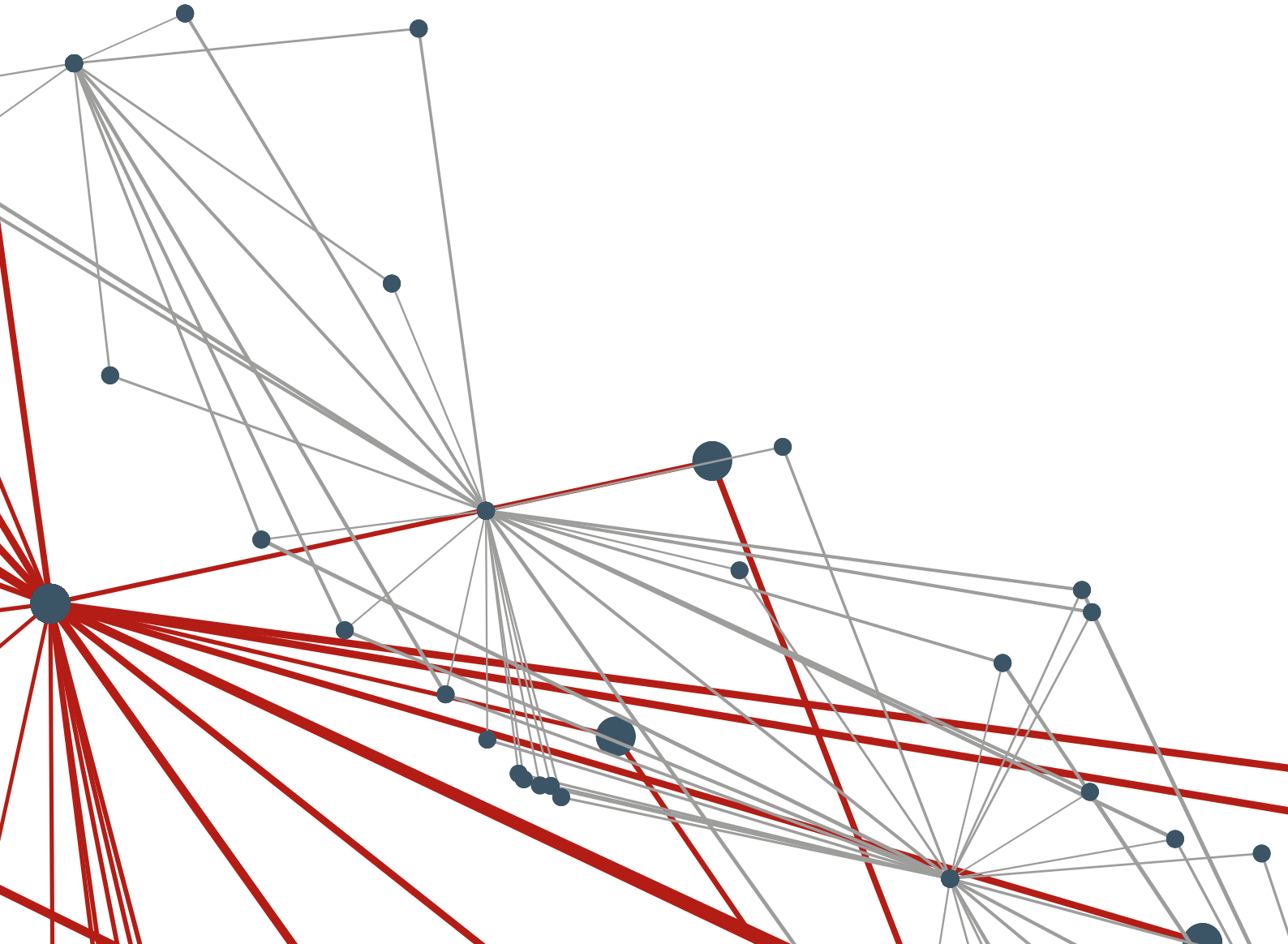
ALLEN & OVERY

Annual Report and Financial Statements

For the year ended 30 April 2018



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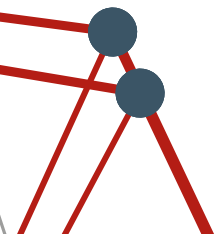


Members' report

The Board presents its report to the Members and the audited consolidated financial statements of Allen & Overy LLP for the year ended 30 April 2018.

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 2018. 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.

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 deep 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.

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.

We have developed a range of resourcing capabilities to complement our core partner, associate and trainee resource:

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 is our global platform for consulting lawyers, carefully matching highly qualified legal consultants with specific client demands, including on the in-house management of regulatory programmes and other major transactions or cases, senior interim roles and for specialist technical expertise. In financial year 2018 Peerpoint continued its very strong growth across the business, with significant advances to operations in Asia Pacific, particularly Australia.

Project Management Office *Intelligent delivery; client transparency*

Financial year 2018 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.

Technology strategy

Our technology strategy has three objectives:

1) **Technology adoption** – to make adoption of technology within the firm pervasive.

2) **Client solutions** – to develop new tech-enabled services for clients.

3) **Market disruption** – to adapt swiftly to technology disruption in our clients' markets.

We have developed a range of technology capabilities to support the firm in achieving these objectives:

Legal Technology Group *Client challenges; tech solutions*

We have established a Legal Technology Group with expertise in those technology applications which are transforming the legal market and whose role is, whenever Allen & Overy is working on a challenge involving legal technology, to deliver the technology component. This Group includes i2, our ideas incubator.

Technology toolkit *Old challenges; new tools*

We have a fast-growing portfolio of legal technology applications spanning artificial intelligence, logic systems, collaboration and workflow tools and database technology.

Fuse
by ALLEN & OVERY

Fuse *Collaboration space; tech development*

In September 2017 we established Fuse, a tech innovation space in our London office, where tech companies, clients and Allen & Overy experts collaborate to develop and test legal, regulatory and deal-related solutions to our clients' challenges. In May 2018 our first cohort of eight resident technology companies made way for our second cohort.

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

aosphere
an affiliate of
ALLEN & OVERY

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 and launching a number of new groundbreaking regtech apps.

Margin Xchange™
Allen & Overy | IHS Markit | SmartDX™

Margin Xchange™ *Industry challenge; industry solution*

Margin Xchange™ is an online platform that covers all stages of the mass repapering of derivatives contracts required to comply with Initial Margin regulations. The platform combines Allen & Overy's legal knowledge and track record of tech-enabled solutions to meet clients' biggest, most complex regulatory challenges with the established technology, data and process management expertise of IHS Markit and SmartDX™.

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 4% to a record level of £1,573 million (2017: £1,519 million). Our Advanced delivery businesses grew strongly and were supported by strong performances from our Banking, Corporate and ICM practices. This was achieved in a market where we continue to see competition and pressures from clients to manage total legal spend.

PROFIT FOR THE FINANCIAL YEAR

Profit before taxation of £653 million for the financial year 2018 (2017: £716 million) was the second best result in the firm's history. The large foreign exchange gains of £48 million recorded for 2017 were replaced with losses for 2018 of £16 million. Exceptional property costs of £21 million were recognised in the financial year for changes to sub-tenant lease arrangements which are further explained in note 6. The underlying performance of the business was strong with profit up 3% after stripping out the impact of foreign currency gains and losses and exceptional property costs.

OPERATING COSTS

Our total staff costs increased by £38 million to £561 million (2017: £523 million), reflecting the impact of headcount increases, 1 May 2017 pay awards and increases in total staff financial reward. Other operating expenses increased by £61 million to £313 million. The swing in exchange gains and losses of £64 million from 2017 to 2018 more than accounted for the increase in operating expenses.

STAFF PENSIONS

2,199 of our staff are active members of the firm's UK defined contribution pension arrangements.

An actuarial funding report on the firm's defined benefit scheme, as at 1 January 2017, was completed during the financial year. The report showed a surplus of £0.4 million and as a result it has been confirmed with the Trustees that the firm is not required to make cash contributions to the scheme. The next funding valuation is due as at 1 January 2020.

The separate annual valuation undertaken for the purpose of these financial statements at 30 April 2018 indicates a defined benefit pension surplus of £54.0 million, compared with a surplus of £51.3 million in the prior year.

NET ASSETS AND FINANCING

Our balance sheet remains strong, with net assets of £450 million (2017: £521 million).

The Group is financed through a combination of partners' capital, partners' subordinated loans and undistributed profits (including tax retentions). Partners' capital contributions totalling £134 million (2017: £140 million) and partners' subordinated loans totalling £57 million (2017: £59 million) are contributed by reference to the Capital Unit per profit sharing point. The Capital Unit is agreed by the Board by 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 30 April 2018, 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.

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 jurisdictions, 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 jurisdictions 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 £540 million (2017: £553 million).

Allen & Overy and its partners have paid, or will pay, taxes of over £323 million in relation to the year ended 30 April 2018. Globally this amount comprises approximately £269 million of profit taxes, £39 million of employer's social security contributions, £10 million of property taxes and £5 million of other taxes.

In addition, Allen & Overy has collected approximately £217 million of taxes on behalf of governments of the jurisdictions in which we practise. £117 million was collected by way of payroll and social security deductions from remuneration paid to our staff and £100 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.

AUDITORS

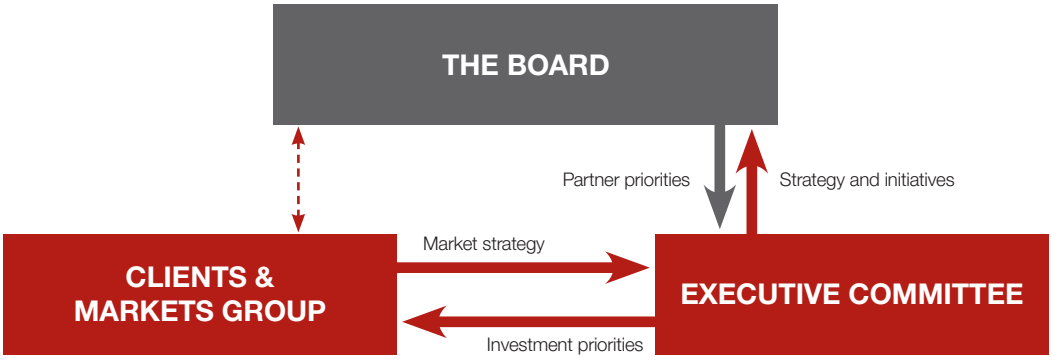
The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed.

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

Having been approved by the Board in April 2017, a new governance structure was introduced early in financial year 2018, which is reflected in the diagram below. The aim of the changes was to ensure accountable leadership and decision-making by establishing visible governance and leadership forums with clear remits. We established a new Executive Committee (Exco) and Clients & Markets Group, which are overseen by a supervisory Board.



The primary purpose of the Board is the stewardship of the firm and the oversight of the executive management. The Board reviews and approves the strategy for the firm as designed by Exco and oversees its implementation. It approves the business planning processes set by Exco and holds Exco to account. The Board is also the guardian of the firm's culture and the voice of the partnership.

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 2018, the Board comprised Wim Dejonghe (Senior Partner), Andrew Ballheimer (Managing Partner) and the six IPDs: Simon Black[1], Angela Clist, Ben Fox, Jack Heinberg, David Lee and Helge Schäefer. In addition to the elected members, the Board benefits from the advice of the Finance & Operations Director, Jason Haines, who attends all Board meetings.

The Exco is responsible for the development and implementation of the firm's overall strategy, major initiatives, priorities and investments. It is the firm's key decision-making body and is responsible for the overall performance management of the business. For the year ended 30 April 2018 Exco comprised 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 Exco is reflective of the firm's product and geographic diversity. Exco also benefits from the advice of the four support directors: Andrew Brammer (IT & Shared Services Director); Richard Grove (Marketing, Business Development and Communications Director), Jason Haines (Finance & Operations Director) and Sasha Hardman (Human Resources Director).

The Clients & Markets Group is responsible for setting and implementing a structured approach to the development and management of client relationships. It is structured around a number of industry sectors and priority clients and is accountable for growth in those sectors and for the development of priority client relationships. It is chaired by the Senior Partner and includes representatives of the sectors and client relationship teams.

[1]Simon Black retired from the partnership, and therefore as an IPD, on 31 October 2017.

Wim Dejonghe
Senior partner, Allen & Overy

Andrew Ballheimer
Managing partner, Allen & Overy

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 so that local managing partners, practice group heads, and 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 six 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 nine partners, the Global 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 CONTACTS

Allen & Overy has designated risk contacts for each office, London practice group and support department who assist with communicating risk messages, local risk training, providing local perspectives on risk issues, and having oversight of the risk register in their jurisdiction or group. The principal risk contacts are the managing partners of each office or jurisdiction and practice group and they are supported by other designated individuals who assist with the day-to-day supervision of risk management tasks.

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 four partners, the IT & Shared Services Director, the Finance & Operations Director, the Chief Information Security Officer and others co-opted as required.

REVIEWING RISK

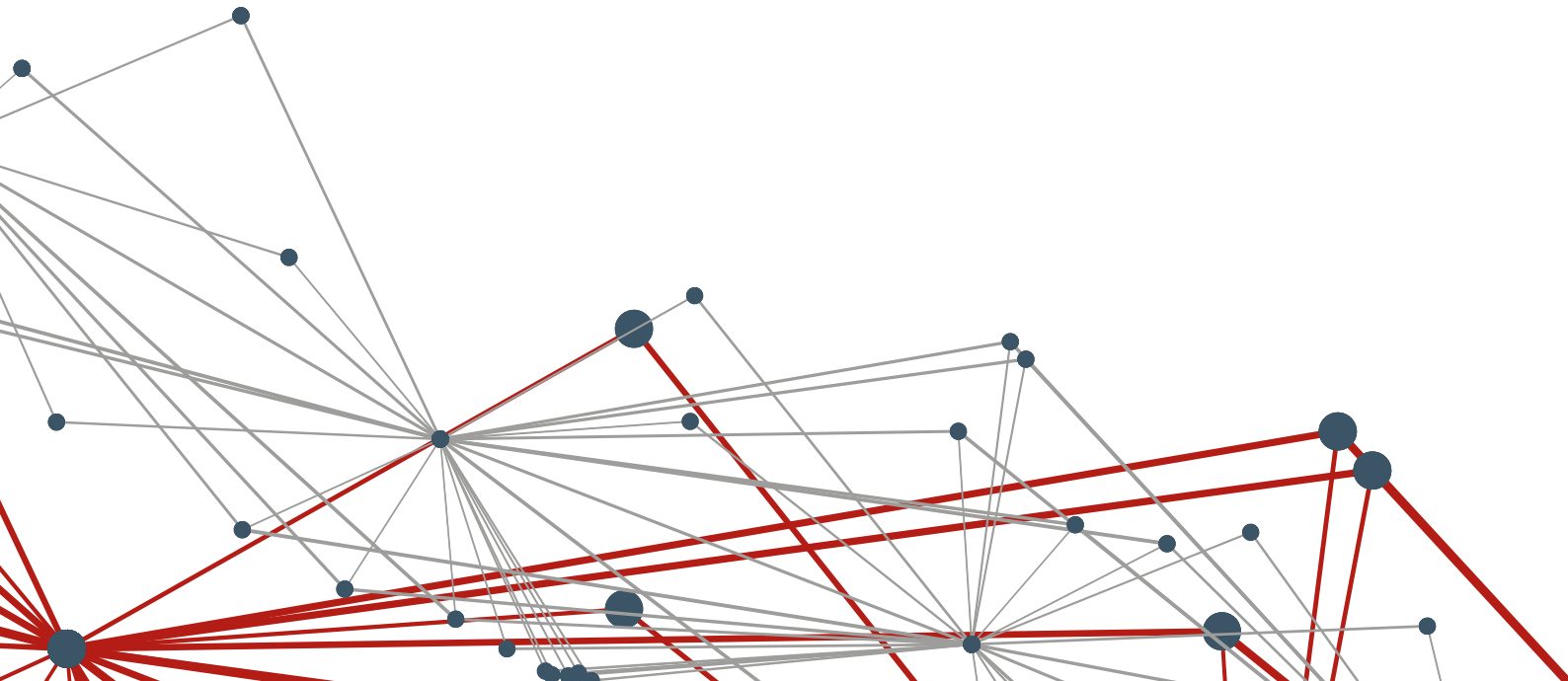
While we develop our own strategies and policies based on our business circumstances, we also actively engage with the concerns and priorities of our clients, our regulators (in particular the Solicitors Regulation Authority of England and Wales), government agencies and the wider legal market. The Group 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 the ways in which management respond to them are as follows:

Risk	Response
Reputation and brand: Damage to our reputation and brand.	– Embedding of Allen & Overy culture in partners and staff. – Business acceptance processes cover client engagement terms and scope. – Well disseminated 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. – Advanced delivery and alternative business models offered including subscription 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 client instructions, including project management office. – Supervision of associates by partners. – Innovative delivery methods, eg Peerpoint, aosphere, Collaborate and MarginMatrixTM. – ISO 22301 certification in the UK for business continuity management. – Scope of work and terms of business agreed. – Institutionalising client relationships. – Integration with Fuse.
People and talent: Inability to recruit, retain and develop the best people.	– Recruitment strategies to identify and attract talent. – Appraisal, training and development programmes, including on-going feedback. – 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. – Global personal data training, policies and procedures designed to meet GDPR requirements.
Brexit: Possible adverse impact on practices.	– Short and medium term review of the potential implications of Brexit for clients and the firm, both in terms of risks and opportunities, which is overseen by a firm-wide specialist group.

People and performance

Throughout our 88 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 13 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 has been continuing to work to support the delivery of a compelling proposition for our people, which differentiates 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 – after a successful pilot, we have been rolling out our new approach to performance development globally and now have over 2,500 people on board. Compass, which enables better and more frequent and forward looking performance/career conversations, will continue to be launched across other offices in the coming months. The entire firm is expected to have adopted Compass by May 2019.

Embedding the Allen & Overy Business School and Support Academy – we have a market leading skills development programme for our associates and support staff and have continued to have 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.

Training programmes – we have had a strong focus on delivering training programmes for people managers to ensure these individuals develop the skills required to manage their teams effectively as well as developing some key programmes for our lawyers to assist them with effectively managing their careers.

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 – the Leadership Centre has had a very successful first year and we continue to expand our offering to partners. In addition, 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.

Lawyer of the future – we have analysed the skills requirements for the lawyer of the future and are currently in the process of designing new selection tools and approaches to ensure we are recruiting the right people to meet the future needs of our global business.

CULTURE OF EXCELLENCE

Health and wellbeing - the wellbeing of our people is a priority for us. We aim to promote a culture of health where people value their physical and psychological wellbeing (and that of their colleagues) in equal measure. In an effort to reduce the stigma associated with mental health we have encouraged discussion through internal articles and hosting guest speakers who are experts in their fields.
In May, for Mental Health Awareness Week, many of our offices supported the Green Ribbon Campaign to raise awareness and over 200 of our people joined a global online mindfulness class to promote positive mental health. We have invested in training and education to help our people to stay healthy and resilient, including specific training for individuals with people management responsibilities and a bespoke resilience programme for our associates. In May we trained our first cohort of Mental Health Champions in London and we hope to roll this out to other offices in the coming months.

Diversity and inclusion – ensuring we have a diverse workforce with a genuinely inclusive culture is one of our five key strategic business priorities. Our aim is to build an environment where everyone feels supported and comfortable in being open, and where differences between our people create opportunities not barriers. Globally we have two strategic priorities: to achieve a better gender balance at the top levels of our organisation and to promote greater LGBT+ inclusion. Our wider diversity programme also focuses on promoting inclusion and equality at a local level and all of this work is underpinned by a set of guiding principles based on impact, accountability and openness.

Agile working – we have introduced iFlex, which supports people to work in an agile way, in London and a number of other offices in recent years and we are committed to rolling this out globally over the coming months. It is important that our people feel that they are trusted to work in ways that work for them.

Values – our culture is a critical aspect of what makes Allen & Overy a great place to work. Last year, we took 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. We are continuing to focus on embedding our values along with expected behaviours as outlined in our new code of conduct.

BRILLIANT TRANSITIONS

Career coaching service – we have introduced internal career coaching to provide confidential support and advice. This has been launched in London initially but is likely to be offered out more widely in the longer-term.

Returnship programme – we are running a further programme, following the success of the programme 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.

Corporate responsibility

PRO BONO AND COMMUNITY INVESTMENT

Pro bono and community investment work has been at the heart of our business for decades. Our global programme supports access to justice, education and employment for tens of thousands of vulnerable people around the world each year.

We provide grants to non-profit organisations through the Allen & Overy Foundation, which is funded by all partners worldwide. This year, contributions to the Foundation totalled £1.5 million. For our Global Grants recipients, we also offer up to 100 hours of pro bono support to enhance the impact of our funding.

Our pro bono and community investment work has been commended in the Financial Times Innovative Lawyers Awards for four years running, and we are particularly proud of the individual recognition our people receive. Over the past year, Paris partner Denis Chemla has been presented with la Légion d'honneur – the highest order of merit in France – for his pro bono work over two decades. Our counsel and Head of Restructuring and Litigation in Hungary, Balázs Sahin-Toth, received the International Bar Association's Pro Bono Award 2017 for being 'a leader in developing a pro bono culture in Hungary'; and associate Josh Little in London received the LawWorks Pro Bono Award (Junior Lawyer Division) for supporting LGBT+ rights group Stonewall.

Over the past year, 45% of our lawyers have participated in pro bono and community investment activity, volunteering 45,093 hours. A selection of our achievements from the past year is below.

OUR GLOBAL CHARITY PARTNERSHIP WITH WAR CHILD BREAKS THE £1M TARGET

September 2018 marks the end of our two-year partnership with War Child, an international charity that provides education and protection services for children affected by conflict. In fundraising terms, this has been our most successful global charity partnership ever.

We reached our initial fundraising target of £0.5 million within six months, allowing us to fully fund the creation of a new facility in a Jordanian refugee camp to provide education, life skills classes and psycho-social support for over 2,160 Syrian children and their parents/carers.

Now, with just a few months to go, we have raised over £1.3 million. This additional funding is crucial in enabling War Child to respond faster to emergencies and reach children as quickly as possible when conflict breaks out. It also helps War Child to support underfunded programmes in regions not widely reported in the media. One such project is helping unemployed young people develop business ideas and livelihoods in Uganda – a country that is not only trying to rebuild after 21 years of conflict, but is now also home to 1.4 million refugees escaping violence in neighbouring countries.

Our next global charity partnership will launch in November 2018 and will continue to focus on supporting displaced people.

ENDING THE USE OF 'TORTURE TAINTED' EVIDENCE

In one of the largest pro bono projects undertaken by A&O, we have contributed to a major report by human rights organisations Fair Trials and REDRESS into the use of evidence obtained through torture around the world.

A team of 70 lawyers from 13 A&O offices conducted pro bono research for the report, highlighting how torture is frequently used by state authorities in certain countries as a shortcut to gather 'intelligence', obtain confessions and exert control over detainees.

The report was launched at A&O's London office in May 2018. Fair Trials and REDRESS are now calling on the UN Committee Against Torture to engage with states to clarify international standards and put in place stronger safeguards to prevent the use of torture evidence, as well as on other UN bodies to do more to emphasise the importance of excluding such evidence.

SMART START INTERNATIONAL EXTENDS TO HONG KONG

In 2018, Smart Start International ran its second programme in India and launched in Hong Kong for the first time.

In India, A&O has again partnered with the Increasing Diversity by Increasing Access (IDIA) project, which identifies young people with potential from marginalised and under-represented backgrounds and introduces them to law as a career option. This year, 17 students from the National Law School of India University, Bangalore, spent two days with A&O lawyers and support professionals, local university professors and IDIA volunteers refining business and soft skills, including presentation techniques and interview style, to help start their careers on a more equal footing.

In Hong Kong, students from the Islamic Kasim Tuet Memorial College and Caritas Tuen Mun Marden Foundation Secondary School attended a two-day programme run by volunteers from A&O and J.P. Morgan. The students worked on skills such as how to prepare a CV, effective networking and persuasive writing, as well as recommending ways in which young people can give their time and skills to support the community.

Smart Start International first launched in India and South Africa in 2016 to help disadvantaged young people access higher education and employment opportunities. It is an extension of A&O's Smart Start Experience in the UK, which has seen over 1,400 young people from non-privileged backgrounds take part in high quality work experience and develop their skills, confidence and ambitions. It is the only work experience scheme in the legal sector to be formally accredited by City & Guilds (a vocational education business), meaning all students who complete Smart Start gain a certificate of achievement. Smart Start has also won multiple awards, including from the Evening Standard newspaper, the Queen's Enterprise Awards and the Financial Times Innovative Lawyers Awards.

RESTART – EMPLOYABILITY FOR THE OVER 50S

ReStart is A&O's employability programme for the over-50s. It launched in 2017 in London to address the growing issue of long-term unemployment in older generations and the impact this has on families and children, as well as the individuals themselves. The pilot was extremely successful and our second cohort of 30 people has recently completed the three-month programme from February to April 2018.

ReStart helps people return to sustained employment by addressing the specific obstacles older people face: from navigating the online job market and understanding the skills needed in today's workplace; to restoring confidence and rebuilding professional networks. Over three months, participants take part in face-to-face sessions and e-learning modules, as well as working with an A&O business mentor and professional coach on areas of specific need.

Of the over-50s who completed the whole programme in 2017 (all of whom had been out of work for six months to a year), 76% found employment within three months and 84% are in work a year later. Feedback has been excellent, with 100% of participants leaving feeling confident about their future careers (growing from 78% to 100% by the end of the programme), and 100% saying they would recommend ReStart to others in a similar position.

ReStart has been shortlisted for the Lord Mayor's Dragon Awards 2018.

Environment

During the year the firm continued to demonstrate its commitment to environmental sustainability by purchasing Gold Standard Voluntary Emissions Reductions (VER) credits to offset the CO2 emissions from its global air travel for 2016. We plan to continue investing in Gold Standard VER's for our 2017 and future global aviation emissions.

In the UK, our strategy of demand side reductions in electricity consumption continues to reduce carbon emissions; electricity consumption reduced for the third year running, by 7.4% in 2017.

We have achieved this by continuing to invest in low-energy LED lighting and in implementing improvements in air conditioning control. We continue to purchase 100% renewable electricity for our London office (as certified by the UK Carbon Trust).

In early 2018, we were successfully re-certified to the ISO 14001 and 50001 Environmental and Energy Management Systems respectively for our London and Belfast offices. Our Amsterdam office continues to be certified to both standards.

ENVIRONMENTAL PERFORMANCE FOR CALENDAR YEAR 2017

Our reported global carbon footprint has decreased from 33,048 tCO2 equivalent (using national emissions factors for grid electricity) in calendar year 2016, to 32,320 tCO2 equivalent in calendar year 2017. This decrease of 2.2% is within the context of an increase in employee numbers of 2% and a small reduction in occupied office floor space of 0.7% globally.

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

The most significant reasons for our reduced carbon footprint are:

– reduced electricity consumption and reduced grid emissions factors more than offsetting an increase in international air travel; and

– reduced consumption of fuel.

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 12 September 2018 by

Wim Dejonghe
Senior Partner

Independent auditors' report to the Members of Allen & Overy LLP

Report on the audit of the financial statements

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 2018 and of the group's profit and the group's and the limited liability partnership's cash flows for the year then ended;

– have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the limited liability partnership's financial statements, as applied in accordance with the provisions of the Companies Act 2006 as applied to limited liability partnerships; and;

– 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and limited liability partnership balance sheets as at 30 April 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and limited liability partnership statements of cash flows, and the consolidated and limited liability partnership statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

– the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

– the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and limited liability partnership's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of Members' responsibilities in respect of the financial statements set out on page 23, the Members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **frc.org.uk/auditorsresponsbilities**. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Members of the limited liability 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.

Other required reporting

Companies Act 2006 exception reporting

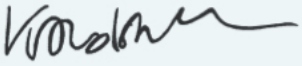
Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

– 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.



Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 September 2018

Annual Financial Statements

CONSOLIDATED INCOME STATEMENT – YEAR ENDED 30 APRIL 2018

	Notes	2018 £m	2017 £m
Turnover		1,552.1	1,498.1
Other income		21.1	21.2
Revenue		1,573.2	1,519.3
Operating costs			
Staff costs	5	(561.1)	(523.2)
Depreciation, amortisation and impairment		(23.3)	(27.7)
Exceptional item	6	(21.1)	–
Other operating expenses		(312.6)	(251.7)
Operating profit		655.1	716.7
Finance income	7	1.9	1.5
Finance costs	7	(3.9)	(2.6)
Profit before taxation		653.1	715.6
Taxation	8	(33.9)	(23.9)
Profit before partners' remuneration and profit shares		619.2	691.7
Partners' remuneration charged as an expense		(217.4)	(200.2)
Profit for the financial year available for division among partners		401.8	491.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – YEAR ENDED 30 APRIL 2018

	Notes	2018 £m	2017 £wm
Profit for the financial year available for division among partners		401.8	491.5
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss: Exchange (loss)/gain on translation of foreign operations		15.3	(24.7)
Items that will not be reclassified to profit or loss: Actuarial gain on defined benefit pension scheme	21	1.4	23.0
Other comprehensive (loss)/income for the year		16.7	(1.7)
Total comprehensive income for the year	22	418.5	489.8

CONSOLIDATED BALANCE SHEET – AT 30 APRIL 2018

	Notes	At 30 April 2018 £m	At 30 April 2017 £m
Assets			
Non-current assets			
Intangible assets	9	17.0	1.1
Property, plant and equipment	10	88.2	80.5
Investments	12	0.3	0.1
Retirement benefit surplus	21	54.0	51.3
		159.5	133.0
Current assets			
Client and other receivables	13	786.3	729.9
Amounts due from partners	22	49.1	117.5
Cash and cash equivalents	14	132.8	170.8
		968.2	1,018.2
Total assets		1,127.7	1,151.2
Liabilities			
Current liabilities			
Trade and other payables	15	(317.4)	(289.7)
Current tax liabilities		(15.5)	(1.4)
Provisions for other liabilities and charges	16	(14.0)	(14.5)
Partners' capital	22	(5.1)	(7.0)
		(352.0)	(312.6)
Non-current liabilities			
Trade and other payables	15	(88.8)	(98.5)
Provisions for other liabilities and charges	16	(108.6)	(86.7)
Partners' capital	22	(128.8)	(132.7)
		(326.2)	(317.9)
Total liabilities		(678.2)	(630.5)
Net assets		449.5	520.7
Equity			
Partners' other reserves		443.5	530.0
Translation reserve		6.0	(9.3)
		449.5	520.7
Total partners' interests			
Amounts due from partners	22	(49.1)	(117.5)
Partners' capital classed as a liability	22	133.9	139.7
Total partners' other interests	22	449.5	520.7
		534.3	542.9

The financial statements on pages 27 to 62 were authorised for issue by the partners and signed on their behalf on 12 September 2018 by:

Wim Dejonghe
Senior Partner

Andrew Ballheimer
Managing Partner

Jason Haines
Finance & Operations Director

Allen & Overy LLP
Registered no. OC306763

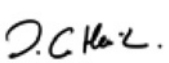
LIMITED LIABILITY PARTNERSHIP BALANCE SHEET – AT 30 APRIL 2018

	Notes	At 30 April 2018 £m	At 30 April 2017 £m
Assets			
Non-current assets			
Intangible assets	9	17.0	1.1
Property, plant and equipment	11	59.2	60.2
Investments	12	10.2	10.5
Retirement benefit surplus	21	54.0	51.3
		140.4	123.1
Current assets			
Client and other receivables	13	725.8	677.3
Amounts due from Members	22	22.7	88.7
Cash and cash equivalents	14	96.3	134.0
		844.8	900.0
Total assets		985.2	1,023.1
Liabilities			
Current liabilities			
Trade and other payables	15	(286.6)	(290.8)
Current tax liabilities		(15.6)	(2.5)
Provisions for other liabilities and charges	16	(11.8)	(13.1)
Members' capital	22	(5.1)	(6.6)
		(319.1)	(313.0)
Non-current liabilities			
Trade and other payables	15	(59.1)	(56.5)
Provisions for other liabilities and charges	16	(103.9)	(80.7)
Members' capital	22	(125.3)	(125.0)
		(288.3)	(262.2)
Total liabilities		(607.4)	(575.2)
Net assets		377.8	447.9
Equity			
Members' other reserves at 1 May		452.9	347.2
Profit for the financial year attributable to Members		332.2	414.8
Other changes in Members' other reserves		(411.6)	(309.1)
Members' other reserves at 30 April		373.5	452.9
Translation reserve		4.3	(5.0)
		377.8	447.9
Total Members' interests			
Amounts due from Members	22	(22.7)	(88.7)
Members' capital classed as a liability	22	130.4	131.6
Total Members' other interests	22	377.8	447.9
		485.5	490.8

The financial statements on pages 27 to 62 were authorised for issue by the partners and signed on their behalf on 12 September 2018 by:

Wim Dejonghe
Senior Partner

Andrew Ballheimer
Managing Partner



Jason Haines
Finance & Operations Director

Allen & Overy LLP
Registered no. OC306763

CONSOLIDATED CASH FLOW STATEMENT – YEAR ENDED 30 APRIL 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	19	690.3	747.5
Tax paid		(19.9)	(24.8)
Net cash inflow from operating activities		670.4	722.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(31.2)	(25.2)
Purchase of intangible assets		(15.9)	(1.1)
Purchase of investments		(0.3)	–
Interest received		0.5	0.6
Proceeds on disposal of property, plant and equipment		0.1	0.5
Net cash used in investing activities		(46.8)	(25.2)
Cash flows from financing activities			
Partners' capital introduced	22	18.4	12.9
Capital repayments to partners	22	(24.3)	(12.4)
Payments to and on behalf of partners		(638.8)	(618.5)
Retirement benefits paid to former partners		(9.1)	(8.1)
Interest paid		(1.1)	(1.1)
Net cash used in financing activities		(654.9)	(627.2)
Net (decrease)/increase in cash and cash equivalents		(31.3)	70.3
Cash and cash equivalents at beginning of year		170.8	113.7
Effects of foreign exchange rate changes		(6.7)	(13.2)
Cash and cash equivalents at end of year	14	132.8	170.8

LIMITED LIABILITY PARTNERSHIP CASH FLOW STATEMENT – YEAR ENDED 30 APRIL 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	20	469.4	621.2
Tax paid		(12.7)	(19.8)
Net cash inflow from operating activities		456.7	601.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(18.2)	(13.3)
Purchase of intangible assets		(15.9)	(1.1)
Cash transferred out on establishment of Belgium subsidiary		(2.8)	–
Interest received		0.4	0.5
Net cash used in investing activities		(36.5)	(13.9)
Cash flows from financing activities			
Members' capital introduced	22	16.0	11.8
Capital repayments to Members	22	(17.3)	(12.0)
Payments to and on behalf of Members		(454.0)	(508.0)
Retirement benefits paid to former Members		(9.1)	(8.1)
Interest paid		(1.0)	(1.0)
Net cash used in financing activities		(465.4)	(517.3)
Net (decrease)/increase in cash and cash equivalents		(45.2)	70.2
Cash and cash equivalents at beginning of year		134.0	65.5
Effects of foreign exchange rate changes		7.5	(1.7)
Cash and cash equivalents at end of year	14	96.3	134.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2018

	Equity 2018			Equity 2017		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	530.0	(9.3)	520.7	401.4	15.4	416.8
Profit for the financial year available for division among partners	401.8	–	401.8	491.5	–	491.5
Exchange gain/(loss) on translation of foreign operations	–	15.3	15.3	–	(24.7)	(24.7)
Actuarial gain on pension scheme	1.4	–	1.4	23.0	–	23.0
Total comprehensive income for the year	403.2	15.3	418.5	514.5	(24.7)	489.8
Profit allocated to partners	(489.7)	–	(489.7)	(385.9)	–	(385.9)
Total transactions with partners recognised directly in equity	(489.7)	–	(489.7)	(385.9)	–	(385.9)
Equity at 30 April	443.5	6.0	449.5	530.0	(9.3)	520.7

LIMITED LIABILITY PARTNERSHIP STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2018

	Equity 2018			Equity 2017		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	452.9	(5.0)	447.9	347.2	10.0	357.2
Profit for the financial year attributable to Members	332.2	–	332.2	414.8	–	414.8
Exchange gain/(loss) on translation of foreign operations	–	9.3	9.3	–	(15.0)	(15.0)
Actuarial gain on pension scheme	1.4	–	1.4	23.0	–	23.0
Total comprehensive income for the year	333.6	9.3	342.9	437.8	(15.0)	422.8
Profit allocated to Members	(413.0)	–	(413.0)	(332.1)	–	(332.1)
Total transactions with Members recognised directly in equity	(413.0)	–	(413.0)	(332.1)	–	(332.1)
Equity at 30 April	373.5	4.3	377.8	452.9	(5.0)	447.9

Notes to the financial statements

Year ended 30 April 2018

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 2018, 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 2018

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 May 2017 that had a material impact on the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 May 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

For the Group, transition to IFRS 9 will take effect from 1 May 2018. It anticipates that the classification and measurement basis for its financial assets and financial liabilities will be largely unchanged by adoption of IFRS 9. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected credit loss model. No material impact on profit for future periods is expected.

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.

For the Group, transition to IFRS 15 will take effect from 1 May 2018. IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual performance obligations, on a stand-alone selling price basis, based on a five-step model.

The impact of IFRS 15 has been assessed and management has concluded that the accounting policies applied by the Group for revenue recognition are compliant with the standard. Accordingly, there will be no material impact on revenue recognition when the new standard comes into effect.

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 detailed review of operating leases is currently being undertaken by management. The implementation of IFRS 16 will impact the value of assets and liabilities recorded on the balance sheet. Beyond the information shown in note 18 in relation to operating lease commitments it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the detailed review has been completed.

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 2018. 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.

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.

Exceptional items

Exceptional items are disclosed separately in the financial statements, where it is necessary to do so to provide further understanding of the financial performance of the group. They are items that are material, either because of their size or their nature, and that are non-recurring, and are presented within the line items to which they best relate.

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

Costs associated with maintaining computer software programs are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

– it is technically feasible to complete the software product so that it will be available for use;

– management intends to complete the software product and use or sell it;

– there is an ability to sell or use the software product;

– it can be demonstrated how the software product will generate probable future economic benefits;

– adequate technical, financial and other resources to complete the development and to use or sell software product are available; and

– the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years. 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.

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 in subsidiaries 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 and that a reliable estimate can be made. 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 other 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.

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 and adjustments could be required in future periods. Where appropriate, present values are calculated using discount rates reflecting the maturity of items being valued.

Set out below is a summary of the principal estimates and judgements that could have a significant effect on the Group's financial results:

– Revenue recognition and valuation of unbilled amounts for client work (note 13) – estimating the stage of contract completion, including estimating the costs still to be incurred, assessing the likely engagement outcome and assessing the unbilled amounts for client work.

– Defined benefit schemes (note 21) and former partner annuities (note 16) – determining the actuarial assumptions to be applied in estimating the defined benefit obligation for each scheme, with the key actuarial assumptions being discount rate, inflation and life expectancy.

– Provisions for early retirement of partners/former partners (note 16) – estimating the level of profit for future years.

– Onerous property costs (note 16) – assessing future sublet income to offset the continuing rental obligations for surplus or vacated office space.

– Provisions for claims – assessing the probable outcome of claims and estimating the level of costs to be incurred in defending and concluding such matters.

Further details of significant estimates and judgements are set out in the related notes to the financial statements.

3 PROFIT BEFORE TAXATION

	2018 £m	2017 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	23.3	27.7
Loss on sale of property, plant and equipment	0.1	0.2
Net foreign exchange loss/(gain)	16.0	(48.2)

4 AUDITORS' REMUNERATION

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

	2018 £m	2017 £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	0.7	1.5
– Taxation advisory services	0.1	0.3
– All other services	0.4	0.6
	1.9	3.1

5 STAFF AND STAFF COSTS

	Consolidated		Limited Liability Partnership	
	2018 No.	2017 No.	2018 No.	2017 No.
The average number of partners and employees during the year was:				
Partners	538	528	392	419
Lawyers and other fee earners	2,434	2,382	1,664	1,725
Support staff	2,249	2,199	1,340	1,405
	5,221	5,109	3,396	3,549

	2018 £m	2017 £m	2018 £m	2017 £m
Staff costs incurred during the year were:				
Salaries (including staff bonus)	445.4	416.3	321.0	313.1
Social security costs	39.2	36.9	31.1	30.8
Pension costs	16.3	18.4	13.0	15.8
Other costs (such as staff development, recruitment, medical expenses, and the cost of temporary staff)	60.2	51.6	52.1	45.8
	561.1	523.2	417.2	405.5

6 EXCEPTIONAL ITEM

Surplus office space in the London office at Bishops Square is sublet to a number of parties on varying lease terms. During the financial year one subtenant gave notice under the terms of their lease and vacated. A replacement subtenant has been found and the space occupied on such terms that result in a loss being incurred for the remaining period of the lease. Management have reviewed other upcoming lease termination events and assessed the probability of renewal by the subtenants. As a result of this review, an onerous lease provision has been recognised for the expected cash shortfall arising from the rent payable while the office space is marketed and remains empty and an estimate of the loss on subletting the surplus space for the remainder of the lease. This has crystallised a one-off charge to the income statement of £21.1 million. The most significant estimate relates to the period during which the property remains empty.

The charge of £21.1 million is considered to be an exceptional item and has been separately disclosed in the consolidated income statement.

7 FINANCE INCOME AND COSTS

	2018 £m	2017 £m
Finance income		
Interest receivable on bank deposits	0.6	0.6
Net finance income on retirement benefits plan (note 21)	1.3	0.9
	1.9	1.5
Finance costs		
Interest payable on bank loans and overdrafts	(1.1)	(1.1)
Unwinding of and change in discount on provisions (note 16)	(2.8)	(1.5)
	(3.9)	(2.6)

8 TAXATION

	2018 £m	2017 £m
Current tax on profits for the year	32.7	24.2
Adjustments in respect of prior years	1.2	(0.3)
Total current tax	33.9	23.9

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.

	2018 £m	2017 £m
Profit before taxation	653.1	715.6
Less: Amounts subject to personal tax	(538.2)	(646.7)
Profits subject to taxation	114.9	68.9

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:

	2018 £m	2017 £m
Profits subject to tax	114.9	68.9
At UK corporation tax of 19% (2017: 20%)	21.8	13.7
Tax effects of:		
Different tax rates and bases in other jurisdictions	9.3	8.7
Unrelieved losses	1.6	1.8
Adjustment in respect of prior years	1.2	(0.3)
Current year charge for the year	33.9	23.9

9 INTANGIBLE ASSETS

	Consolidated and Limited Liability Partnership	
	2018 £m	2017 £m
Internally generated IT software		
Cost		
At 1 May	20.0	18.9
Additions	15.9	1.1
At 30 April	35.9	20.0
Accumulated Amortisation		
At 1 May	18.9	18.9
At 30 April	18.9	18.9
Net book value		
At 30 April	17.0	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 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 1 May 2017	241.2	64.1	80.6	0.2	386.1
Currency translation adjustments	(0.1)	0.6	(0.1)	–	0.4
Additions	13.0	3.3	14.8	0.1	31.2
Disposals	(3.5)	(1.4)	(0.6)	–	(5.5)
At 30 April 2018	250.6	66.6	94.7	0.3	412.2
Accumulated Depreciation					
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 1 May 2017	179.8	53.3	72.5	–	305.6
Currency translation adjustments	(0.1)	0.6	(0.1)	–	0.4
Charge for year	12.3	4.0	6.8	0.2	23.3
Disposals	(3.3)	(1.4)	(0.6)	–	(5.3)
At 30 April 2018	188.7	56.5	78.6	0.2	324.0
Net Book Value					
At 30 April 2018	61.9	10.1	16.1	0.1	88.2
At 30 April 2017	61.4	10.8	8.1	0.2	80.5

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

	2018 £m	2017 £m
Cost – capitalised finance leases	0.6	0.7
Accumulated depreciation	(0.6)	(0.5)
Net Book Value	–	0.2

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

	2018 £m	2017 £m
Cost – capitalised finance leases	0.1	0.2
Accumulated depreciation	(0.1)	(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 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 1 May 2017	209.5	46.7	70.0	–	326.2
Currency translation adjustments	(0.5)	–	(0.3)	–	(0.8)
Additions	5.5	1.3	11.4	–	18.2
Disposals	(8.5)	(3.3)	(3.7)	–	(15.5)
At 30 April 2018	206.0	44.7	77.4	–	328.1
Accumulated depreciation					
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 1 May 2017	162.6	40.2	63.2	–	266.0
Currency translation adjustments	(0.5)	–	(0.3)	–	(0.8)
Charge for year	8.2	2.3	5.5	–	16.0
Disposals	(5.8)	(2.9)	(3.6)	–	(12.3)
At 30 April 2018	164.5	39.6	64.8	–	268.9
Net Book Value					
At 30 April 2018	41.5	5.1	12.6	–	59.2
At 30 April 2017	46.9	6.5	6.8	–	60.2

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

	2018 £m	2017 £m
Cost – capitalised finance leases	0.6	0.7
Accumulated depreciation	(0.6)	(0.5)
Net Book Value	–	0.2

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

	2018 £m	2017 £m
Cost – capitalised finance leases	0.1	0.2
Accumulated depreciation	(0.1)	(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, Thailand	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%
Allen & Overy Management Services Company Limited	38F Roppongi Hills Mori Tower 6-10-1 Roppongi, Minato-ku, Tokyo, 106-6138, Japan	Service company	100%
Allen & Overy Service GmbH	Haus am Opernturm, Bockenheimer Landstraße 2, 60306 Frankfurt am Main, Germany	Service company	100%

The LLP has power, directly or indirectly, to govern the financial and operating policies to obtain benefits from the activities of 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)	Serrano 73, 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	–
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 (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	–
Allen & Overy Spain (No 1) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Spain (No 2) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy (Australia) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Hong Kong (No 1) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Hong Kong (No 2) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–

The LLP has branches in the People's Republic of China, France, Germany, Japan, South Korea, the Netherlands, Qatar, Singapore, the United Arab Emirates, the United Kingdom, and the United States of America. The Belgium branch was restructured with activities being taken over by Allen & Overy (Belgium) LLP on 1 May 2017.

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 2016	0.1	9.7	–	9.7
Additions	–	0.8	–	0.8
At 1 May 2017	0.1	10.5	–	10.5
Additions	0.3	–	–	–
Disposals	(0.1)	(0.3)	–	(0.3)
At 30 April 2018	0.3	10.2	–	10.2
Carrying amount at 30 April 2018	0.3	10.2	–	10.2
Carrying amount at 30 April 2017	0.1	10.5	–	10.5

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 2017 and 2018 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	
	2018 £m	2017 £m	2018 £m	2017 £m
Client receivables	566.0	545.2	422.7	437.4
Allowance for doubtful receivables	(27.5)	(29.6)	(20.1)	(22.2)
	538.5	515.6	402.6	415.2
Unbilled revenue	171.7	152.2	125.0	116.7
Amounts due from other Group undertakings	–	–	143.4	97.4
Other receivables	36.8	22.3	22.3	13.4
Prepayments	39.3	39.8	32.5	34.6
	786.3	729.9	725.8	677.3

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 2018 there are £0.3 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	
	2018 £m	2017 £m	2018 £m	2017 £m
At 1 May	(29.6)	(22.1)	(22.2)	(15.2)
Currency translation adjustment	0.5	(1.9)	0.5	(1.2)
Provision utilised	6.6	5.6	4.2	2.0
	(22.5)	(18.4)	(17.5)	(14.4)
Charged to the income statement	(15.6)	(17.3)	(11.1)	(12.3)
Provision released	10.6	6.1	8.5	4.5
At 30 April	(27.5)	(29.6)	(20.1)	(22.2)

The ageing of client receivables at the reporting date was:

	Consolidated		Limited Liability Partnership	
	2018 £m	2017 £m	2018 £m	2017 £m
Not past due	258.2	263.6	219.0	237.4
Past due 0-30 days	126.9	112.9	89.3	82.2
Past due 31-120 days	91.0	84.6	55.5	57.4
Past due greater than 120 days	62.4	54.5	38.8	38.2
	538.5	515.6	402.6	415.2

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	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash and cash equivalents	132.8	170.8	96.3	134.0

Cleared funds are monitored on a daily basis and surplus funds are placed on short-term deposit.

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	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade payables	43.5	43.7	37.8	39.5
Amounts due to other Group undertakings	–	–	30.5	34.7
Employment and sales taxes	38.0	31.2	35.9	29.6
Other payables	26.3	13.7	37.0	36.4
Partners' subordinated loans	57.1	58.5	35.4	36.7
Other amounts due to partners remunerated as employees or consultants	107.1	101.5	65.1	67.1
Accruals	110.1	113.0	83.6	80.6
Deferred rent	24.1	26.6	20.4	22.7
	406.2	388.2	345.7	347.3

	Consolidated		Limited Liability Partnership	
	2018 £m	2017 £m	2018 £m	2017 £m
Included in current liabilities	317.4	289.7	286.6	290.8
Included in non-current liabilities	88.8	98.5	59.1	56.5
	406.2	388.2	345.7	347.3

Non-current liabilities comprise sales taxes, other payables, partners' subordinated loans, other amounts due to partners remunerated as employees or consultants, accruals and deferred rent.

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

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

Included within 'Other payables' are gross finance lease liabilities of £0.1 million (2017: £0.4 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 the 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 2018, the LLP had committed bank loan facilities of £150 million (2017: £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.

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 2030.

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 2030.

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 2018 £m	Total 2017 £m
At 1 May	19.9	33.1	48.2	101.2	92.2
Currency translation adjustments	–	–	(0.5)	(0.5)	1.3
Provision utilised	(2.0)	(8.7)	(2.8)	(13.5)	(12.2)
	17.9	24.4	44.9	87.2	81.3
Charged to the income statement	–	–	20.9	20.9	1.6
Charge for the year:					
– former partners	–	(0.1)	–	(0.1)	3.2
– current partners	–	13.6	–	13.6	10.9
Unwind of discount on provision	–	0.4	2.4	2.8	1.5
Actuarial adjustment	(1.0)	–	–	(1.0)	1.9
Provision released:					
– former partners	–	(0.7)	–	(0.7)	–
– current partners	–	(0.8)	–	(0.8)	(0.4)
Charged to fixed assets	–	–	0.7	0.7	1.2
	(1.0)	12.4	24.0	35.4	19.9
At 30 April	16.9	36.8	68.9	122.6	101.2

	2018 £m	2017 £m
Included in current liabilities	14.0	14.5
Included in non-current liabilities	108.6	86.7
	122.6	101.2

	Limited Liability Partnership				
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous leases and dilapidations £m	Total 2018 £m	Total 2017 £m
At 1 May	19.9	33.1	40.8	93.8	85.9
Currency translation adjustments	–	–	(0.2)	(0.2)	0.6
Provision utilised	(2.0)	(8.7)	(1.9)	(12.6)	(11.4)
	17.9	24.4	38.7	81.0	75.1
Charged to the income statement	–	–	20.8	20.8	1.6
Charge for the year:					
– former partners	–	(0.1)	–	(0.1)	3.2
– current partners	–	13.6	–	13.6	10.9
Unwind of discount on provision	–	0.4	2.3	2.7	1.4
Actuarial adjustment	(1.0)	–	–	(1.0)	1.9
Provision released:					
– former partners	–	(0.7)	–	(0.7)	–
– current partners	–	(0.8)	–	(0.8)	(0.4)
Charged to fixed assets	–	–	0.2	0.2	0.1
	(1.0)	12.4	23.3	34.7	18.7
At 30 April	16.9	36.8	62.0	115.7	93.8

	2018 £m	2017 £m
Included in current liabilities	11.8	13.1
Included in non-current liabilities	103.9	80.7
	115.7	93.8

17 CAPITAL COMMITMENTS

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

	2018 £m	2017 £m
Property fit-out costs	0.6	7.7
Computer, telecommunications and other equipment	0.1	0.5
	0.7	8.2

18 OPERATING LEASE COMMITMENTS

	Consolidated	
	2018 £m	2017 £m
Lease payments under operating leases recognised as an expense in the Income Statement for the year	94.3	102.6
Rent receivable from subleases recognised as Other Income in the Income Statement for the year	18.7	20.4

At 30 April 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2018 £m	2017 £m	2018 £m	2017 £m
Within one year	101.0	100.0	1.2	1.0
Within two to five years	355.0	370.1	1.9	1.9
In more than five years	186.1	250.2	–	–
	642.1	720.3	3.1	2.9

At 30 April 2018, 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	
	2018 £m	2017 £m
Within one year	14.3	11.2
Within two to five years	49.2	35.1
In more than five years	25.2	22.0
	88.7	68.3

19 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2018 £m	2017 £m
Profit before taxation	653.1	715.6
Adjustments for:		
Depreciation of property, plant and equipment	23.3	27.7
Foreign exchange loss/(gain) on operating activities	22.9	(42.1)
Net finance costs	2.0	1.1
Loss on disposal of property, plant and equipment	0.2	0.2
Operating cash flows before movement in working capital	701.5	702.5
Increase in provisions	28.2	15.8
Increase in receivables	(57.1)	(29.1)
Increase in payables	17.7	58.3
Cash generated by operations	690.3	747.5

20 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Limited Liability Partnership	
	2018 £m	2017 £m
Profit before taxation	484.3	573.5
Adjustments for:		
Depreciation of property, plant and equipment	16.0	21.9
Loss on disposal of investments	0.3	–
Foreign exchange loss/(gain) on operating activities	21.2	(38.3)
Net finance costs	1.9	1.0
Operating cash flows before movement in working capital	523.7	558.1
Increase in provisions	28.6	14.7
(Increase)/decrease in receivables	(65.7)	39.8
(Decrease)/ increase in payables	(17.2)	8.6
Cash generated by operations	469.4	621.2

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 jurisdictions 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 £14.5m (2017 – £16.8m). 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 19-20 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 2017 and showed a surplus of £0.4 million. The next funding valuation is due as at 1 January 2020.

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

Asset volatility: The liabilities under IAS 19 are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will worsen the IAS 19 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 most recent 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:

	2018 %	2017 %
Discount Rate	2.6	2.5
RPI inflation	3.1	3.3
CPI inflation	2.0	2.2
Salary increases	3.1	3.3
Pension increase in deferment	2.0	2.2
Pension increases in payment	2.0	2.2

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:

	2018 Years	2017 Years
Current pensioners at age 65 – Male	23.4	23.5
Current pensioners at age 65 – Female	24.7	24.7
Future pensioners at age 65* – Male	25.1	25.2
Future pensioners at age 65* – Female	26.5	26.5

* for non-pensioners currently aged 45

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

	2018 £m	2017 £m
Performance assets (non-property):		
Global equities (quoted)	39.5	69.1
Diversified Growth Funds (primarily quoted)	26.9	25.8
Hedge funds and alternative investments (unquoted)	8.2	8.5
Property (unquoted)	10.7	9.8
Inflation opportunities fund (unquoted)	11.6	11.1
Bonds:		
Absolute return bonds (quoted)	45.3	28.6
Corporate bonds (quoted)	–	1.4
Index linked bonds (quoted)	49.9	57.6
Cash and other assets (quoted)	27.5	14.7
Present value of defined benefit assets at end of the year	219.6	226.6

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

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

	2018 £m	2017 £m
Fair value of scheme assets	219.6	226.6
Present value of defined benefit obligations	(165.6)	(175.3)
Retirement benefit surplus	54.0	51.3

No adjustment has been made to restrict the surplus recognised, since under the Scheme rules the firm could receive a refund of surplus if the Scheme is run on until the last member has died.

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

	2018 £m	2017 £m
Finance credit:		
Interest on pension Scheme assets	5.6	5.9
Finance cost:		
Interest on pension Scheme defined benefit obligations	(4.3)	(5.0)
Net finance income for the year	1.3	0.9

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

	2018 £m	2017 £m
Return on Scheme assets (below)/in excess of that recognised in net interest	(6.5)	53.9
Actuarial losses/(gains) due to changes in financial assumptions	7.4	(35.1)
Actuarial losses due to changes in demographic assumptions	0.9	6.3
Actuarial gains due to liability experience	(0.4)	(2.1)
Closing fair value of Scheme assets	1.4	23.0

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

	2018 £m	2017 £m
Opening fair value of Scheme assets	226.6	171.7
Interest income on Scheme assets	5.6	5.9
Return on Scheme assets (below)/ in excess of that recognised in net interest	(6.5)	53.9
Contributions by employer	–	–
Benefits paid	(6.1)	(4.9)
Closing fair value of Scheme assets	219.6	226.6

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

	2018 £m	2017 £m
Opening defined benefit obligation	(175.3)	(144.3)
Interest cost	(4.3)	(5.0)
Actuarial losses due to changes in demographic assumptions	0.9	6.3
Gain/(loss) from change in financial assumptions	7.4	(35.1)
Experiences losses	(0.4)	(2.1)
Benefits paid	6.1	4.9
Closing defined benefit obligation	(165.6)	(175.3)

The actual return on the Scheme assets during the period was a £0.9 million gain (2017 – £59.8 million gain).

The value of insured pensions has been excluded from both the assets and liabilities on the grounds of materiality. As the value of the obligations and assets in respect of the insured pensions would be the same under IAS 19, including them would not change the balance sheet position.

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	8.2
0.25% increase in the expected rate of increase in salaries	0.4
0.25% increase in the assumed rate of inflation	7.7
One-year increase in average life expectancy	5.0

Future Cash Funding

The most recent full actuarial valuation was as at 1 January 2017 and was completed in 2017 using the Projected Unit valuation method. The valuation revealed a surplus at the valuation date. Accordingly, the expected contributions by the Firm to the defined benefit section of the Scheme over the next 12 months are nil. The next actuarial valuation is due at 1 January 2020.

22 TOTAL PARTNERS'/MEMBERS' INTERESTS

	Consolidated				
	Amounts due from partners £m	Partners' capital classified as a liability £m	Equity £m	Total 2018 £m	Total 2017 £m
Total partners' interests at 1 May	(117.5)	139.7	520.7	542.9	470.4
Total comprehensive income for the year	–	–	418.5	418.5	489.8
Profit allocated to partners	489.7	–	(489.7)	–	–
Drawings and distributions	(421.3)	–	–	(421.3)	(418.1)
Foreign currency capital revaluation	–	0.1	–	0.1	0.3
Capital introduced	–	18.4	–	18.4	12.9
Capital repaid	–	(24.3)	–	(24.3)	(12.4)
	(49.1)	133.9	449.5	534.3	542.9

	Limited Liability Partnership				
	Amounts due from Members £m	Members' capital classified as a liability £m	Equity £m	Total 2018 £m	Total 2017 £m
Total Members' interests at 1 May	(88.7)	131.6	447.9	490.8	438.0
Total comprehensive income for the year	–	–	342.9	342.9	422.8
Profit allocated to Members	413.0	–	(413.0)	–	–
Drawings and distributions	(347.0)	–	–	(347.0)	(370.0)
Foreign currency capital revaluation	–	0.1	–	0.1	0.2
Capital introduced	–	16.0	–	16.0	11.8
Capital repaid	–	(17.3)	–	(17.3)	(12.0)
	(22.7)	130.4	377.8	485.5	490.8

The above tables disclose both the cash and non-cash movements in the Group and LLP's liabilities arising from financing activities. 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	
	2018 £m	2017 £m	2018 £m	2017 £m
Included in current liabilities	5.1	7.0	5.1	6.6
Included in non-current liabilities	128.8	132.7	125.3	125.0
	133.9	139.7	130.4	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 (including post-employment benefits) awarded to these key management personnel for the year ended 30 April 2018 will amount to £14.8 million (2017: £15.8 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 2018, there was a net provision of services to the LLP from other Group undertakings to the value of £12.8 million (2017: £25.4 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 2018, there was a net provision of administrative support to the LLP from other Group entities to the value of £4.1 million (2017: £6.2 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, accruals, provisions and partners' capital 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	2018 £m	2017 £m
Net client receivables	538.5	515.6
Unbilled revenue	171.7	152.2
Other receivables	36.8	22.3
Cash	132.8	170.8
	879.8	860.9

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

	2018 £m	2017 £m
Euro	266.0	241.2
Sterling	321.4	316.3
U.S. Dollar (or currencies linked to U.S. Dollar)	222.3	236.6
Other currencies	70.1	66.8
	879.8	860.9

Liabilities	2018 £m	2017 £m
Trade payables	43.5	43.7
Employment and sales taxes	38.0	31.2
Other payables	26.3	13.7
Partners' subordinated loans	57.1	58.5
Other amounts due to partners remunerated as employees or consultants	107.1	101.5
Accruals	110.1	113.0
Partners' capital	133.9	139.7
Provision for onerous leases and dilapidations	68.9	48.2
Provision for early retirement of partners/former partners	36.8	33.1
Provision for annuities	16.9	19.9
	638.6	602.5

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

	2018 £m	2017 £m
Euro	78.9	70.0
Sterling	479.7	447.6
U.S. Dollar (or currencies linked to U.S. Dollar)	56.9	67.0
Other currencies	23.1	17.9
	638.6	602.5

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 U.S. Dollar, and other currencies that are linked to the U.S. Dollar.

The effect of foreign currency fluctuations having a material impact on each entity's results is mitigated by the income and 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 U.S. Dollar (including currencies linked to the U.S. 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:

	2018		2017	
	Profit £m	Net assets £m	Profit £m	Net assets £m
Euro 5% weaker	9.0	(0.4)	9.3	1.1
U.S. Dollar (including linked currencies) 5% weaker	(2.2)	(8.0)	(1.6)	(8.1)

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.

Awards and accolades highlights

Global

A&O ranked 579 times across all directories
Chambers and Partners directories, 2018

Our lawyers were ranked 1,108 times across all directories
Chambers and Partners directories, 2018

Number 2 in the Global 20
Law 360's Global 20, 2018

First for advising international clients
The Lawyer Litigation Tracker, 2017

Number 1 Law Firm
IJGlobal 20 Year Project Finance League Tables, 2018

Best in Innovation
Global Restructuring Review Awards, 2017

Best in Cooperation
Global Restructuring Review Awards, 2017

Asia Pacific

International Firm of the Year
IFLR Asia Award, 2018

Highly Commended: Rule of Law and Access to Justice
FT Innovative Lawyers Awards Asia Pacific, 2018

Highly Commended: Legal Expertise – Enabling Business Growth
FT Innovative Lawyers Awards Asia Pacific, 2018

Highly Commended: Legal Expertise – Managing Complexity and Scale
FT Innovative Lawyers Awards Asia Pacific, 2018

Firm of the Year for Corporate Citizenship
Hong Kong Law Awards, 2017

Legal Adviser of the Year
IJGlobal Asia Pacific Awards, 2017

Europe

Most Innovative Law Firm
FT Innovative Lawyers Awards Europe, 2017

Standout: Collaboration
FT Innovative Lawyers Awards Europe, 2017

Standout: New Business and Service Delivery Models
FT Innovative Lawyers Awards Europe, 2017

Standout: Strategy and Changing Behaviour
FT Innovative Lawyers Awards Europe, 2017

Best International Firm for Work-Life Balance
Women in Business Law Awards Europe, 2017

Banking and Finance Team of the Year
British Legal Awards, 2017

Restructuring Team of the Year
British Legal Awards, 2017

UK Law Firm of the Year
Chambers Europe Awards, 2018

Number 1 Law Firm – Poland
Rzeczpospolita law firm rankings, 2018

Equity Deal of the Year
IFLR Europe Awards, 2018

Project Finance Deal of the Year
IFLR Europe Awards, 2018

Financial Services Regulatory Team of the Year
IFLR Europe Awards, 2018

European Pensions Law Firm of the Year
European Pensions Awards, 2017

Finance Deal of the Year, Italy
Legal Community Finance Awards, 2018

Pensions Law Firm of the Year
FT PIPA Awards, 2017

Best Trade Finance Law Firm
GTR Trade Finance Awards, 2017

Middle East and Africa

Moroccan Firm of the Year
Chambers Africa Awards, 2018

Banking Finance and Restructuring Team of the Year
The African Legal Awards, 2017

M&A Team of the Year
IFLR Middle East Awards, 2017

Deal of the Year, Dubai
IFN awards, 2017

Consumer M&A Legal Adviser Award
Middle East & North Africa M&A Legal Adviser Awards, 2017

North, Central and South America

Latin America Telecoms Deal of the Year
IJGlobal Awards, 2017

Americas Law Firm of the Year
Global Capital Americas Derivatives Awards, 2018

Best Law Firm
Trade Finance Awards, 2017

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