434

	2017 £m	2016 £m
Profit before taxation	715.6	562.2
Profits allocated to partners who are not full partners	(49.6)	(42.1)
Profits for division amongst full partners	666.0	520.1
Less: One-off foreign exchange gain	(48.2)	–
Profits for division amongst full partners, excluding foreign exchange gain	617.8	520.1
Average profit per full partner	1.51	1.20
Average profit per full partner, excluding one-off foreign exchange gain	1.40	1.20

9 INTANGIBLE ASSETS

	Consolidated and Limited Liability Partnership	
	2017 £m	2016 £m
Internally generated IT software		
Cost		
At 1 May	18.9	18.9
Additions	1.1	–
At 30 April	20.0	18.9
Accumulated Amortisation		
At 1 May	18.9	18.9
At 30 April	18.9	18.9
Net book value		
At 30 April	1.1	–

10 PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 May 2015	224.4	59.9	78.2	0.4	362.9
Currency translation adjustments	6.0	2.5	2.0	–	10.5
Additions	9.2	4.2	5.7	–	19.1
Disposals	(14.9)	(8.6)	(11.8)	–	(35.3)
At 1 May 2016	224.7	58.0	74.1	0.4	357.2
Currency translation adjustments	9.2	3.6	2.9	–	15.7
Additions	13.7	4.2	7.3	–	25.2
Disposals	(6.4)	(1.7)	(3.7)	(0.2)	(12.0)
At 30 April 2017	241.2	64.1	80.6	0.2	386.1
Accumulated Depreciation					
At 1 May 2015	152.1	48.6	74.1	0.2	275.0
Currency translation adjustments	4.0	2.2	2.0	–	8.2
Charge for year	19.3	4.5	3.8	–	27.6
Disposals	(14.9)	(8.5)	(11.8)	–	(35.2)
At 1 May 2016	160.5	46.8	68.1	0.2	275.6
Currency translation adjustments	5.4	2.7	2.4	–	10.5
Charge for year	17.8	4.9	5.0	–	27.7
Disposals	(3.9)	(1.1)	(3.0)	(0.2)	(8.2)
At 30 April 2017	179.8	53.3	72.5	–	305.6
Net Book Value					
At 30 April 2017	61.4	10.8	8.1	0.2	80.5
At 30 April 2016	64.2	11.2	6.0	0.2	81.6

Furniture, fixtures and fittings includes the following amounts where the Group is a lessee under finance leases:

	2017 £m	2016 £m
Cost – capitalised finance leases	0.7	0.6
Accumulated depreciation	(0.5)	(0.2)
Net Book Value	0.2	0.4

Computer equipment includes the following amounts where the Group is a lessee under finance leases:

	2017 £m	2016 £m
Cost – capitalised finance leases	0.2	0.2
Accumulated depreciation	(0.2)	(0.2)
Net Book Value	–	–

11 PROPERTY, PLANT AND EQUIPMENT – LIMITED LIABILITY PARTNERSHIP

	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 May 2015	199.9	44.5	63.4	0.1	307.9
Currency translation adjustments	5.0	2.0	1.4	–	8.4
Additions	3.6	2.9	4.1	–	10.6
Disposals	(10.9)	(6.5)	(6.6)	–	(24.0)
At 1 May 2016	197.6	42.9	62.3	0.1	302.9
Currency translation adjustments	7.0	2.2	1.8	–	11.0
Additions	4.9	2.1	6.3	–	13.3
Disposals	–	(0.5)	(0.4)	(0.1)	(1.0)
At 30 April 2017	209.5	46.7	70.0	–	326.2
Accumulated depreciation					
At 1 May 2015	134.9	37.1	60.3	0.1	232.4
Currency translation adjustments	3.0	1.6	1.3	–	5.9
Charge for year	17.2	3.3	3.0	–	23.5
Disposals	(10.9)	(6.5)	(6.6)	–	(24.0)
At 1 May 2016	144.2	35.5	58.0	0.1	237.8
Currency translation adjustments	4.1	1.7	1.5	–	7.3
Charge for year	14.3	3.5	4.1	–	21.9
Disposals	–	(0.5)	(0.4)	(0.1)	(1.0)
At 30 April 2017	162.6	40.2	63.2	–	266.0
Net Book Value					
At 30 April 2017	46.9	6.5	6.8	–	60.2
At 30 April 2016	53.4	7.4	4.3	–	65.1

Furniture, fixtures and fittings includes the following amounts where the LLP is a lessee under finance leases:

	2017 £m	2016 £m
Cost – capitalised finance leases	0.7	0.6
Accumulated depreciation	(0.5)	(0.2)
Net Book Value	0.2	0.4

Computer equipment includes the following amounts where the LLP is a lessee under finance leases:

	2017 £m	2016 £m
Cost – capitalised finance leases	0.2	0.2
Accumulated depreciation	(0.2)	(0.2)
Net Book Value	–	–

12 INVESTMENTS

The LLP has investments in the following subsidiaries:

Name of entity	Address of the registered office	Activity	Proportion of ordinary shares or ownership
Allen & Overy (Asia) Pte. Limited	50 Collyer Quay, #09-01 OUE Bayfront, Singapore, 049321	Supply of legal services	100%
Allen & Overy (Hong Kong) Limited	9th Floor, Three Exchange Square, Central, Hong Kong	Service company	100%
Allen & Overy Legal Services	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	100%
Allen & Overy Service Company Limited	One Bishops Square, London E1 6AD, United Kingdom	Service company	100%
Allen & Overy Services Italy srl	Via Manzoni 41, 20121, Milan, Italy	Service company	100%
Allen & Overy Serviços de Consultoria Limitada	São Paulo, State of São Paulo, at Rua das Olímpiadas, 100, 10° andar, conjunto 101, sala A, Vila Olímpia, CEP 04551-000	Service company	100%
Allen & Overy (SSF) Limited	One Bishops Square, London E1 6AD, United Kingdom	Service company	100%
Allen & Overy (Holdings) Limited	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	100%
Cong Ty Luat Trach Nhiemhuu Han Allen & Overy (Vietnam)	(a) Ho Chi Minh City office: 39th Floor, Bitexco Financial Tower, 2 Hai Trieu, District 1, Ho Chi Minh City, Vietnam; and (b) Level 5, Sentinel Place Building, 41A Ly Thai To Street, Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam	Supply of legal services	100%
A.O. Services	One Bishops Square, London E1 6AD, United Kingdom	Trustee company	100%
First Combined Trust	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Allen & Overy (Trustee) Limited	One Bishops Square, London E1 6AD, United Kingdom	Trustee company	100%
Allen & Overy (London) Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Fleetside Legal Representative Services Limited	One Bishops Square, London E1 6AD, United Kingdom	Holding company	100%
Allen & Overy Pension Trustee Limited	One Bishops Square, London E1 6AD, United Kingdom	Trustee company	100%
Alnery Incorporations No. 1 Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Alnery Incorporations No. 2 Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Allen & Overy (Asia) Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Allen & Overy (Legal Advisers) Limited	One Bishops Square, London E1 6AD, United Kingdom	Holding company	100%
A&O (Legal Advisers) Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Newchange Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
The Allen & Overy Foundation	One Bishops Square, London E1 6AD, United Kingdom	Charitable company	100%
Alnery Secretarial (Hong Kong) Limited	9th Floor, Three Exchange Square, Central, Hong Kong	Company secretarial services	100%
Allen & Overy Holdings (Thailand) Limited	23rd Floor, Sindhorn Tower III, 130-132 Wireless Road Lumpini, Pathumwan, Bangkok 10330, Thailan	Holding company	47%
Allen & Overy (Thailand) Co. Limited	23rd Floor, Sindhorn Tower III, 130-132 Wireless Road Lumpini, Pathumwan, Bangkok 10330, Thailand	Supply of legal services	49%
Allen & Overy Limited	Suite 539/540, Inya Lake Hotel, 37 Kaba Aye Pagoda Road, Mayangone Township, Yangon 11061, Myanmar	Supply of legal services	49%
Allen & Overy (Australia) Pty Ltd	Level 25, 85 Castlereagh Street, Sydney, NSW 2000, Australia	Trustee company	100%
Allen & Overy Africa – Sarl AU	Anfaplace, Centre d'Affaires, Immeuble A, Boulevard de la Corniche, Casablanca, Morocco	Dormant	100%
AO Büro Destek Hizmetleri Limited Şirketi	River Plaza, Floor 17, Büyükdere Caddesi, Bahar Sokak no. 13, TR-34394 Levent, Istanbul, Turkey	Service company	100%
Allen & Overy (Africa) (Pty) Limited	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Dormant	100%
Allen & Overy (South Africa) Inc.	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Dormant	100%
Allen & Overy (Pty) Limited	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Dormant	100%

The LLP has the power to exercise, or actually exercises, dominant influence or control over the following entities and undertakings:

Name of entity	Address of the registered office or principal place of business	Activity	Proportion of ordinary shares or ownership
Allen & Overy (an English general partnership operating in Australia)	Level 25, 85 Castlereagh Street, Sydney, NSW 2000, Australia	Supply of legal services	–
Allen & Overy (an English general partnership operating in Hong Kong)	9th Floor, Three Exchange Square, Central, Hong Kong	Supply of legal services	–
Allen & Overy (an English general partnership operating in Spain)	Pedro de Valdivia 10, 28006 Madrid, Spain	Supply of legal services	–
Allen & Overy, A. Pedzich sp.k.	Rondo ONZ 1, 34th floor, Warsaw, 00-124, Poland	Supply of legal services	–
Allen & Overy Bratislava s.r.o	Eurovea Central 1, Pribinova 4, Bratislava, 81109, Slovakia	Supply of legal services	–
Allen & Overy LLP - Consultores em Direito Estrangeiro / Direito Norte-Americano	São Paulo, State of São Paulo, at Rua das Olímpiadas, 100, 10° andar, conjunto 101, sala A, Vila Olímpia, CEP 04551-000	Supply of legal services	–
Allen & Overy (Czech Republic) LLP	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	–
Allen & Overy Danişmanlik Hizmetleri Avukatlik Ortakliği	River Plaza, Floor 17, Büyükdere Caddesi, Bahar Sokak no. 13, TR-34394 Levent, Istanbul, Turkey	Supply of legal services	–
Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho	38F Roppongi Hills Mori Tower 6-10-1 Roppongi, Minato-ku, Tokyo, 106-6138, Japan	Supply of legal services	–
Allen & Overy, société en commandite simple	33 Avenue J.F. Kennedy, L-1855, Luxembourg	Supply of legal services	–
Allen & Overy (South Africa) LLP	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services in South Africa	–
aosphere LLP	One Bishops Square, London E1 6AD, United Kingdom	Development and marketing of legal software	–
Lengyel Allen & Overy Ügyvédi Iroda	Madách Trade Centre, Madách Imre utca 13-14, H-1075 Budapest, Hungary	Supply of legal services	–
Naciri & Associés Allen & Overy	Anfaplace, Centre d'Affaires, Immeuble A, Boulevard de la Corniche, Casablanca, Morocco	Supply of legal services	–
Studio Legale Associato	(a) Via Manzoni 41, Milan, 20121, Italy; and (b) Corso Vittorio Emanuele II 284, Rome, 00186, Italy	Supply of legal services	–
Spitalfields Projects LLP	One Bishops Square, London E1 6AD, United Kingdom	Legal risk management solutions	–
Allen & Overy (Greece) LLP	One Bishops Square, London E1 6AD, United Kingdom	Dormant	–
Allen & Overy (Canada) LLP	First Canadian Place, 100 King Street West, 56th Floor, Toronto, ON, M5X 1C9	Supply of legal services	–
Allen & Overy (Belgium) LLP	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	–
Allen & Overy (formerly Shawe & Botha)	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Supply of legal services	–

The LLP has branches in Belgium, the People's Republic of China, France, Germany, Japan, South Korea, the Netherlands, Qatar, Singapore, the United Arab Emirates, the UK, and the United States of America.

The LLP has also entered into association agreements with Ginting & Reksodiputro, an Indonesian law firm, and Gedik & Eraksoy, a Turkish Attorney Partnership, pursuant to which legal services are provided in relation to Indonesian law and Turkish law respectively.

	Consolidated	Limited Liability Partnership		
	Other Investments £m	Group Interests £m	Other Investments £m	Total £m
Cost				
At 1 May 2015	0.1	0.6	–	0.6
Additions	–	9.1	–	9.1
At 1 May 2016	0.1	9.7	–	9.7
Additions	–	0.8	–	0.8
At 30 April 2017	0.1	10.5	–	10.5
Carrying amount at 30 April 2017	0.1	10.5	–	10.5
Carrying amount at 30 April 2016	0.1	9.7	–	9.7

Other investments include quoted and unquoted shares which are classified as held for trading and are measured at fair value through the income statement. All other investments are stated at cost less provision for impairment.

The investment in group interests in both 2016 and 2017 represents the conversion of an inter-company loan to share capital in Cong Ty Luat Trach Nhiemhuu Han Allen & Overy (the firm's subsidiary in Vietnam).

13 CLIENT AND OTHER RECEIVABLES

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
Client receivables	545.2	501.7	437.4	395.4
Allowance for doubtful receivables	(29.6)	(22.1)	(22.2)	(15.2)
	515.6	479.6	415.2	380.2
Unbilled revenue	152.2	125.5	116.7	95.5
Amounts due from other Group undertakings	–	–	97.4	169.1
Other receivables	22.3	21.3	13.4	13.7
Prepayments	39.8	36.1	34.6	29.4
	729.9	662.5	677.3	687.9

There is no difference between the carrying value of the consolidated or limited liability partnership's client and other receivables and their fair value.

At 30 April 2017 there are £6.7 million of unsecured interest-bearing loans due from group undertakings which are repayable within 12 months. Interest is charged based on LIBOR plus a margin ranging between 1% and 3%. The remaining amounts are unsecured, interest free and repayable on demand.

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES:

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
At 1 May	(22.1)	(18.1)	(15.2)	(11.6)
Currency translation adjustment	(1.9)	(0.6)	(1.2)	(0.4)
Provision utilised	5.6	4.5	2.0	2.4
	(18.4)	(14.2)	(14.4)	(9.6)
Charged to the income statement	(17.3)	(12.0)	(12.3)	(8.4)
Provision released	6.1	4.1	4.5	2.8
At 30 April	(29.6)	(22.1)	(22.2)	(15.2)

THE AGEING OF CLIENT RECEIVABLES AT THE REPORTING DATE WAS:

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
Not past due	263.6	254.4	237.4	219.8
Past due 0-30 days	112.9	69.8	82.2	45.3
Past due 31-120 days	84.6	94.2	57.4	69.9
Past due greater than 120 days	54.5	61.2	38.2	45.2
	515.6	479.6	415.2	380.2

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Group's maximum exposure to credit risk. Financial assets include client and other receivables and cash. The Group does not hold collateral over these balances.

14 CASH AND CASH EQUIVALENTS

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
Cash and cash equivalents	170.8	113.7	134.0	65.5

Cleared funds are monitored on a daily basis and surplus funds are placed on short-term deposit or invested in the money market.

There is no material difference between the book value of cash and cash equivalents and their fair values.

15 TRADE AND OTHER PAYABLES

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade payables	43.7	42.4	39.5	31.0
Amounts due to other Group undertakings	–	–	34.7	74.9
Employment and sales taxes	31.2	27.7	29.6	26.2
Other payables	13.7	15.4	36.4	27.7
Partners' subordinated loans	58.5	53.0	36.7	34.0
Other amounts due to partners remunerated as employees or consultants	101.5	76.5	67.1	49.4
Accruals	113.0	78.2	80.6	63.2
Deferred rent	26.6	27.2	22.7	23.8
	388.2	320.4	347.3	330.2

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
Included in current liabilities	289.7	239.4	290.8	272.7
Included in non-current liabilities	98.5	81.0	56.5	57.5
	388.2	320.4	347.3	330.2

There is no difference between the carrying value of the consolidated or limited liability partnership's trade and other payables and their fair values.

At 30 April 2017, there are £2.8 million of unsecured interest bearing loans due to group undertakings. Of this balance, £1.4 million is repayable within 12 months and the remainder over a term exceeding 12 months. Interest is charged at rates between 1.76% and LIBOR plus a margin of 2% for the loans repayable within 12 months and 1.76% on the balance due beyond 12 months. The remaining amounts are unsecured, interest free and repayable on demand.

Included within 'Other payables' are gross finance lease liabilities of £0.4 million (2016: £0.6 million).

Allen & Overy is financed through a combination of partners' capital, subordinated loans, undistributed profits and tax retentions. The Board reviews the projected financing requirements annually when agreeing the Group's budget and based on this review sets the value of the Capital Unit. The cash flow forecast for the entire Group is updated regularly and compared to the budget with any significant variance being reported to the Board.

The borrowing facilities arranged vary from overdraft facilities to cover short-term fluctuations in timing of payments and receipts to loan facilities spanning several years. All borrowing facilities are arranged through the LLP. It is the Group's policy to have in place short-term borrowing facilities that comfortably exceed forecast borrowing requirements for the following 12 months.

At 30 April 2017, the LLP had committed bank loan facilities of £150 million (2016: £150 million). At the balance sheet date, no amounts were outstanding.

	£m
The committed facilities expire as follows:	
Between two and three years	50.0
Between three and five years	100.0
	150.0

Interest on short-term borrowings would be payable at floating rates linked to the base rate and its currency equivalent while any amounts drawn down in respect of the longer-term borrowing facilities would incur interest at floating rates linked to LIBOR.

The financial liabilities of the Group which correspond to trade payables, employment and sales taxes, other payables and accruals as at 30 April 2017 amounted to £361.6 million (2016: £293.2 million).

16 PROVISIONS

PROVISION FOR ANNUITIES

The LLP has conditional commitments to pay annuities to certain individuals who are either former partners of Allen & Overy or widows of those partners. The annuities are payable only out of future profits of the LLP on which they constitute a first allocation of profits. Further entitlement to these arrangements was withdrawn in 1994. An actuarial valuation of the net present value of the expected liability for the future payments to these individuals is obtained at each year-end and any change to the provision necessary is recorded in the income statement.

The provision for annuities is subject to actuarial adjustments and utilised over the life of the annuitants.

The assumptions used by the actuaries in the calculation of the provision are the same as those used in the valuation of the defined benefit pension scheme, as set out in note 21.

PROVISION FOR EARLY RETIREMENT OF PARTNERS/FORMER PARTNERS

Partners satisfying certain conditions may elect to take early retirement in exchange for future payments, normally spread over five years. These payments are determined by the profits of future years. The present value of the best estimate of the expected liabilities for future payments under this scheme is provided in full in the year in which a partner elects to take early retirement, the charge being included in 'Partners' remuneration charged as an 'expense' in the Consolidated income statement. Any subsequent changes in the provision for liabilities under this scheme arising from changes in financial estimates while the person is still a partner in Allen & Overy are charged or credited under this heading. Once the partner retires any changes are recorded in 'Other operating expenses' in the income statement.

The provision for partners'/former partners' payments has been made using an estimated level of profit for future years, based on current best estimates. This provision has been discounted to the present value using a 2% discount factor. It is expected that the early retirement provision will be paid over the next six years.

PROVISION FOR ONEROUS LEASES AND DILAPIDATIONS

For leases on properties that have been vacated and are considered surplus, a provision has been recognised to the extent that the continuing rental obligations are not expected to be recovered through subletting. The leases to which this provision relates all expire by 2023.

The provision for dilapidations is in respect of property leases which contain a requirement for the premises to be returned to their original state prior to the conclusion of the lease term. The leases to which this provision relates all expire by the end of 2027.

These provisions have been discounted to the present value using 4%.

	Consolidated				
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous leases and dilapidations £m	Total 2017 £m	Total 2016 £m
At 1 May	20.0	27.3	44.9	92.2	97.8
Currency translation adjustments	–	–	1.3	1.3	0.3
Provision utilised	(2.0)	(7.5)	(2.7)	(12.2)	(13.9)
	18.0	19.8	43.5	81.3	84.2
Charged to the income statement	–	–	1.6	1.6	2.0
Charge for the year:					
– former partners	–	3.2	–	3.2	0.9
– current partners	–	10.9	–	10.9	2.8
Unwind of discount on provision	–	(0.4)	1.9	1.5	1.7
Actuarial adjustment	1.9	–	–	1.9	0.9
Provision released:					
– former partners	–	–	–	–	–
– current partners	–	(0.4)	–	(0.4)	(1.3)
Charged to fixed assets	–	–	1.2	1.2	1.0
	1.9	13.3	4.7	19.9	8.0
At 30 April	19.9	33.1	48.2	101.2	92.2

	2017 £m	2016 £m
Included in current liabilities	14.5	9.9
Included in non-current liabilities	86.7	82.3
	101.2	92.2

	Limited Liability Partnership				
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous leases and dilapidations £m	Total 2017 £m	Total 2016 £m
At 1 May	20.0	27.3	38.6	85.9	90.9
Currency translation adjustments	–	–	0.6	0.6	0.2
Provision utilised	(2.0)	(7.5)	(1.9)	(11.4)	(12.9)
	18.0	19.8	37.3	75.1	78.2
Charged to the income statement	–	–	1.6	1.6	2.6
Charge for the year:					
– former partners	–	3.2	–	3.2	0.9
– current partners	–	10.9	–	10.9	2.8
Unwind of discount on provision	–	(0.4)	1.8	1.4	1.6
Actuarial adjustment	1.9	–	–	1.9	0.9
Provision released:					
– former partners	–	–	–	–	–
– current partners	–	(0.4)	–	(0.4)	(1.3)
Charged to fixed assets	–	–	0.1	0.1	0.2
	1.9	13.3	3.5	18.7	7.7
At 30 April	19.9	33.1	40.8	93.8	85.9

	2017 £m	2016 £m
Included in current liabilities	13.1	9.0
Included in non-current liabilities	80.7	76.9
	93.8	85.9

17 CAPITAL COMMITMENTS

The following amounts have been contracted for but not provided in the financial statements:

	2017 £m	2016 £m
Property fit-out costs	7.7	1.7
Computer, telecommunications and other equipment	0.5	0.1
	8.2	1.8

18 OPERATING LEASE COMMITMENTS

	Consolidated	
	2017 £m	2016 £m
Lease payments under operating leases recognised as an expense in the Income Statement for the year	102.6	92.5
Rent receivable from subleases recognised as Other Income in the Income Statement for the year	20.4	16.4

At 30 April 2017, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2017 £m	2016 £m	2017 £m	2016 £m
Within one year	100.0	94.8	1.0	1.0
Within two to five years	370.1	346.1	1.9	2.2
In more than five years	250.2	312.9	–	0.2
	720.3	753.8	2.9	3.4

At 30 April 2017, the Group had the following minimum amounts to be received under non-cancellable subleases for land and buildings, which fall due as follows:

	Land & Buildings	
	2017 £m	2016 £m
Within one year	11.2	12.1
Within two to five years	35.1	36.6
In more than five years	22.0	30.7
	68.3	79.4

19 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2017 £m	2016 £m
Profit before taxation	715.6	562.2
Adjustments for:		
Depreciation of property, plant and equipment	27.7	27.6
Foreign exchange gains on operating activities	(42.1)	–
Net finance costs	1.1	0.7
Loss on disposal of property, plant and equipment	0.2	0.1
Operating cash flows before movement in working capital	702.5	590.6
Increase in provisions	15.8	1.3
Increase in receivables	(29.1)	(31.4)
Increase in payables	58.3	17.0
Cash generated by operations	747.5	577.5

20 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Limited Liability Partnership	
	2017 £m	2016 £m
Profit before taxation	573.5	445.0
Adjustments for:		
Depreciation of property, plant and equipment	21.9	23.5
Foreign exchange gains on operating activities	(38.3)	–
Net finance costs	1.0	0.7
Operating cash flows before movement in working capital	558.1	469.2
Increase in provisions	14.7	0.9
Decrease/(increase) in receivables	39.8	(64.0)
Increase in payables	8.6	41.4
Cash generated by operations	621.2	447.5

21 RETIREMENT BENEFIT OBLIGATIONS

The LLP operates a pension scheme which includes a defined benefit section and a defined contribution section for its UK based staff. The defined benefit section was closed to new entrants in 1998 and closed to future year accruals in 2007. The assets of the pension scheme are held separately from those of the LLP.

Employees in territories outside the United Kingdom are usually members of insured schemes into which the LLP pays contributions. These contributions are included in amounts shown under the 'Defined contribution section and schemes' heading below.

DEFINED CONTRIBUTION SECTION AND SCHEMES

The cost of contributions to the defined contribution section of the UK pension scheme plus contributions to non-UK pension schemes included in the income statement for the year was £16.8 million (2016: £14.2 million). The cost charged represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

DEFINED BENEFIT SECTION

The LLP sponsors a funded defined benefit pension scheme for qualifying UK employees. The Scheme is administered by a separate board of Trustees which is legally separate from the LLP. The Trustees are composed of representatives of both the Firm and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

Under the Scheme, employees are entitled to annual pensions in retirement based on their salary and service. Benefits are also payable on death and following other events such as withdrawing from active service.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 21 years.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 January 2014 and showed a surplus of £4 million. The next funding valuation was due as at 1 January 2017 and is currently in progress.

The Scheme exposes the LLP to a number of risks, the most significant of which are:

Asset volatility: The liabilities under IAS19 are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will worsen the IAS19 funding position with all else equal. The Scheme holds a significant proportion of growth assets (such as equities, diversified growth funds and global absolute return funds) which, though expected to outperform corporate bond returns in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields: A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk: The Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. A significant proportion of the Scheme's assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will reduce the funding position with all else equal.

Life expectancy: The majority of the Scheme's obligations are to provide benefits for the life of the member and their dependants, so increases in life expectancy will result in an increase in liabilities.

The LLP and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme by investing in assets such as index-linked government bonds which are intended to move in line with the liabilities of the Scheme, so as to protect, for example, against inflation being higher than expected.

The Trustees insure certain benefits payable on death before retirement.

The liabilities have been updated from the preliminary results of the actuarial funding valuation, as at 1 January 2017, by an independent qualified actuary from Lane Clark & Peacock LLP.

The principal assumptions used for valuing the liabilities were as follows:

	2017 %	2016 %
Discount Rate	2.5	3.5
RPI inflation	3.3	3.0
CPI inflation	2.2	2.0
Salary increases	3.3	3.0
Pension increase in deferment	2.2	2.0
Pension increases in payment	2.2	2.0

The post-retirement mortality assumptions are based on standard mortality tables which allow for future improvements in life expectancy resulting in the following life expectancies:

	2017 Years	2016 Years
Current pensioners at age 65 – Male	23.5	23.3
Current pensioners at age 65 – Female	24.7	24.8
Future pensioners at age 65* – Male	25.2	26.6
Future pensioners at age 65* – Female	26.5	28.3

* for non-pensioners currently aged 45

The allocation and market value of the Scheme assets at the balance sheet date was as follows:

	2017 £m	2016 £m
Performance assets (non-property):		
Global equities (quoted)	69.1	55.3
Diversified Growth Funds (primarily quoted)	25.8	19.9
Hedge funds and alternative investments (unquoted)	8.5	7.1
Property (unquoted)	9.8	9.4
Inflation opportunities fund (unquoted)	11.1	9.5
Bonds:		
Absolute return bonds (quoted)	28.6	21.3
Corporate bonds (quoted)	1.4	1.2
Index linked bonds (quoted)	57.6	37.2
Cash and other assets (quoted)	14.7	10.8
Present value of defined benefit assets at end of the year	226.6	171.7

The Scheme does not invest directly in property occupied by the firm or in financial securities issued by the Firm.

The amounts recognized in the consolidated and LLP balance sheets are as follows:

	2017 £m	2016 £m
Fair value of scheme assets	226.6	171.7
Present value of defined benefit obligations	(175.3)	(144.3)
Retirement benefit surplus	51.3	27.4

No adjustment has been made to restrict the surplus recognised, since under the Scheme rules the general assets of the Scheme can be used to credit employer contributions in the Defined contribution section.

The amounts recognised in the consolidated income statement are as follows:

	2017 £m	2016 £m
Finance credit:		
Interest on pension Scheme assets	5.9	6.2
Finance cost:		
Interest on pension Scheme defined benefit obligations	(5.0)	(5.2)
Net finance income for the year	0.9	1.0

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2017 £m	2016 £m
Return on Scheme assets in excess of/(below) that recognised in net interest	53.9	(9.7)
Actuarial (losses)/gains due to changes in financial assumptions	(35.1)	6.4
Actuarial gains due to changes in demographic assumptions	6.3	–
Actuarial (losses)/gains due to liability experience	(2.1)	2.8
	23.0	(0.5)

Changes in the fair value of Scheme assets are as follows:

	2017 £m	2016 £m
Opening fair value of Scheme assets	171.7	177.7
Interest income on Scheme assets	5.9	6.2
Remeasurement gains/(losses) on Scheme assets	53.9	(9.7)
Contributions by employer	–	–
Benefits paid	(4.9)	(2.5)
Closing fair value of Scheme assets	226.6	171.7

Changes in the present value of the defined benefit obligations are as follows:

	2017 £m	2016 £m
Opening defined benefit obligation	(144.3)	(150.8)
Interest cost	(5.0)	(5.2)
Gain from change in demographic assumptions	6.3	–
(Loss)/gain from change in financial assumptions	(35.1)	6.4
Experiences (losses)/gains	(2.1)	2.8
Benefits paid	4.9	2.5
Closing defined benefit obligation	(175.3)	(144.3)

The actual return on the Scheme assets during the period was a £59.8 million gain (2016: £3.5 million loss).

SENSITIVITY ANALYSIS

The principal actuarial assumptions all have an effect on the IAS 19 accounting valuations. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

	Defined benefit obligation increase £m
0.25% decrease in the assumed discount rate	9.1
0.25% increase in the expected rate of increase in salaries	0.4
0.25% increase in the assumed rate of inflation	8.6
One-year increase in average life expectancy	5.3

FUTURE CASH FUNDING

The most recent full actuarial valuation was as at 1 January 2014 and was completed in April 2014 using the Projected Unit valuation method. The valuation revealed a surplus at the valuation date. Accordingly, the expected contributions by the firm to the DB section of the Scheme over the next 12 months are nil. The actuarial valuation due as at 1 January 2017 is currently in progress.

22 TOTAL PARTNERS'/MEMBERS' INTERESTS

	Consolidated				
	Amounts due from partners £m	Capital classified as a liability £m	Equity £m	Total 2017 £m	Total 2016 £m
Total partners' interests at 1 May	(85.3)	138.9	416.8	470.4	446.7
Total comprehensive income for the year	–	–	489.8	489.8	404.5
Profit allocated to partners	385.9	–	(385.9)	–	–
Drawings and distributions	(418.1)	–	–	(418.1)	(380.6)
Foreign currency capital revaluation	–	0.3	–	0.3	0.2
Capital introduced	–	12.9	–	12.9	13.1
Capital repaid	–	(12.4)	–	(12.4)	(13.5)
	(117.5)	139.7	520.7	542.9	470.4

	Limited Liability Partnership				
	Amounts due from Members £m	Capital classified as a liability £m	Equity £m	Total 2017 £m	Total 2016 £m
Total partners' interests at 1 May	(50.8)	131.6	357.2	438.0	428.8
Total comprehensive income for the year	–	–	422.8	422.8	343.7
Profit allocated to Members	332.1	–	(332.1)	–	–
Drawings and distributions	(370.0)	–	–	(370.0)	(336.1)
Foreign currency capital revaluation	–	0.2	–	0.2	0.2
Capital introduced	–	11.8	–	11.8	11.7
Capital repaid	–	(12.0)	–	(12.0)	(10.3)
	(88.7)	131.6	447.9	490.8	438.0

Capital due to partners/Members retiring within one year is shown as current, as it will be repaid within 12 months of the reporting date. Total partners'/Members' capital analysed by repayable dates is as follows:

	Consolidated		Limited Liability Partnership	
	2017 £m	2016 £m	2017 £m	2016 £m
Included in current liabilities	7.0	2.9	6.6	2.8
Included in non-current liabilities	132.7	136.0	125.0	128.8
	139.7	138.9	131.6	131.6

The carrying value of partners' and Members' capital is consistent with fair value in the current and prior year.

23 RELATED PARTY TRANSACTIONS

The key management personnel comprise the Senior Partner and Managing Partner, the heads of the main global practice groups and the support directors. The majority of partners in key management positions maintain significant client responsibilities. The share of the profit and the salaries awarded to these key management personnel for the year ended 30 April 2017 will amount to £15.8 million (2016: £13.6 million).

The Group and the LLP are related parties because they are both controlled by the Board. Related party transactions between the Group and the LLP are disclosed below.

SERVICES IN RESPECT OF CLIENT ENGAGEMENTS

Arrangements are in place for the LLP to supply services to other Group undertakings in connection with client assignments and vice versa. For the year ended 30 April 2017, there was a net provision of services to the LLP from other Group undertakings to the value of £25.4 million (2016: £7.8 million).

ADMINISTRATIVE SUPPORT PROVIDED WITHIN THE GROUP

Global and regional management charges are levied across the Group for the cost of services provided to the global network by central support functions. The staff that perform global and regional roles are located in a number of locations as determined by the directors responsible for the global support functions. For the year ended 30 April 2017, there was a net provision of administrative support to the LLP from other Group entities to the value of £6.2 million (2016: £5.8 million).

BALANCES OUTSTANDING

The balances outstanding between the LLP and other Group undertakings are disclosed as 'Amounts due from other Group undertakings' under note 13 and as 'Amounts due to other Group undertakings' under note 15.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management's objective in managing financial risk is to ensure the long term sustainability of the Group.

As the Group's principal financial instruments comprise cash, client receivables and unbilled revenue, and other payables and accruals that arise directly from operations, the main risks are those that relate to credit in regard to receivables, the Group's liquidity in relation to the payables, and foreign currency risk.

CREDIT RISK

Cash deposits with banks and financial institutions give rise to counterparty risk. The Group manages this counterparty risk by reviewing the credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held any significant short-term deposits during the year was BBB+.

Although the Group has a policy of performing credit checks on all new clients, its main protection against a significant charge to its income statement for non-recoverability of a client receivable is its wide client base. The Group's large client base of reputable corporations and entities is both geographically diverse and spread across different industry sectors. This ensures that no one client accounts for a significant element of the combined client receivables and unbilled revenue balance. Management regularly reviews the concentration of specific clients to assess whether the level of credit risk is acceptable.

GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Assets	2017 £m	2016 £m
Net client receivables	515.6	479.6
Unbilled revenue	152.2	125.5
Other receivables	22.3	21.3
Cash	170.8	113.7
	860.9	740.1

The carrying amounts of financial assets are denominated in the following currencies:

	2017 £m	2016 £m
Euro	241.2	218.0
Sterling	316.3	260.9
US Dollar (or currencies linked to US Dollar)	236.6	201.5
Other currencies	66.8	59.7
	860.9	740.1

Liabilities	2017 £m	2016 £m
Trade payables	43.7	42.4
Employment and sales taxes	31.2	27.7
Other payables	13.7	15.4
Partners' subordinated loans	58.5	53.0
Other amounts due to partners remunerated as employees or consultants	101.5	76.5
Accruals	113.0	78.2
	361.6	293.2

The carrying amounts of financial liabilities are denominated in the following currencies:

	2017 £m	2016 £m
Euro	64.0	60.5
Sterling	224.0	172.3
US Dollar (or currencies linked to US Dollar)	61.4	55.4
Other currencies	12.2	5.0
	361.6	293.2

LIQUIDITY RISK

In terms of ability to meet obligations, whether trade creditors, other payables or accruals, the Group carefully monitors its cash flow against its projections. It has a policy of setting its capital and drawings policy to enable the Group's cash funds to be sufficient to meet the Group's obligations. The Group also maintains borrowing facilities to cover any unforeseen cash demands.

FOREIGN CURRENCY RISK

The presentational currency of the Group is Sterling. However, with offices in many different countries, the Group's operations are conducted in many different currencies. In addition, the Group is willing, at a client's request, to invoice in a currency other than the functional currency of the location from which the bill is sent. The principal currencies, other than Sterling, to which the Group is exposed are the Euro and the US Dollar, and other currencies that are linked to the US Dollar.

The effect of foreign currency fluctuations having a material impact on each entity's results is mitigated by the costs incurred by that entity being principally in the functional currency of the location. The Group does not hedge or enter into forward derivative transactions because of the cost of these instruments. However, it does retain currency cash balances which it monitors closely to ensure that the balances in each currency match the currency of the expected future payments.

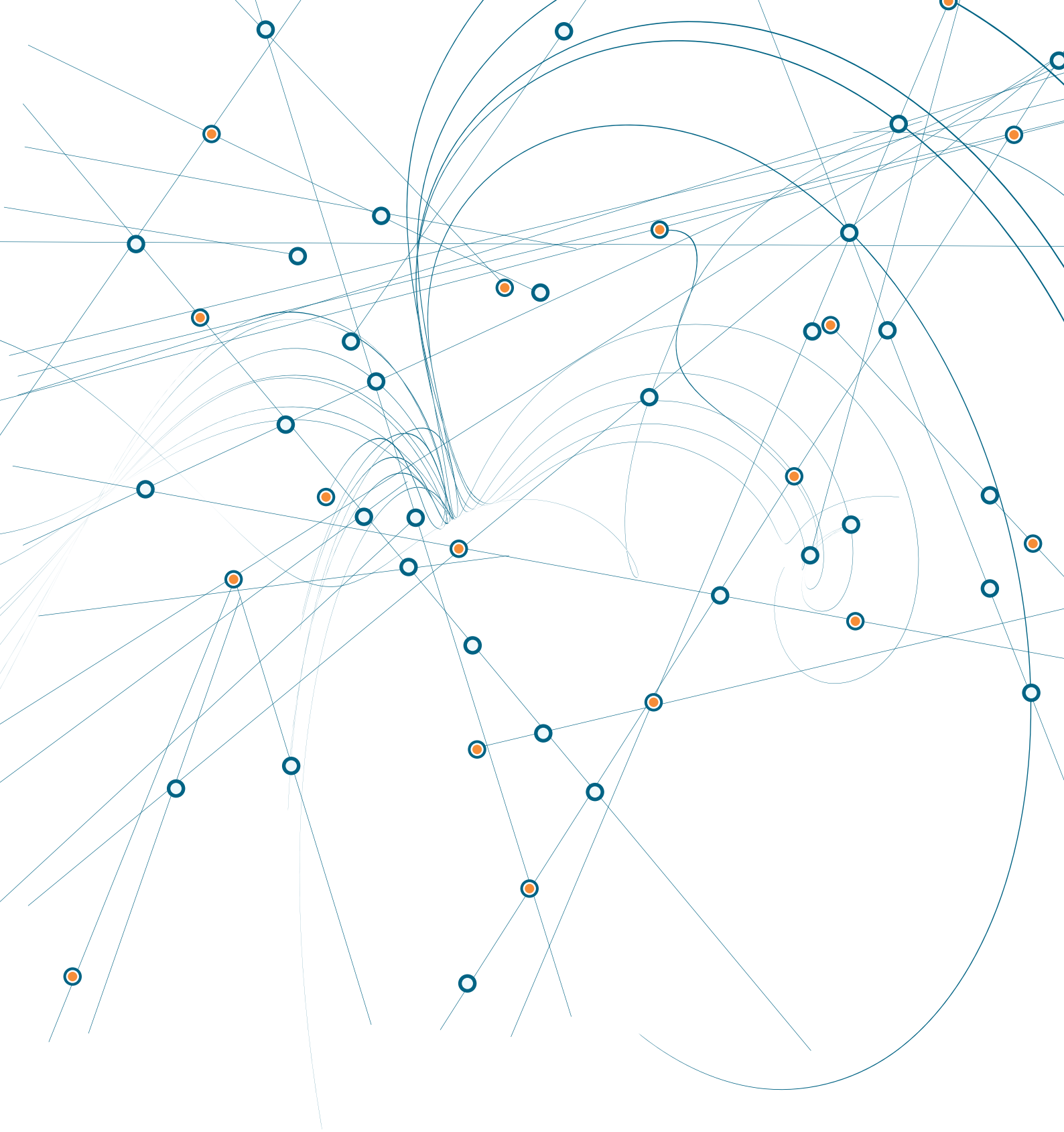
If the Euro and US Dollar (including currencies linked to the US Dollar) had weakened against all other currencies, the impact on profit before tax and net assets as a result of retranslating financial assets and liabilities would have been as set out below:

	2017		2016	
	Profit £m	Net assets £m	Profit £m	Net assets £m
Euro 5% weaker	9.3	1.1	8.3	0.8
US Dollar (including linked currencies) 5% weaker	(1.6)	(8.1)	(1.1)	(6.5)

The above analysis includes the impact on profit before tax of retranslating intercompany balances that are eliminated within the consolidated balance sheet and which are therefore not included within the above table of Group financial assets and liabilities.

The effect of foreign currency fluctuations on the conversion of the entities' results into Sterling is borne by the partners as the profit for the year is determined in Sterling.

Partners based outside London receive their profit shares in Sterling, converted at their request into local currency with an internal protection mechanism equivalent to a collar.



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