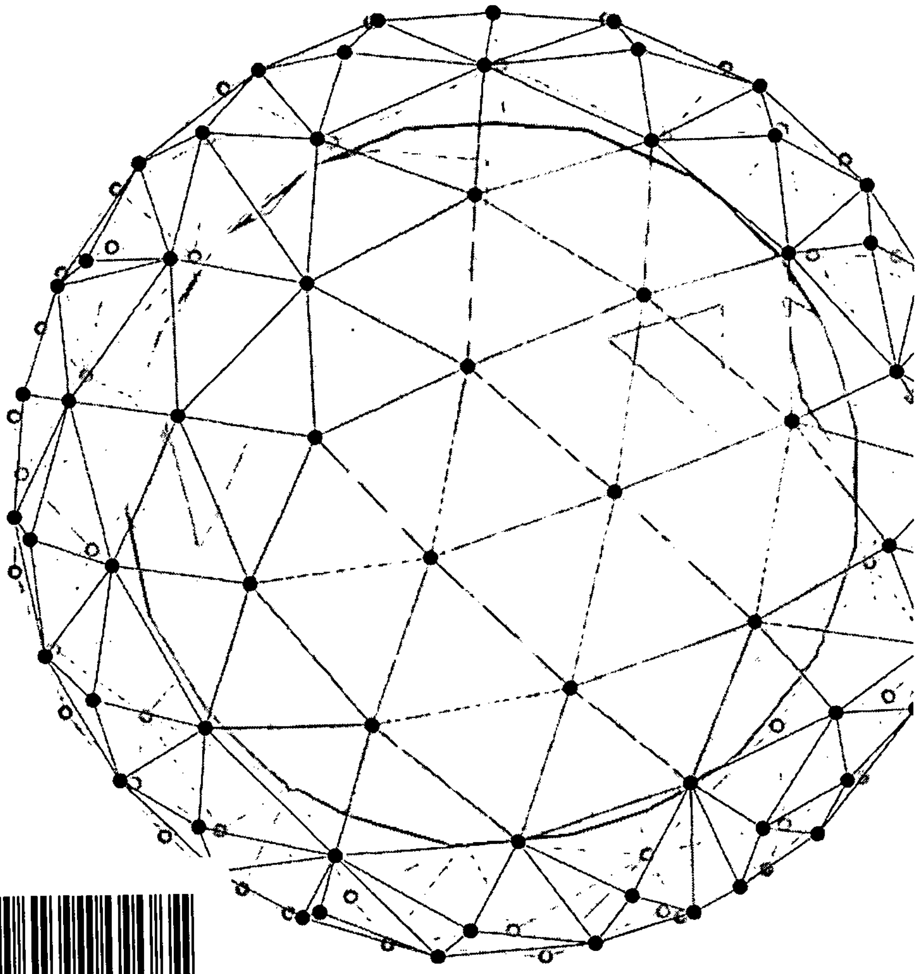
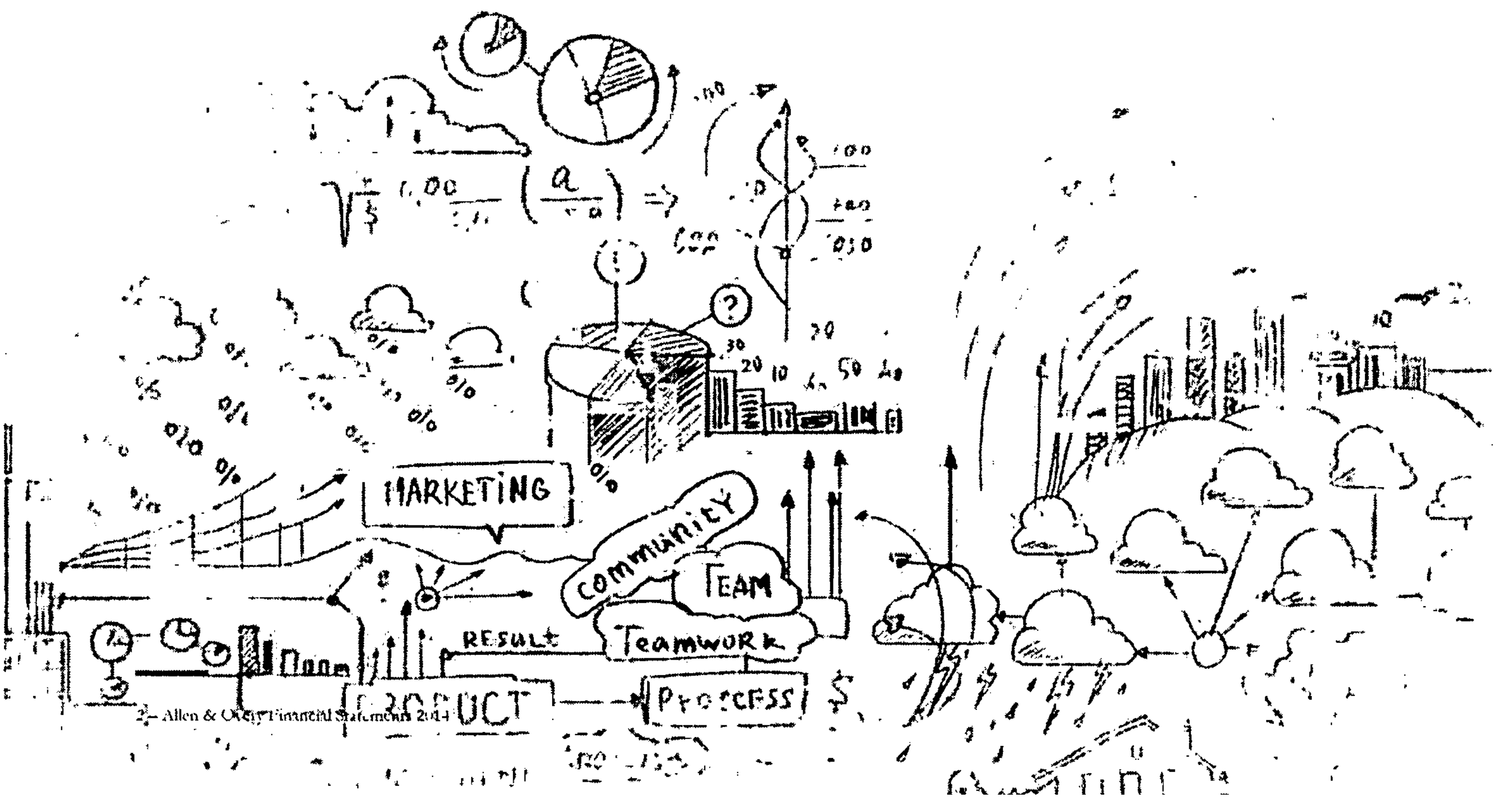
ALLEN & OVERY

Annual Report and Financial Statements
for the year ended 30 April 2014



Contents

Report to Members 3
– Strategy 5
– Business and financial performance 8
– Governance 12
– Risk and compliance 14
– People 18
– Corporate Responsibility 20
– Statement of Members' responsibilities in respect of the financial statements 25
Independent auditors' report to the Members of Allen & Overy LLP 26
Annual financial statements 28



Report to Members

The Board presents its report to the Members and the audited consolidated financial statements of Allen & Overy LLP for the year ended 30 April 2014.

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 2014. 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.

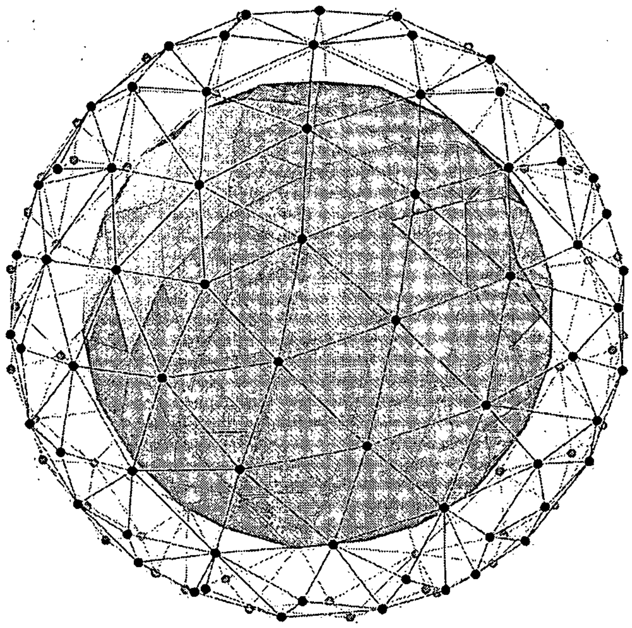
Allen & Overy LLP (the LLP) is a limited liability partnership registered in England and Wales with registered number OC306763. A list of Members and of the non-Members who are designated as partners is available for inspection at One Bishops Square, London E1 6AD, United Kingdom, which is also Allen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

Partners/Members

The term partner in this document is used to refer to a Member of Allen & Overy LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of Allen & Overy LLP's subsidiary undertakings. The term Member in this document is used to refer only to a Member of Allen & Overy 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.



1995 — 15 OFFICES
Prague

1998 — 18 OFFICES
Milan
Rome
Bangkok

1999 — 19 OFFICES
Bratislava

2000 — 21 OFFICES
Amsterdam
Luxembourg

2001 — 23 OFFICES
Antwerp
Hamburg*

2002 — 24 OFFICES
Shanghai

2007
Riyadh*
Mannheim
Düsseldorf
Abu Dhabi

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.

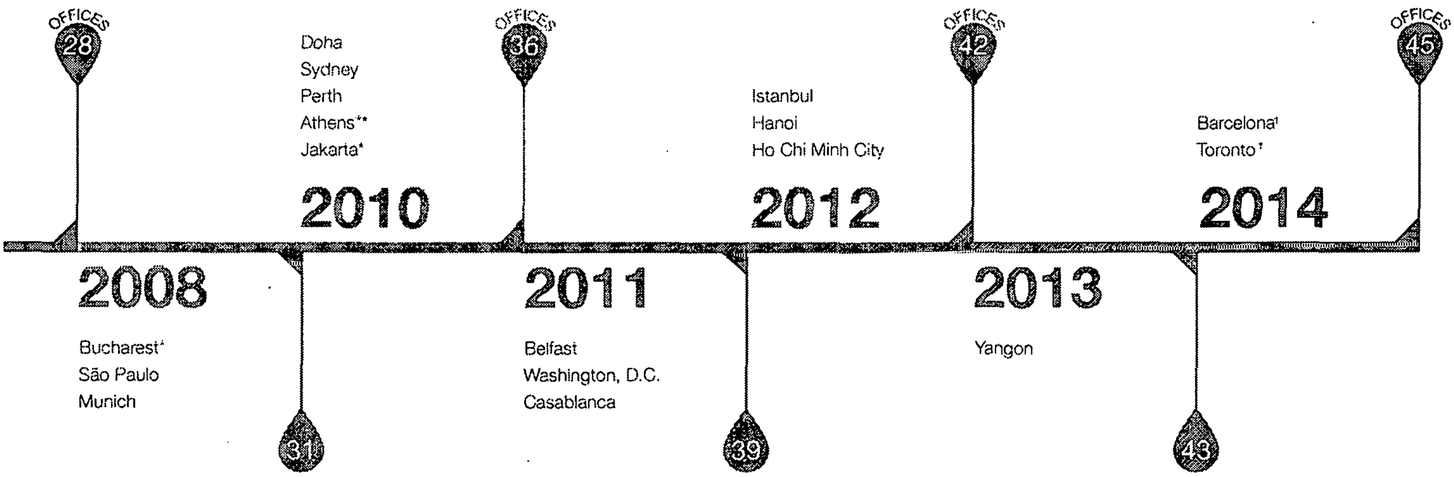
GLOBAL REACH, LOCAL DEPTH

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

We believe that globalisation is irreversible and we have built an office network comprising 43 offices in 30 countries (by the end of this financial year - 30 April 2014).

The size of our network with our corresponding breadth of expertise is a key differentiator from our global elite competitors.

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.



* Associated offices
** Representative office
† Office added after the financial year end

LASTING RELATIONSHIPS, MARKET LEADERSHIP

We make ourselves relevant to our clients by building long-term relationships where we are completely trusted to handle their most complex legal problems.

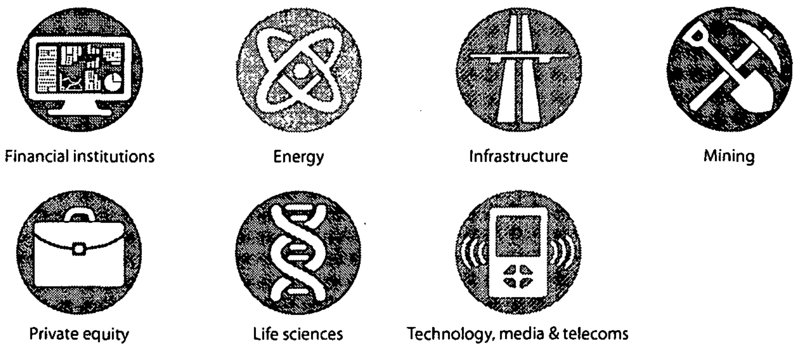
As well as first-rate legal knowledge and expertise, we aim to bring to our clients strategic and commercial insights based on a profound understanding of their businesses.

Our strategy is to be top tier in all practice areas in our chosen markets. Where we are not currently tier one, we are putting strategies in place to enable us to get there. We pride ourselves on our broad business sector expertise which also differentiates us from our competitors and helps us to better understand our clients' problems and work alongside them to create solutions.

In the last financial year we provided advice to our top 50 clients in an average of

20
DIFFERENT COUNTRIES

Seven priority sectors



Financial institutions · Energy · Infrastructure · Mining · Private equity · Life sciences · Technology, media & telecoms

HIGH PERFORMANCE CULTURE

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

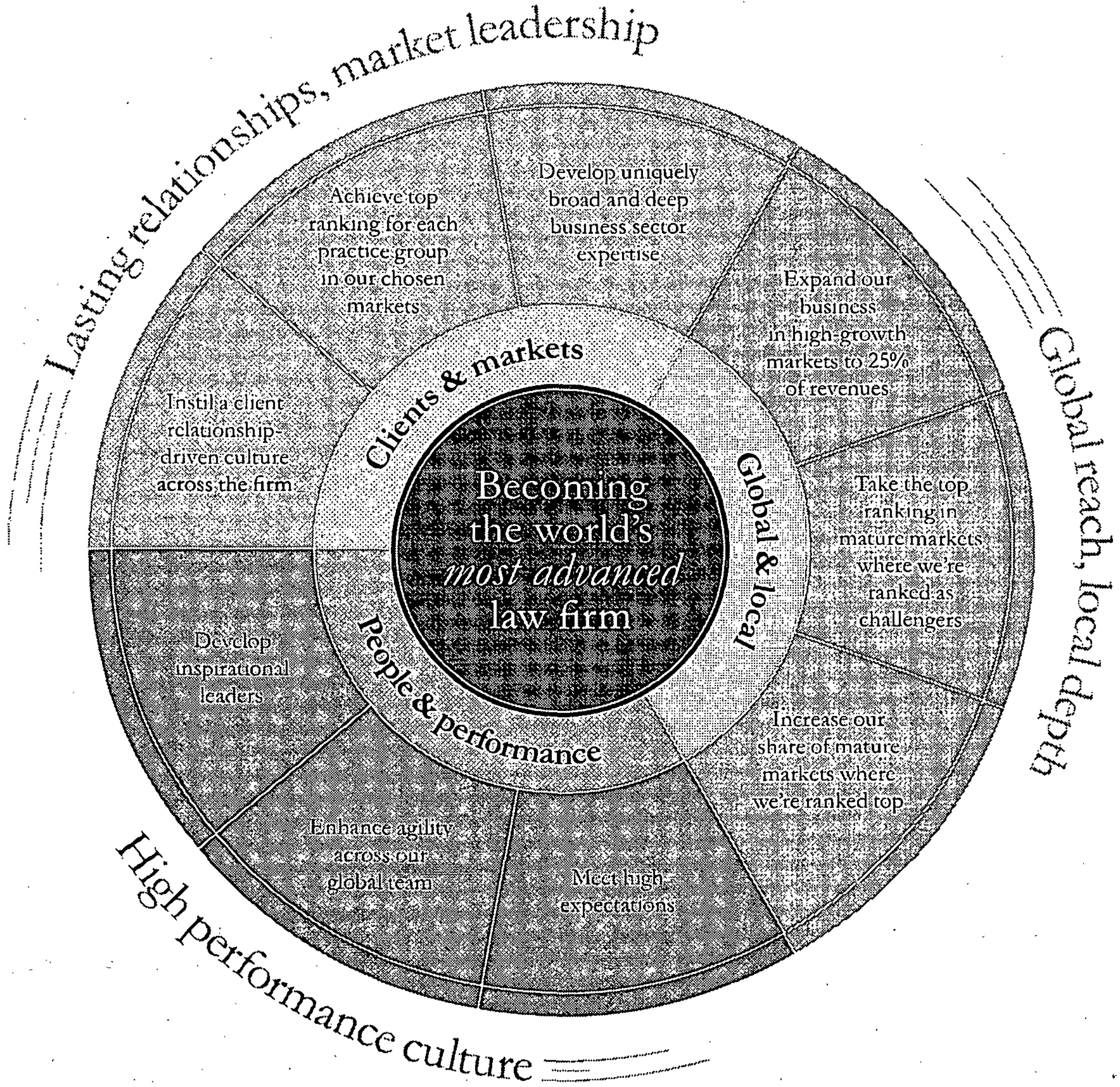
We offer our people the opportunity to develop personally and professionally and to gain experience by moving around our global network. We know that our future success depends on identifying and developing talented potential leaders, with the knowledge and skills required to flourish in a challenging business environment.

We seek to capitalise on opportunities emerging in a rapidly evolving global legal marketplace. We have invested in new, more efficient ways of working, such as setting up a shared services centre in Belfast for most of our support activities and for some legal functions. We have also launched 'Peerpoint', a flexible resourcing business providing our firm with access to experienced, high-calibre contract lawyers who can cover peaks in demand, and shortly to provide a similar service to clients with interim resourcing needs.

peerpoint
Global, flexible resourcing
from ALLEN & OVERY

STRATEGIC FRAMEWORK

Taken as a whole, our strategy is flexible and distinctive, setting us apart from our main competitors.



Business and financial performance

TURNOVER

Our turnover grew 1.6% to £1,208 million in a challenging market. This follows the 0.6% growth recorded last year. Our banking and litigation business grew strongly but the volatile market provided a challenge to our capital markets and corporate businesses. We continue to see intense competition, pricing challenges and pressure from clients to reduce total legal spend.

PROFIT FOR THE FINANCIAL YEAR

Profit before taxation for the financial year of £532 million (2013: £497 million) resulted from steady growth in turnover combined with an overall reduction in the cost base.

Average profit per full partner based on the profits shown in these statutory accounts increased 6.7% to £1.12 million.

OPERATING COSTS

Our total staff costs reduced by £15 million, reflecting the impact of transitioning support roles to Belfast, a 4.1% decline in overall staff headcount and the impact of 1 May 2013 pay awards. Staff bonuses across the Group increased 9.6% to £31 million. Other operating expenses were similar to last year as the Group focused on cost control and the results were not materially impacted by new offices being opened during the financial year. One office was opened in Yangon, Myanmar, with the employment of five staff.

STAFF PENSIONS

Just over 1,600 of our staff are active members of the firm's UK defined contribution pension arrangements.

Following the 1 January 2012 triennial actuarial funding review of the defined benefit scheme, the firm agreed to contribute £30.4 million in deficit reduction payments, of which £11.7 million had been paid by the year-end, with a further £18.7 million due over the next four years. The defined benefit scheme is closed to future service accrual and new members.

The valuation undertaken for the purpose of these financial statements at 30 April 2014 indicates a defined benefit pension surplus of £27.7 million, compared with a deficit of £0.6 million in the prior year. The elimination of the deficit primarily reflects a change in the actuarial assumptions used in estimating future payments to pensions and a change in the discount rate. An actuarial funding report, as at 1 January 2014, was completed in August 2014 showing that the funding position has significantly improved since the previous triennial valuation. As a consequence the firm has agreed with the Trustees to cease contributions. Prior to this agreement being reached, the firm had made contributions of £1.7 million since 30 April 2014.

NET ASSETS AND FINANCING

Our balance sheet remains healthy, with net assets of £378 million (2013: £346 million).

The Group is financed through a combination of partners' capital, and undistributed profits (including tax retentions). Partners' capital contributions totalling £146 million (2013: £149 million) are contributed by reference to the Capital Unit per profit sharing point. The Capital Unit is agreed by the Board with reference to the future working capital needs of the business. The subscription of capital is provided interest free and is repayable on the partner's retirement.

The Group's borrowing facilities are held with a number of banks. Facilities expire on different dates so that renewals are spread. At 1 May 2014 the Group had unused general bank overdraft facilities of £10 million and 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.

Turnover up 1.6% to

£1,208 million

0.6%

growth recorded 2013

Profit before taxation

£532 million

£497m 2013

Average profit per full partner up

6.7%

to £1.12m

Total staff costs reduced by

£15 million

4.1%

decline in overall staff headcount

PARTNERS' PROFIT SHARE AND DRAWINGS

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

Where a partner receives his/her remuneration as a director of a company, 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 Allen & Overy LLP or partners of its subsidiary undertakings. Balances due to partners remunerated as directors, employees or consultants are shown in 'Other payables' within 'Trade and other payables'.

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

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

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

POLITICAL DONATIONS

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

SUPPLIER PAYMENT POLICY

Allen & Overy seeks to agree commercial payment terms with its suppliers and, provided performance is in accordance with the agreed terms, to make payment accordingly. The amount due to trade creditors at 30 April 2014 was equivalent to 49 days purchases (2013 – 45 days), based on the average daily amount invoiced by suppliers during the year.

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 and Operations Director and is subject to scrutiny by the Board.

TAX CONTRIBUTION

Allen & Overy makes significant financial contributions to the economies of the territories in which we practise 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 £433 million.

Allen & Overy and its partners have paid, or will pay, taxes of over £267 million in relation to the year ended 30 April 2014. Globally this amount comprises approximately £227 million of profit taxes, £31 million of employer's social security contributions, £6 million of property taxes, and £3 million of other taxes.

In addition Allen & Overy has collected approximately £166 million of taxes on behalf of governments of the territories in which we practise. £87 million was collected by way of payroll and social security deductions from remuneration paid to our staff and £79 million of VAT, GST and similar taxes was collected from clients.

Total tax contributions

£433 million

£166m

of taxes collected on behalf of governments

Allen & Overy and its partners have paid, or will pay, taxes of over

£267 million in relation to the year ended 30 April 2014.

£6m

of property taxes

AUDITORS

The independent auditor, PricewaterhouseCoopers LLP, has indicated its willingness to be reappointed.

GOING CONCERN

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

Governance

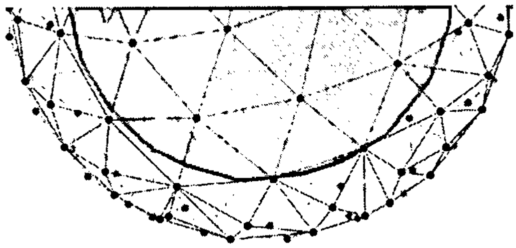
Responsibility for the strategic direction of Allen & Overy rests with the Board. The Board is accountable for the long-term success of the firm and is the curator of the firm's values. It sets the strategic investment priorities and holds the executive to account.

The Board comprises the Senior and Managing Partners and six independent partner directors (IPDs). All of these are elected positions carrying a four year term. For the year ended 30 April 2014 the Board comprised David Morley (Senior Partner), Wim Dejonghe (Managing Partner), Catherine Bell-Walker, Simon Black, Timothy House, Helge Schaefer, Jane Townsend and Boyan Wells (each an IPD).

In addition to the elected members, the Board benefits from the advice of the three support directors: Richard Grove (Marketing and Business Development Director), Jason Haines (Finance and Operations Director) and Genevieve Tennant (Human Resources Director).

Our management matrix reflects the nature of our business. The Senior and Managing Partners are supported in the execution of the firm's strategy and the day-to-day management of the business by a wider management team. This includes the heads of the core areas of our business (including banking, corporate, international capital markets, litigation, real estate and tax); heads of the individual offices outside London; regional heads; heads for certain sectors in which our clients operate (such as energy, financial institutions, infrastructure, mining, private equity, technology media and telecoms) and relationship partners for key clients of the firm.

1 Helge Schaefer
2 Jane Townsend
3 David Morley
4 Wim Dejonghe
5 Timothy House
6 Simon Black
7 Catherine Bell-Walker
8 Boyan Wells



Risk and Compliance

Allen & Overy has strong institutional risk management structures, systems and procedures. The Board is Allen & Overy's ultimate governing body and the principal forum for considering all substantive risk management issues. On a day-to-day basis, risk management is undertaken by offices, practice groups and support groups at a managerial level so that local managing partners, risk partners and directors and heads of the support groups 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 ACCEPTANCE AND BUSINESS PROTECTION UNITS

The Business Protection Unit overseen by Andrew Clark (General Counsel) and the Business Acceptance Unit led by a partner, Simon Fuge, are staffed by lawyers and analysts in the UK and Singapore and, between them, deal with client acceptance and risk management and compliance issues.

AUDIT COMMITTEE

The Audit Committee, which is responsible for reviewing the Group's financial risks, is appointed by the Board and consists of five partners and one independent external member. It reviews Allen & Overy's financial statements and receives reports from the external auditors regarding the findings from 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 is appointed by the Board and consists of eight partners and the Chief Information Officer. 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 co-ordination of risk management across the Group.

RISK PARTNERS/SUPPORT

Allen & Overy has designated risk partners and risk support for each office, London practice group and support group who assist with the day-to-day supervision of risk management tasks.

IT BOARD

Given the significance of information technology (IT) in the business, an IT Board, made up of partners and others drawn from across Allen & Overy, 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.

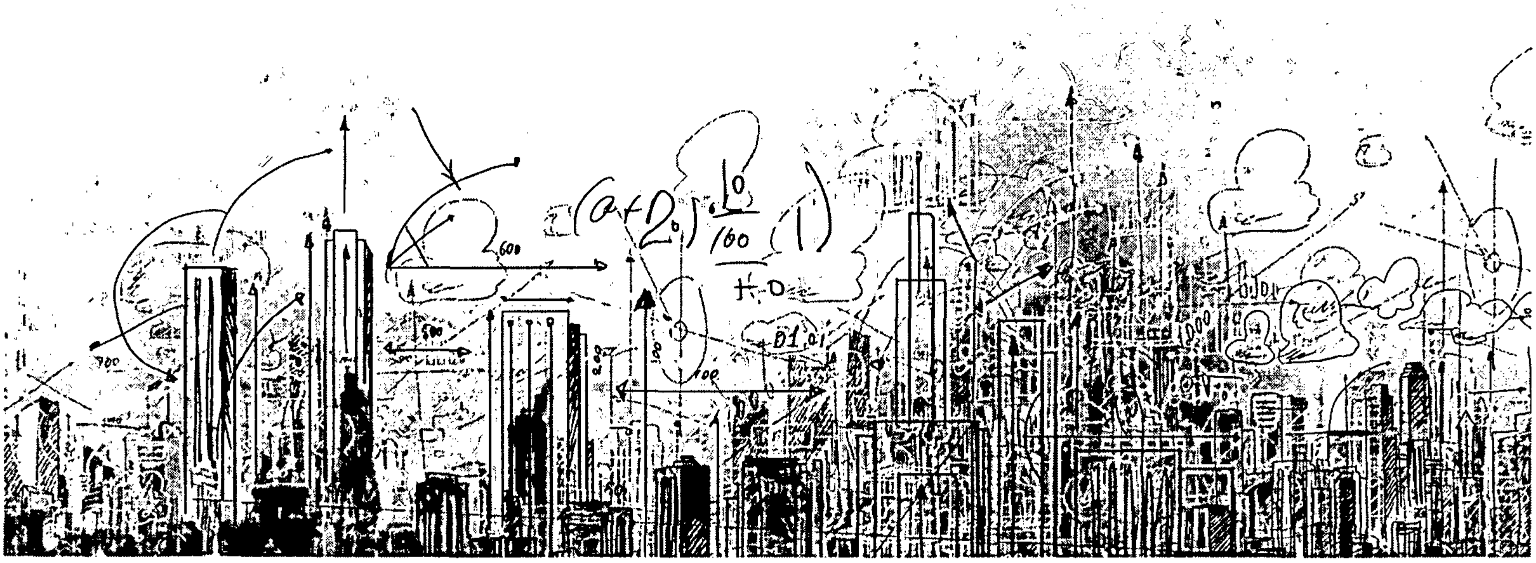
REVIEWING RISK

While we develop our own strategies and policies based on our business circumstances, we also actively engage with the concerns and priorities of our regulators, in particular the Solicitors Regulation Authority of England and Wales (SRA), government agencies and the wider legal market. During the year, areas of focus included cyber-security and data protection. We have developed innovative strategies to protect and enhance the security of Allen & Overy data (including client data), which include robust information security processes and procedures, cutting-edge technological solutions and liaison 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. 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. These risks are commented upon in note 24. Pages 16 and 17 summarize more generally the principal risks faced by the firm and some of the ways in which management responds to them.



OUR PRINCIPAL RISKS

Risk	Response
Lasting relationships, market leadership	
Reputation and brand: Damage to our reputation and brand.	– Embedding A&O culture in partners and staff. – Business acceptance processes cover client engagement. – Global risk management policies, training and awareness programme. – Risk registers and Group risk register. – Crisis management and public relations plans. – Management of PI cases/complaints.
Clients: Loss of a key client.	– Ensuring balanced client base. – Regular client engagement and relationship management reviews to enhance service delivery. – Responding to client feedback. – Understanding clients' businesses, markets, significant risks and future plans. – Secondments to clients. – Adaptation of products and services to meet client needs, including the use of alternative business models. – Complaints policy and relationship managers to monitor client satisfaction.
Global reach, local depth	
Financial: Pressure on earnings and margins.	– 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. – Manpower planning to monitor headcount. – Cost optimisation programmes.
Markets: Impact of changes in legal markets and client requirements and of political, regulatory and security risks in emerging markets.	– Diverse practice in terms of legal services offered and geographical spread. – Alternative business models offered including subscriptions services and LPO. – 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. – Business continuity plans for offices adapted to account for any security or political risks and a travel security policy is in place to manage travel to such regions. – Engagement with local regulatory authorities and lawyers to ensure compliance. – Global risk management policies in place, which cover local legal and regulatory requirements.

Risk	Response
High Performance Culture	
Service: Delivery of service which does not meet the high quality required.	– Scope of work and terms of business communication. – Recruitment standards and staff training and development programmes. – Planning and staffing of assignments. – Supervision of associates by partners. – Investment in legal know-how and resources. – Alternative delivery methods, Peerpoint. – ISO22301 certification in the UK for business continuity management.
People and talent: Inability to recruit, retain and develop the best people.	– Recruitment strategies to identify and attract talent. – Appraisal, training and development programmes. – Promotion of equal opportunities, diversity and flexible working. – Monitoring and review including staff surveys and external market surveys. – Institutionalising client relationships. – Sharing client relationship partner responsibilities. – Investment in professional support to capture and embed knowledge and know-how.
Cyber and information security: Loss of confidential data and/or of the firm's IT systems.	– Information security management system operated is ISO/IEC27001:2005 compliant. – IT technical solutions covering encryption, event monitoring and incident management including expert internal resource to support agility and responsiveness to threats. – IT systems, technical resilience and recovery capabilities are assessed and tested to ensure they meet business requirements. – Physical security controls covering premises. – Personnel security and vetting controls. – Global information security training and awareness programme.

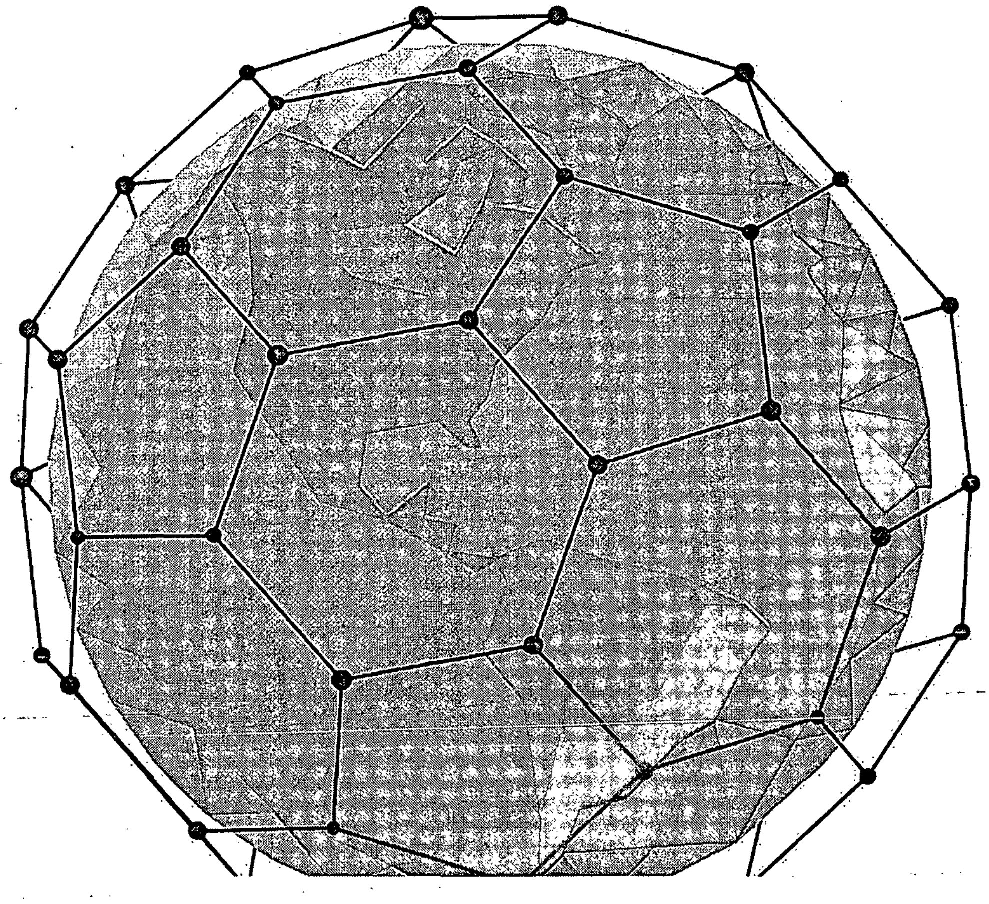
People

Allen & Overy is committed to equal opportunities. Our people are diverse and are chosen for their experience, potential and personal attributes regardless of gender, sexual orientation, marital status, age, race, colour, nationality, ethnic origin, religion or disability.

Allen & Overy places considerable value on the views of its staff and has continued to keep them informed on matters affecting them and on the performance of Allen & Overy. This is achieved through daily updates on our intranet and a weekly newsletter emailed to everyone within the firm. There are also regular webcasts and briefings by the global Senior Partner and Managing Partner, regular office, practice group and sector team meetings and conference calls, and frequent associate and staff forums across the business.

In addition, an associate and counsel representative attend the weekly global management meetings and are encouraged to contribute to discussions on a wide range of issues. We also engage with all our employees through our annual staff survey which seeks to identify matters of importance to our people and enable us to turn insight into action.

Allen & Overy's goal continues to be to creatively address our ever-evolving people priorities in order to develop the lawyers and staff of tomorrow, today. We expect all staff to not only know the business of law, but our clients' businesses too: to be innovative, agile and business-savvy, modelling behaviours which connect wholly with our Firm's values thereby enabling us to continue to deliver an outstanding service to our clients.

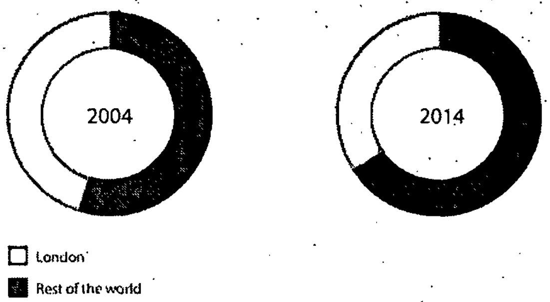


Change

The world is changing – rapidly. We are too.

417 partners globally of which 230 were based outside London

526 partners globally of which 347 are based outside London.



Culture

As our business evolves our culture does too.

Whilst it stays true to our core values it must adapt to reflect our global nature and to remain relevant in today's world. In a high performance culture everyone must contribute to advancing our global strategy.

- Strategy communications
- Off-sites
- Global Partners' conference

Connected

Working together with our clients.

Our clients demand international lawyers who are able to work seamlessly across geographic boundaries, who understand their businesses and can stand alongside them strategically.

- International secondments and transfers
- Client secondments
- Rcruitment from emerging markets

Agility

Clients demand different ways of working.

The traditional service delivery model is changing and one size no longer fits all. There is a greater need than ever for more varied and flexible ways of working.

- Legal Services Centre
- Peerpoint
- Belfast Shared Services Centre

Development

Investing in the best.

We are only as good as our people so it is vitally important that we continue to invest in their development. We must also ensure greater transparency and clarity in performance expectations and career options.

- Partner and support staff faculties
- Owning Your Own Career
- A&O Business School
- Mini MBA

Relationships

Once A&O – always A&O.

Our people have an on-going relationship with A&O, even when they have left. Once A&O – always A&O.

- Always A&O (alumni programme)
- Mentoring

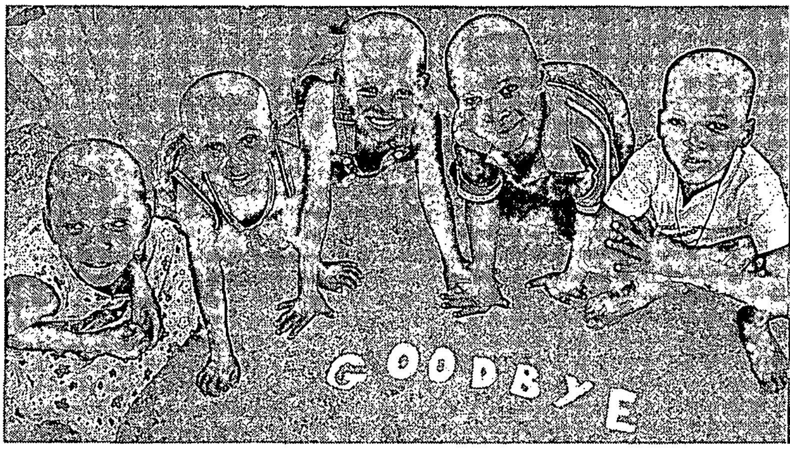
Corporate Responsibility

Across our global corporate responsibility programme, we use our expertise to tackle pressing issues in societies around the world. We apply our culture of high quality and high performance to our pro bono and community investment, diversity and environment work. Some highlights from the past financial year are below.

AFRIKIDS – THE END OF A SUCCESSFUL GLOBAL CHARITY PARTNERSHIP

2014 saw the conclusion of A&O's two-year global charity partnership with AfriKids, a child rights organisation that works to alleviate acute poverty and suffering in Northern Ghana. AfriKids was the first global charity partner to be chosen by A&O staff worldwide.

In total A&O has contributed GBP1.37 million to AfriKids over the past two years (see details on next page). Nearly every office contributed to the partnership, more than trebling our fundraising target. We also provided significant pro bono support (worth over GBP506,000) on 35 key projects to help AfriKids achieve its end goal of closing its UK fundraising operations by 2018, having made its charitable work in Ghana self-sustainable.



75 people

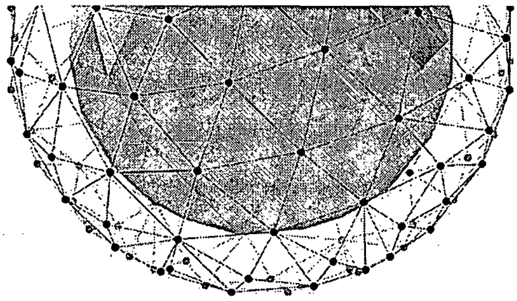
from 22 A&O offices

travelled to Ghana to take part in the AfriKids Experience Challenge, living and working with families in the Upper East Region, one of the poorest parts of the world with poverty rates of 88%.

RULE OF LAW IN RWANDA

In 2013, A&O concluded a five-year project to develop the rule of law in Rwanda – a country whose legal system was destroyed during the 1994 genocide. We worked with local judges, private practitioners, government lawyers and academics to build commercial law knowledge and help develop Rwanda's new 'trijural' approach. In total we provided over 3,200 pro bono hours, delivering 450 training sessions as well as a body of online materials that will be a long-term resource for Rwanda's legal profession.

Read more at www.allenovery.com/csr



AfriKids
Bringing Big Smiles to Little Faces

A&O'S GLOBAL CHARITY PARTNERSHIP WITH AFRIKIDS:

£832,500 of fundraising and donations – more than trebling our initial target of GBP250,000

£506,000 worth of legal and non-legal pro bono support

£31,500 worth of in-kind support through hosting events and providing printing and design services for AfriKids

£1,370,000 total

to AfriKids between 2012 and 2014

A&O staff volunteered time and skills – both legal and non-legal – on 35 key AfriKids projects, such as helping to scale up microfinance operations to reach up to 10,000 people over five years

CELEBRATING 10 YEARS OF ARTS EDUCATION

In 2013, one of A&O's flagship community programmes celebrated its 10-year anniversary. Artbeat is an arts and enterprise programme run in New York and London in which students are mentored by professional artists and enterprise specialists, along with A&O and client volunteers. Arts education helps children develop literacy skills, inspires confidence and builds employability skills. In Bethnal Green Academy, our partner school in London, over 90% of students now achieve A*-C grades in GCSE Art & Design, up from 53% in 2007. In 2014, A&O and Deutsche Bank joined forces on a community project to mentor 25 young entrepreneurs from Bethnal Green Academy to set up their own small businesses and go on to sell their products in the local market.

artbeat

ANTI-MONEY LAUNDERING IN MONTENEGRO

In 2014, A&O completed a major rule of law project on anti-money laundering legislation in Europe, on behalf of MANS, a Montenegrin NGO. Compliance with EU standards on money laundering is a pre-condition of Montenegro's application for accession to the EU. A&O, together with a major financial institution client, presented advice and practical training to local politicians, financial institutions, regulators, judges, prosecutors, the Montenegrin financial intelligence unit, NGOs and the media in early 2014. The work was acclaimed by the EU delegation in Montenegro, who see it as an important step towards Montenegro's implementation of EU standards.

PRO BONO AND COMMUNITY VOLUNTEERING

53% of our lawyers recorded time on pro bono work.*

*This is in addition to the significant contribution of our professional support staff

32,266 hours spent on pro bono and community investment work by our lawyers globally

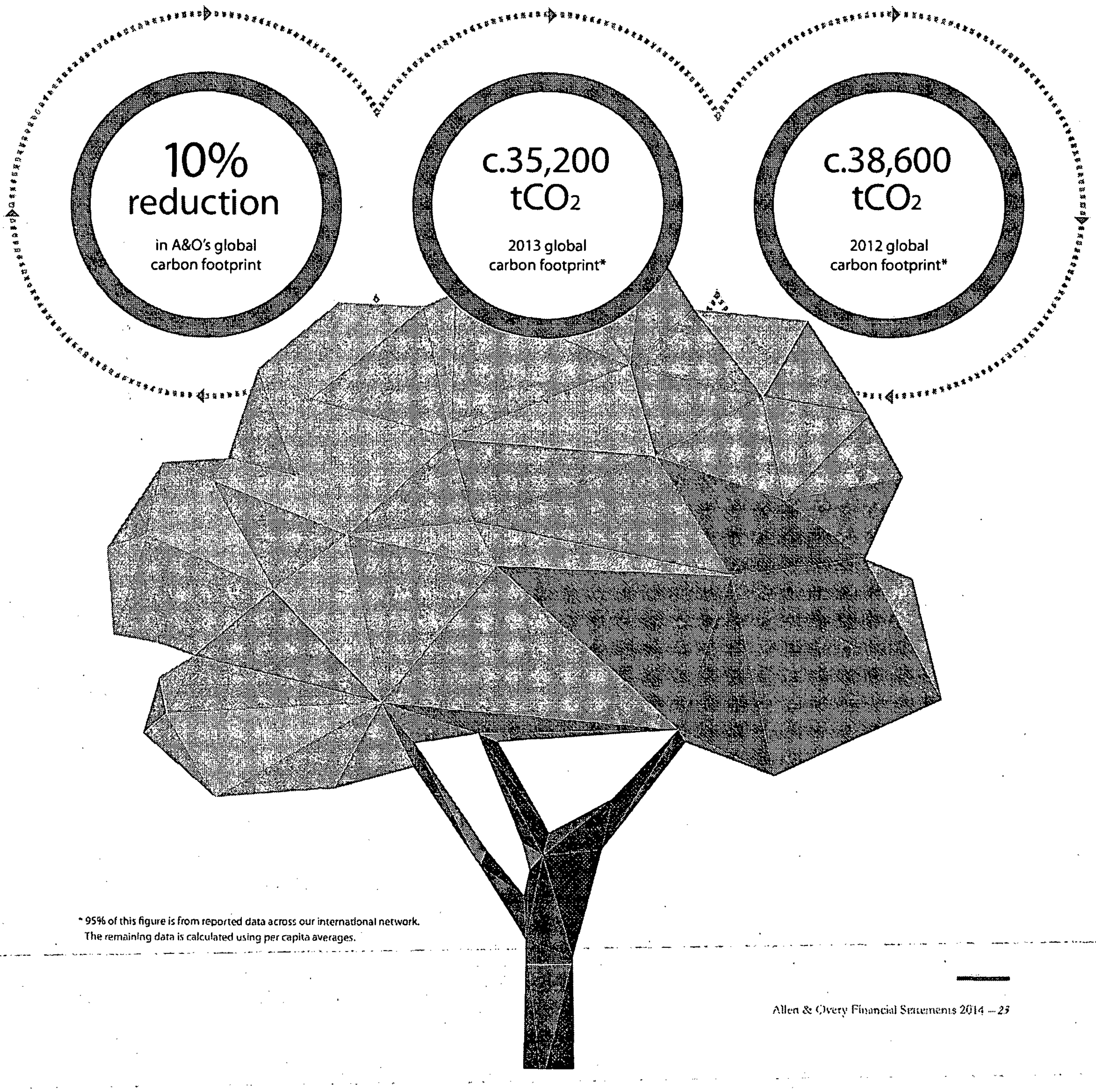
£11,771,110
Total value of hours spent

REDUCED ENVIRONMENTAL IMPACT

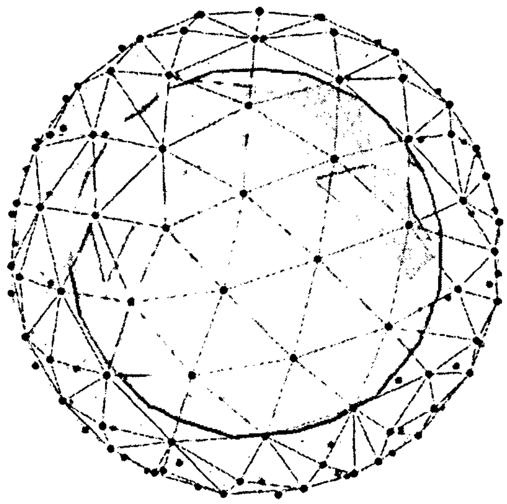
Despite a growth in the number of offices, A&O has reduced its global carbon footprint by nearly 10% in calendar year 2013 to c.35,200 tCO_2, down from c.38,600 tCO_2 in calendar year 2012.

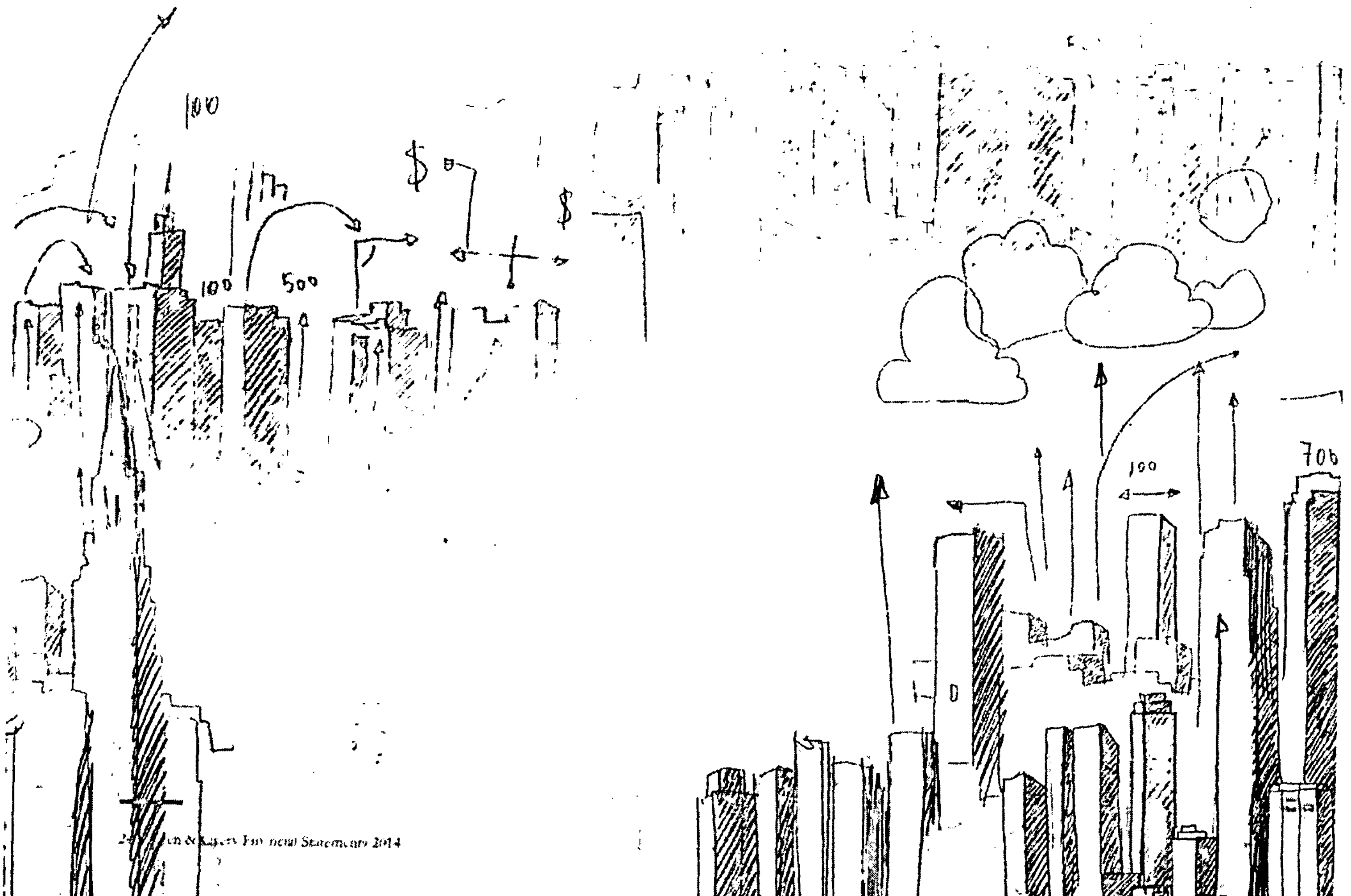
Nearly 60% of our global carbon footprint comes from building-related electricity consumption, so we are developing further initiatives to reduce this.

In 2014, A&O's Amsterdam office became certificated against the international standard for Environmental Management Systems: ISO 14001. A&O's UK offices (London and Belfast) have maintained their ISO 14001 certification and our Paris office has been re-certificated against the French HQE Exploitation standard.



* 95% of this figure is from reported data across our international network. The remaining data is calculated using per capita averages.




100
$
$
100
500
100
700

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;
- 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 3 September 2014 by

David Morley
Senior Partner

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

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, 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 2014 and of the Group's profit and the Group's and the limited liability partnership's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the limited liability partnership financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and limited liability partnership financial statements (the "financial statements"), which are prepared by Allen & Overy LLP, comprise:

- the consolidated and limited liability partnership balance sheet as at 30 April 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated and limited liability partnership statement of cash flows for the year then ended;
- the consolidated and limited liability partnership statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the designated members; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Members

As explained more fully in the Statement of Members' Responsibilities in respect of the financial statements set out on page 25, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

KMWolstenholme

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 September 2014

Consolidated income statement

CONSOLIDATED INCOME STATEMENT – YEAR ENDED 30 APRIL 2014

	Notes	2014 £m	2013 £m
Turnover		1,208.2	1,189.4
Other income		26.1	22.9
Revenue		1,234.3	1,212.3
Operating costs			
Staff costs	5	(423.7)	(438.6)
Depreciation, amortisation and impairment		(31.1)	(31.9)
Other operating expenses		(245.7)	(244.3)
Operating profit		533.8	497.5
Finance income	6	1.2	2.9
Finance costs	6	(2.9)	(3.7)
Profit before taxation		532.1	496.7
Taxation	7	(21.9)	(9.9)
Profit before partners' remuneration and profit shares		510.2	486.8
Partners' remuneration charged as an expense		(136.1)	(130.8)
Profit for the financial year available for division among partners		374.1	356.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – YEAR ENDED 30 APRIL 2014

	Notes	2014 £m	2013 £m
Profit for the financial year available for division among partners		374.1	356.0
Other comprehensive income:			
Exchange (loss)/gain on translation of foreign operations		(22.1)	22.6
Actuarial gain/(loss) on defined benefit pension scheme	21	23.2	(11.5)
Other comprehensive income for the year		1.1	11.1
Total comprehensive income for the year	22	375.2	367.1

CONSOLIDATED BALANCE SHEET – AT 30 APRIL 2014

	Notes	At 30 April 2014 £m	At 30 April 2013 £m
Assets			
Non-current assets			
Intangible assets	9	-	1.8
Property, plant and equipment	10	101.9	114.0
Investments	12	0.3	0.4
Retirement benefit surplus	21	27.7	-
		129.9	116.2
Current assets			
Client and other receivables	13	546.7	563.4
Amounts due from partners	22	96.9	79.8
Cash and cash equivalents	14	124.1	121.2
		767.7	764.4
Total assets		897.6	880.6
Liabilities			
Current liabilities			
Trade and other payables	15	(249.6)	(259.7)
Current tax liabilities		(2.8)	(0.9)
Provisions	16	(9.8)	(12.0)
Partners' capital	22	(1.7)	(3.9)
		(263.9)	(276.5)
Non-current liabilities			
Trade and other payables	15	(28.9)	(26.4)
Provisions	16	(83.0)	(86.1)
Retirement benefit obligations	21	-	(0.6)
Partners' capital	22	(144.3)	(144.6)
		(256.2)	(257.7)
Total liabilities		(520.1)	(534.2)
Net assets		377.5	346.4
Equity			
Partners' other reserves		366.2	313.0
Translation reserve		11.3	33.4
		377.5	346.4
Total partners' interests			
Amounts due from partners	22	(96.9)	(79.8)
Partners' capital classed as a liability	22	146.0	148.5
Total partners' other interests	22	377.5	346.4
	22	426.6	415.1

These financial statements on pages 28 to 67 were authorised for issue by the partners and signed on their behalf on 3 September 2014 by:

David Morley
Senior Partner
Allen & Overy LLP
Registered no. OC306763

Wim Dejonghe
Managing Partner

Jason Haines
Finance Director

LIMITED LIABILITY PARTNERSHIP BALANCE SHEET – AT 30 APRIL 2014

	Notes	At 30 April 2014 £m	At 30 April 2013 £m
Assets			
Non-current assets			
Intangible assets	9	-	1.8
Property, plant and equipment	11	88.9	101.3
Investments	12	0.5	0.7
Retirement benefit surplus	21	27.7	-
		117.1	103.8
Current assets			
Client and other receivables	13	568.3	510.8
Amounts due from Members	22	68.8	51.0
Cash and cash equivalents	14	88.2	91.9
		725.3	653.7
Total assets		842.4	757.5
Liabilities			
Current liabilities			
Trade and other payables	15	(278.7)	(236.3)
Current tax liabilities		(1.3)	(0.1)
Provisions	16	(9.7)	(11.7)
Members' capital	22	(1.7)	(3.8)
		(291.4)	(251.9)
Non-current liabilities			
Trade and other payables	15	(27.3)	(24.7)
Provisions	16	(80.9)	(85.9)
Retirement benefit obligations	21	-	(0.6)
Members' capital	22	(121.5)	(104.6)
		(229.7)	(215.8)
Total liabilities		(521.1)	(467.7)
Net assets		321.3	289.8
Equity			
Members' other reserves		309.7	259.2
Translation reserve		11.6	30.6
		321.3	289.8
Total partners' interests			
Amounts due from Members	22	(68.8)	(51.0)
Members' capital classed as a liability	22	123.2	108.4
Total Members' other interests	22	321.3	289.8
	22	375.7	347.2

These financial statements on pages 28 to 67 were authorised for issue by the partners and signed on their behalf on 3 September 2014 by:

David Morley
Senior Partner
Allen & Overy LLP
Registered no. OC306763

Wim Dejonghe
Managing Partner

Jason Haines
Finance Director

CONSOLIDATED CASH FLOW STATEMENT - YEAR ENDED 30 APRIL 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	19	549.0	523.0
Tax paid		(19.8)	(28.3)
Net cash inflow from operating activities		529.2	494.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(16.3)	(20.1)
Purchase of investments		(0.1)	(0.2)
Interest received		1.1	1.3
Proceeds on disposal of investments		0.2	-
Proceeds on disposal of property, plant and equipment		0.3	0.2
Net cash used in investing activities		(14.8)	(18.8)
Cash flows from financing activities			
Partners' capital introduced		16.4	14.0
Capital repayments to partners		(18.9)	(11.2)
Payments to and on behalf of partners		(497.2)	(454.9)
Retirement benefits paid to former partners		(5.7)	(5.4)
Interest paid		(1.5)	(1.5)
Net cash used in financing activities		(506.9)	(459.0)
Net increase in cash and cash equivalents		7.5	16.9
Cash and cash equivalents at beginning of year		121.2	92.6
Effects of foreign exchange rate changes		(4.6)	11.7
Cash and cash equivalents at end of year		124.1	121.2

LIMITED LIABILITY PARTNERSHIP CASH FLOW STATEMENT - YEAR ENDED 30 APRIL 2014

	Notes	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	20	416.9	422.9
Tax paid		(16.5)	(17.6)
Net cash inflow from operating activities		400.4	405.3
Cash flows from investing activities			
Purchase of property, plant and equipment		(12.7)	(15.6)
Purchase of investments		-	(0.4)
Interest received		0.9	1.1
Proceeds on disposal of investments		0.2	-
Proceeds on disposal of property, plant and equipment		0.2	0.1
Net cash used in investing activities		(11.4)	(14.8)
Cash flows from financing activities			
Members' capital introduced		26.9	10.9
Capital repayments to Members		(12.1)	(26.5)
Payments to and on behalf of Members		(391.1)	(363.8)
Retirement benefits paid to former Members		(5.7)	(5.4)
Interest paid		(1.3)	(1.2)
Net cash used in financing activities		(383.3)	(386.0)
Net increase in cash and cash equivalents		5.7	4.5
Cash and cash equivalents at beginning of year		91.9	75.8
Effects of foreign exchange rate changes		(9.4)	11.6
Cash and cash equivalents at end of year		88.2	91.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - YEAR ENDED 30 APRIL 2014

	Equity 2014			Equity 2013		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	313.0	33.4	346.4	306.7	10.8	317.5
Profit for the financial year attributable to partners	374.1	-	374.1	356.0	-	356.0
Differences on translation of foreign operations	-	(22.1)	(22.1)	-	22.6	22.6
Actuarial gain/ (loss) on pension scheme	23.2	-	23.2	(11.5)	-	(11.5)
Total comprehensive income for the year	397.3	(22.1)	375.2	344.5	22.6	367.1
Profit allocated to partners	(344.1)	-	(344.1)	(338.2)	-	(338.2)
Equity at 30 April	366.2	11.3	377.5	313.0	33.4	346.4

LIMITED LIABILITY PARTNERSHIP STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2014

	Equity 2014			Equity 2013		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	259.2	30.6	289.8	251.3	12.6	263.9
Profit for the financial year attributable to Members	317.6	-	317.6	302.2	-	302.2
Differences on translation of foreign operations	-	(19.0)	(19.0)	-	18.0	18.0
Actuarial gain/ (loss) on pension scheme	23.2	-	23.2	(11.5)	-	(11.5)
Total comprehensive income for the year	340.8	(19.0)	321.8	290.7	18.0	308.7
Profit allocated to Members	(290.3)	-	(290.3)	(282.8)	-	(282.8)
Equity at 30 April	309.7	11.6	321.3	259.2	30.6	289.8

Notes to the financial statements

Year ended 30 April 2014

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 2014, 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 2014

The following standards have been adopted by the Group for the first time for the financial year beginning 1 May 2013:

IAS 19, 'Employee benefits' was revised in June 2011. The changes to the Group's accounting policies have been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Retrospective implementation has resulted in no material impact to profit after taxation or net assets of the Group for the year ended 30 April 2013.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 May 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group or the LLP.

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 2014. Allen & Overy is the collective name for an international legal practice comprising the LLP and its subsidiary undertakings. In this report the terms 'the Group' and 'Allen & Overy' are interchangeable.

The term partner in this document 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 these financial statements is used to refer only to a Member of the LLP.

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

No individual income statement is presented for the LLP as permitted by section 408 of the Companies Act 2006 as applied to limited liability partnerships. The profit for the financial year available for division among Members within the financial statements of the parent undertaking, the LLP, was £317.6 million (2013 – £302.2 million).

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the LLP and its subsidiary entities. Subsidiary entities are those entities controlled by the LLP, which may be branches, 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 but excluding sales tax. 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 two separate income streams: operating lease rental income received from the sub-lease of surplus office space, and subscriptions to information solutions provided through electronic formats to the over-the-counter derivatives market industry.

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 years
Motor vehicles	Five years

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

Internally generated intangible assets

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

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

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

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

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

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

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised as an expense immediately.

Investments

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

Client and other receivables

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

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 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 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.

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 statement of comprehensive income.

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. All other leases are classified as operating leases.

Group as lessee

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

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

Group as lessor

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

Provisions

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

Retirement benefit obligations

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans set 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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

Past service costs are recognised immediately in income.

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

Partners' and Members' capital and reserves

Partners are required to provide capital in proportion to the number of profit sharing points allocated to them. The value of the Capital Unit is assessed annually, with any changes becoming effective on 1 May.

Capital is repaid to partners after they cease to be partners of Allen & Overy. In the event of Allen & Overy LLP going into administration or being wound up, the partners' capital within Allen & Overy LLP ranks after unsecured creditors who are not Members of Allen & Overy LLP.

Amounts due to partners whose remuneration is charged as an expense are included in 'Other payables', within '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 judgments are based on historical experience and other factors including expectations of future events that are believed to be reasonable and constitute management's best judgment at the date of the financial statements. In the future, actual outcomes could differ from those estimates.

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

3_PROFIT BEFORE TAXATION

	2014 £m	2013 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	29.3	29.4
(Profit)/loss on sale of property, plant and equipment	-	(0.1)
Amortisation of intangible assets	1.8	2.5
Net foreign exchange (gain)/loss	(4.8)	8.0
Restructuring costs – staff	-	2.4

4_AUDITORS' REMUNERATION

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

	2014 £m	2013 £m
Fees payable to the LLP's auditors for the audit of the LLP's and the Group's consolidated financial statements	0.3	0.3
Fees payable to the LLP's auditors and its associates for other services:		
The audit of the LLP's subsidiary undertakings pursuant to legislation	0.2	0.2
– Other services pursuant to legislation	0.1	0.1
– Taxation compliance services	1.5	1.3
– Taxation advisory services	0.2	0.2
– All other services	0.5	0.6
	2.8	2.7

5_STAFF AND STAFF COSTS

	Consolidated 2014 No.	Consolidated 2013 No.
The average number of people employed during the year (excluding partners) was:		
Lawyers	2,181	2,296
Support staff	2,258	2,332
	4,439	4,628

	Consolidated 2014 No.	Consolidated 2013 No.
Staff costs incurred during the year were:		
Salaries (including staff bonus)	332.3	340.3
Social security costs	31.0	30.5
Pension costs	13.8	14.9
Restructuring costs	0.1	2.4
Other costs (such as staff development, recruitment, medical expenses, and the cost of temporary staff)	46.5	50.5
	423.7	438.6

6_FINANCE INCOME AND COSTS

	2014 £m	2013 £m
Finance income		
Interest receivable on bank deposits	1.1	1.3
Net finance income on retirement benefits plan (note 21)	0.1	1.6
	1.2	2.9
Finance costs		
Interest payable on bank loans and overdrafts	(1.5)	(1.5)
Unwinding of and change in discount on provisions (note 16)	(1.4)	(2.2)
	(2.9)	(3.7)

7. TAXATION

	2014 £m	2013 £m
Current tax on profits for the year	22.0	21.3
Adjustments in respect of prior years	(0.1)	(11.4)
Total current tax	21.9	9.9

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 Allen & Overy LLP. Only the latter amounts are reflected in these financial statements.

	2014 £m	2013 £m
Profit before taxation	532.1	496.7
Less: Amounts subject to personal tax	(471.9)	(436.6)
Profits subject to taxation	60.2	60.1

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:

	2014 £m	2013 £m
Profits subject to tax	60.2	60.1
At UK corporation tax of 23% (2013 – 24%)	13.7	14.4
Tax effects of:		
Different tax rates and bases in other jurisdictions	6.4	5.6
Unrelieved losses	1.9	1.3
Adjustment in respect of prior years	(0.1)	(11.4)
Current year charge for the year	21.9	9.9

8. PARTNERS' SHARE OF PROFITS

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

On promotion to partnership, remuneration is initially a fixed prior share of profits plus a profit related bonus. Thereafter most partners, referred to as full partners, receive 20 profit sharing points, rising by two points every year to a maximum of 50 points. The profit distribution will range from £669k for a partner with 20 profit sharing points to £1,672k for a partner with 50 profit sharing points (2013 – £627k to £1,566k). The highest paid partner, excluding retirement payments, payments for tax equalisation and expatriate arrangements, will receive £1,672k (2013 – £1,566k).

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

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

	2014 No.	2013 No.
Average number of partners	526	525
Average number of full partners	444	442

	2014 £m	2013 £m
Profit before taxation	532.1	496.7
Profits allocated to partners who are not full partners	(34.2)	(32.3)
	497.9	464.4
Average profit per full partner	1.12	1.05

9_INTANGIBLE ASSETS

	Consolidated and Limited Liability Partnership	
	2014	2013
	£m	£m
Internally generated IT software		
Cost		
At 1 May	18.9	18.9
Additions	-	-
At 30 April	18.9	18.9
Accumulated Amortisation		
At 1 May	17.1	14.6
Charge for year	1.8	2.5
	18.9	17.1
Net book value		
At 30 April	-	1.8

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 2012	201.1	54.0	68.8	0.3	324.2
Currency translation adjustments	3.0	1.4	1.2	-	5.6
Additions	11.4	2.7	7.0	0.1	21.2
Disposals	(2.6)	(0.6)	(2.0)	(0.1)	(5.3)
At 1 May 2013	212.9	57.5	75.0	0.3	345.7
Currency translation adjustments	(4.4)	(2.0)	(2.2)	-	(8.6)
Additions	11.2	4.4	3.8	0.1	19.5
Disposals	(0.2)	(0.5)	(0.1)	-	(0.8)
At 30 April 2014	219.5	59.4	76.5	0.4	355.8
Accumulated Depreciation					
At 1 May 2012	101.4	41.0	61.0	0.3	203.7
Currency translation adjustments	1.8	1.0	1.1	-	3.9
Charge for year	18.4	4.2	6.8	-	29.4
Disposals	(2.6)	(0.6)	(2.0)	(0.1)	(5.3)
At 1 May 2013	119.0	45.6	66.9	0.2	231.7
Currency translation adjustments	(3.0)	(1.5)	(2.0)	-	(6.5)
Charge for year	19.0	3.9	6.4	-	29.3
Disposals	-	(0.5)	(0.1)	-	(0.6)
At 30 April 2014	135.0	47.5	71.2	0.2	253.9
Net Book Value					
At 30 April 2014	84.5	11.9	5.3	0.2	101.9
At 30 April 2013	93.9	11.9	8.1	0.1	114.0

Fixtures and fittings includes the following amounts where the Group is a lessee under a finance lease:

	2014 £m	2013 £m
Cost – capitalised finance leases	0.2	0.2
Accumulated depreciation	(0.1)	(0.1)
Net Book Value	0.1	0.1

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

	2014 £m	2013 £m
Cost – capitalised finance leases	0.1	0.1
Accumulated depreciation	(0.1)	-
Net Book Value	-	0.1

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 2012	180.1	40.3	54.8	0.1	275.3
Currency translation adjustments	2.2	0.8	0.6	-	3.6
Additions	9.5	2.0	5.1	-	16.6
Disposals	(0.6)	(0.1)	(1.1)	-	(1.8)
At 1 May 2013	191.2	43.0	59.4	0.1	293.7
Currency translation adjustments	(3.3)	(1.2)	(1.0)	-	(5.5)
Additions	8.3	2.2	3.3	-	13.8
Disposals	(0.2)	(0.1)	-	-	(0.3)
At 30 April 2014	196.0	43.9	61.7	0.1	301.7
Accumulated depreciation					
At 1 May 2012	86.7	30.8	49.8	0.1	167.4
Currency translation adjustments	1.1	0.6	0.5	-	2.2
Charge for year	16.9	2.9	4.8	-	24.6
Disposals	(0.6)	(0.1)	(1.1)	-	(1.8)
At 1 May 2013	104.1	34.2	54.0	0.1	192.4
Currency translation adjustments	(2.2)	(0.9)	(1.0)	-	(4.1)
Charge for year	17.0	2.8	4.8	-	24.6
Disposals	-	(0.1)	-	-	(0.1)
At 30 April 2014	118.9	36.0	57.8	0.1	212.8
Net Book Value					
At 30 April 2014	77.1	7.9	3.9	-	88.9
At 30 April 2013	87.1	8.8	5.4	-	101.3

Fixtures and fittings includes the following amounts where the LLP is a lessee under a finance lease:

	2014 £m	2013 £m
Cost – capitalised finance leases	0.2	0.2
Accumulated depreciation	(0.1)	(0.1)
Net Book Value	0.1	0.1

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

	2014 £m	2013 £m
Cost – capitalised finance leases	0.1	0.1
Accumulated depreciation	(0.1)	-
Net Book Value	-	0.1

12_INVESTMENTS

Allen & Overy LLP has significant investments in the following entities:

	Country of incorporation/ registration	Activity	Proportion of ordinary shares or ownership
Allen & Overy (Asia) Pte Ltd *	Singapore	Supply of legal services	100%
Allen & Overy (Hong Kong) Ltd *	Hong Kong	Service company	100%
Allen & Overy Asian Shared Services (Pte) Ltd *	Singapore	Service company	100%
Allen & Overy Legal Services	England & Wales	Supply of legal services	100%
Allen & Overy Service Company Ltd	England & Wales	Service company	100%
Allen & Overy Services Italy s.r.l. *	Italy	Service company	100%
Allen & Overy Serviços de Consultoria Limitada *	Brazil	Service company	100%
Allen & Overy (SSF) Ltd	England & Wales	Service company	100%
Allen & Overy (Holdings) Ltd	England & Wales	Supply of legal services	100%
Công Ty Luât TNHH Allen & Overy (Vietnam) *	Vietnam	Supply of legal services	100%

* directly held by Allen & Overy LLP

Only subsidiary undertakings whose results or financial position, in the opinion of management, principally affected the Group's and/or LLP's financial statements have been disclosed as permitted by section 410(2) of the Companies Act 2006 as applied to limited liability partnerships.

Allen & Overy LLP has branches in Belgium, the People's Republic of China, France, Germany, Japan, the Netherlands, Qatar, Singapore, the United Arab Emirates, the United Kingdom, and the United States of America.

Allen & Overy LLP has the power to exercise, or actually exercises, dominant influence or control over a number of other entities and undertakings, the most significant of which are:

	Country of incorporation/ registration	Activity	Proportion of ordinary shares or ownership
Allen & Overy	England & Wales	Supply of legal services in Australia	-
Allen & Overy	England & Wales	Supply of legal services in Hong Kong	-
Allen & Overy	England & Wales	Supply of legal services in Luxembourg and Spain	-
Allen & Overy, A. Pedzich Sp.k.	Poland	Supply of legal services	-
Allen & Overy Bratislava, s.r.o.	Slovak Republic	Supply of legal services	-
Allen & Overy Consultores em Direito Estrangeiro	Brazil	Supply of legal services	-
Allen & Overy (Czech Republic) LLP	England & Wales	Supply of legal services	-
Allen & Overy Danismanlik Hizmetleri Avukatik Ortakligi	Turkey	Supply of legal services	-
Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho	Japan	Supply of legal services	-
Allen & Overy, société en commandite simple	Luxembourg	Supply of legal services	-
Allen & Overy (Thailand) Co Ltd	Thailand	Supply of legal services	49%
Derivative Services LLP	England & Wales	Development and marketing of legal software	-
Morley Allen & Overy Iroda	Hungary	Supply of legal services	-
Naciri & Associés Allen & Overy SEP	Morocco	Supply of legal services	-
Studio Legale Associato	Italy	Supply of legal services	-

	Consolidated	Limited Liability Partnership		
	Other Investments £m	Group Interests £m	Other Investments £m	Total £m
Cost				
At 1 May 2012	0.2	0.2	0.1	0.3
Additions	0.2	0.4	-	0.4
At 1 May 2013	0.4	0.6	0.1	0.7
Additions	0.1	-	-	-
Disposals	(0.2)	(0.1)	(0.1)	(0.2)
At 30 April 2014	0.3	0.5	-	0.5
Carrying amount at 30 April 2014	0.3	0.5	-	0.5
Carrying amount at 30 April 2013	0.4	0.6	0.1	0.7

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

13_CLIENT AND OTHER RECEIVABLES

	Consolidated		Limited Liability Partnership	
	2014 £m	2013 £m	2014 £m	2013 £m
Client receivables	416.2	425.4	317.4	327.0
Allowance for doubtful receivables	(16.9)	(14.2)	(10.5)	(9.2)
	399.3	411.2	306.9	317.8
Unbilled revenue	97.4	96.9	75.7	74.4
Amounts due from other Group undertakings	-	-	158.1	90.9
Other receivables	24.6	29.1	6.3	5.9
Prepayments	25.4	26.2	21.3	21.8
	546.7	563.4	568.3	510.8

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

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES

	Consolidated		Limited Liability Partnership	
	2014 £m	2013 £m	2014 £m	2013 £m
At 1 May	(14.2)	(18.0)	(9.2)	(12.2)
Currency translation adjustment	0.7	(0.6)	0.4	(0.3)
Provision utilised	4.9	6.8	3.0	3.9
	(8.6)	(11.8)	(5.8)	(8.6)
Charged to the income statement	(12.1)	(7.6)	(7.4)	(4.6)
Provision released	3.8	5.2	2.7	4.0
At 30 April	(16.9)	(14.2)	(10.5)	(9.2)

The ageing of client receivables at the reporting date was:

	Consolidated		Limited Liability Partnership	
	2014 £m	2013 £m	2014 £m	2013 £m
Not past due	147.1	137.3	133.1	128.4
Past due 0-30 days	114.7	122.3	75.5	78.7
Past due 31-120 days	86.9	94.8	62.6	69.3
Past due greater than 120 days	50.6	56.8	35.7	41.4
	399.3	411.2	306.9	317.8

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	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash and cash equivalents	124.1	121.2	88.2	91.9

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

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

15_TRADE AND OTHER PAYABLES

	Consolidated		Limited Liability Partnership	
	2014 £m	2013 £m	2014 £m	2013 £m
Trade payables	20.8	26.8	14.4	16.5
Amounts due to other Group undertakings	-	-	57.2	15.5
Employment and sales taxes	24.8	25.5	23.4	25.4
Other payables	133.0	129.3	126.9	121.4
Accruals	71.0	74.6	57.4	54.6
Deferred rent	28.9	29.9	26.7	27.6
	278.5	286.1	306.0	261.0

	Consolidated 2014 £m	Consolidated 2013 £m	Limited Liability Partnership 2014 £m	Limited Liability Partnership 2013 £m
Included in current liabilities	249.6	259.7	278.7	236.3
Included in non-current liabilities	28.9	26.4	27.3	24.7
	278.5	286.1	306.0	261.0

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 (2013 – £0.2 million).

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

The borrowing facilities arranged vary from overdraft facilities to cover short-term fluctuations in timing of payments and receipts to loan facilities spanning several years. All borrowing facilities are arranged through Allen & Overy 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 2014, Allen & Overy LLP had bank overdraft facilities of £10 million and committed bank loan facilities of £150 million (2013 – £150 million). At the balance sheet date no amounts were outstanding.

The committed facilities expire as follows:

	£m
Within one year	50.0
Between two and three years	100.0
	150.0

The overdraft facility is repayable on demand.

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

The financial liabilities of the Group which correspond to trade payables, employment and sales taxes, other payables and accruals as at 30 April 2014 amounted to £249.6 million (2013 – £256.2 million).

16. PROVISIONS

Provision for annuities

Allen & Overy 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 Allen & Overy 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 a rolling average of the last three years. 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 seven years.

Provision for onerous leases and dilapidations

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

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

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

	Consolidated					
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for restructuring £m	Provision for onerous leases and dilapidations £m	Total 2014 £m	Total 2013 £m
At 1 May	25.6	29.2	2.0	41.3	98.1	97.8
Currency translation adjustments	-	-	-	(0.1)	(0.1)	-
Provision utilised	(2.2)	(4.1)	(1.9)	(3.6)	(11.8)	(12.6)
	23.4	25.1	0.1	37.6	86.2	85.2
(Credited)/charged to the income statement	-	-	-	(2.3)	(2.3)	2.5
Charge for the year						
– former partners	-	0.5	-	-	0.5	-
– current partners	-	3.1	-	-	3.1	9.0
Unwind of discount on provision	-	-	-	1.4	1.4	2.0
Change in discount rate	-	-	-	-	-	0.2
Actuarial adjustment	1.4	-	-	-	1.4	(0.6)
Provision released						
– former partners	-	-	-	-	-	(0.1)
– current partners	-	(0.6)	-	-	(0.6)	(1.2)
Charged to fixed assets	-	-	-	3.1	3.1	1.1
	1.4	3.0	-	2.2	6.6	12.9
At 30 April	24.8	28.1	0.1	39.8	92.8	98.1

	2014 £m	2013 £m
Included in current liabilities	9.8	12.0
Included in non-current liabilities	83.0	86.1
	92.8	98.1

	Limited Liability Partnership					
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for restructuring £m	Provision for onerous leases and dilapidations £m	Total 2014 £m	Total 2013 £m
At 1 May	25.6	29.2	1.7	41.1	97.6	97.2
Currency translation adjustments	-	-	-	(0.1)	(0.1)	-
Provision utilised	(2.2)	(4.1)	(1.6)	(3.6)	(11.5)	(12.4)
	23.4	25.1	0.1	37.4	86.0	84.8
(Credited)/charged to the income statement	-	-	-	(2.3)	(2.3)	2.4
Charge for the year						
– former partners	-	0.5	-	-	0.5	-
– current partners	-	3.1	-	-	3.1	9.0
Unwind of discount on provision	-	-	-	1.4	1.4	2.0
Change in discount rate	-	-	-	-	-	0.2
Actuarial adjustment	1.4	-	-	-	1.4	(0.6)
Provision released						
– former partners	-	-	-	-	-	(0.1)
– current partners	-	(0.6)	-	-	(0.6)	(1.2)
Charged to fixed assets	-	-	-	1.1	1.1	1.1
	1.4	3.0	-	0.2	4.6	12.8
At 30 April	24.8	28.1	0.1	37.6	90.6	97.6

	2014 £m	2013 £m
Included in current liabilities	9.7	11.7
Included in non-current liabilities	80.9	85.9
	90.6	97.6

17 CAPITAL COMMITMENTS

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

	2014 £m	2013 £m
Property fit-out costs	1.9	0.9
Computer, telecommunications and other equipment	0.4	-
	2.3	0.9

18 OPERATING LEASE COMMITMENTS

	Consolidated	
	2014 £m	2013 £m
Lease payments under operating leases recognised as an expense in the Income Statement for the year	92.0	91.1
Rent receivable from subleases recognised as Other Income in the Income Statement for the year	15.1	13.2

At 30 April 2014, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2014 £m	2013 £m	2014 £m	2013 £m
Within one year	88.9	90.1	0.8	0.7
Within two to five years	339.6	346.1	1.3	1.1
In more than five years	434.8	531.5	0.2	0.2
	863.3	967.7	2.3	2.0

At 30 April 2014, 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	
	2014 £m	2013 £m
Within one year	11.2	13.3
Within two to five years	29.6	16.7
In more than five years	11.1	2.5
	51.9	32.5

19 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2014 £m	2013 £m
Profit before taxation	532.1	496.7
Adjustments for:		
Depreciation of property, plant and equipment	29.3	29.4
Amortisation of intangible assets	1.8	2.5
Net finance costs	1.7	0.8
Profit on disposal of property, plant and equipment	(0.1)	(0.1)
Release in provisions	(9.2)	(2.2)
Operating cash flows before movement in working capital	555.6	527.1
(Increase) in receivables	(5.0)	(17.1)
(Decrease)/increase in payables	(1.6)	13.0
Cash generated by operations	549.0	523.0

20 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Limited Liability Partnership	
	2014 £m	2013 £m
Profit before taxation	418.5	393.7
Adjustments for:		
Depreciation of property, plant and equipment	24.6	24.6
Amortisation of intangible assets	1.8	2.5
Net finance costs	1.7	0.8
Profit on disposal of property, plant and equipment	-	(0.1)
Decrease in provisions	(9.0)	(2.0)
Operating cash flows before movement in working capital	437.6	419.5
(Increase)/decrease in receivables	(68.8)	7.0
Increase/(decrease) in payables	48.1	(3.6)
Cash generated by operations	416.9	422.9

21 RETIREMENT BENEFIT OBLIGATIONS

Allen & Overy 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 Allen & Overy LLP.

Employees in territories outside the United Kingdom are usually members of insured schemes into which Allen & Overy pays contributions. These 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 £12.9 million (2013 - £13.2 million). The cost charged represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit section

Allen & Overy 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 employer 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 plan, employees are entitled to annual pensions in retirement based on their salary and service. Benefits are also payable on death and following other events such as withdrawing from active service.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 21 years reflecting the approximate split of the defined benefit obligation between current employees (duration of 22 years), deferred members (duration 24 years) and current pensioners (duration of 12 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 2012 and showed a deficit of £38 million. The LLP is paying deficit contributions of £5 million per annum which, along with investment returns from return-seeking assets, is expected to make good this shortfall by 31 January 2018. A funding valuation as at 1 January 2014 is currently being carried out.

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

Asset volatility: The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a large proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds 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 majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy: The majority of the Scheme's obligations are to provide benefits for the life of the member, 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 pension plan by investing in assets such as swaps which perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The Trustees insure certain benefits payable on death before retirement.

All assets are stated at their fair value at 30 April 2014. The bid value of assets has been used to determine fair value. The liabilities have been updated from the most recent actuarial valuation, as at 1 January 2012, by an independent qualified actuary from Aon Hewitt Limited.

The principal assumptions used were as follows:

	2014 %	2013 %
Discount Rate	4.3	4.2
RPI inflation	3.4	3.4
CPI inflation	2.4	2.4
Salary increases	3.4	3.4
Pension increase in deferment	2.4	2.4
Pension increases in payment	2.4	3.4

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:

	2014 Years	2013 Years
Current pensioners at age 65 – Male	23.3	23.3
Current pensioners at age 65 – Female	24.8	24.7
Future pensioners at age 65 – Male	26.1	26.0
Future pensioners at age 65 – Female	27.7	27.6

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

	2014 £m	2013 £m
Equities	78.6	72.2
Bonds	58.0	59.9
Property	7.5	6.7
Other	15.5	12.3
Present value of defined benefit assets at end of the year	159.6	151.1

The amounts recognised in the balance sheets are as follows:

	2014 £m	2013 £m
Fair value of scheme assets	159.6	151.1
Present value of defined benefit obligations	(131.9)	(151.7)
Retirement benefit (deficit)/surplus	27.7	(0.6)

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

The amounts recognised in the income statement are as follows:

	2014 £m	2013 £m
Investment income:		
Expected return on pension scheme assets	6.4	7.7
Finance cost:		
Interest on pension scheme defined benefit obligations	(6.3)	(6.1)
Net finance income for the year	0.1	1.6

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

	2014 £m	2013 £m
Return on plan assets (in excess of)/below that recognised in net interest	(0.9)	(8.0)
Actuarial (gains)/losses due to changes in financial assumptions	(21.7)	23.6
Actuarial (gains)/losses due to liability experience	(0.6)	(4.1)
	(23.2)	(11.5)

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

	2014 £m	2013 £m
Opening fair value of scheme assets	151.1	132.2
Interest income on scheme assets	6.4	7.7
Remeasurement gains/(losses) on scheme assets	0.9	8.0
Contributions by employer	5.0	4.7
Benefits paid	(3.8)	(1.5)
Closing fair value of scheme assets	159.6	151.1

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

	2014 £m	2013 £m
Opening defined benefit obligation	(151.7)	(127.6)
Interest cost	(6.3)	(6.1)
Gain/(loss) from change in demographic assumptions	-	0.5
Gain/(loss) from change in financial assumptions	21.7	(24.1)
Experiences gains/(losses)	0.6	4.1
Benefits paid	3.8	1.5
Closing defined benefit obligation	(131.9)	(151.7)

The actual return on the scheme assets during the period was a £7.3 million gain (2013 – £15.7 million gain).

The five-year history of experience adjustments is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fair value of scheme assets	159.6	151.1	132.2	124.1	111.8
Present value of defined benefit obligation	(131.9)	(151.7)	(127.6)	(112.7)	(120.3)
(Deficit)/surplus	27.7	(0.6)	4.6	11.4	(8.5)
Experience gains/(loss) on assets	0.9	8.0	(2.3)	2.4	15.5
Experience gains/(loss) arising on the scheme liabilities	0.6	4.1	(1.6)	0.8	5.0

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:

	Defined benefit obligation (increase) £m
0.25% decrease in the assumed discount rate	(10.5)
0.25% increase in expected rate of increase in salaries	(0.4)
0.25% increase in the assumed rate of inflation	(10.5)
One-year increase in average life expectancy	(3.3)

Future cash funding

The most recent full actuarial valuation was as at 1 January 2014 and was completed in August 2014 by actuaries Aon Hewitt Limited using the Projected Unit method. As a consequence of this valuation, agreement has been reached to cease contributions from September 2014. The contributions made by the employer since 30 April 2014 amount to £1.7 million.

22 TOTAL PARTNERS'/MEMBERS' INTERESTS

	Consolidated				
	Amounts due from partners £m	Capital classified as a liability £m	Equity £m	Total 2014 £m	Total 2013 £m
Total partners' interests at 1 May	(79.8)	148.5	346.4	415.1	369.2
Total comprehensive income for the year	-	-	375.2	375.2	367.1
Profit allocated to partners	344.1	-	(344.1)	-	-
Drawings and distributions	(361.2)	-	-	(361.2)	(325.2)
Capital introduced	-	16.4	-	16.4	15.2
Capital repaid	-	(18.9)	-	(18.9)	(11.2)
	(96.9)	146.0	377.5	426.6	415.1

	Limited Liability Partnership				
	Amounts due from Members £m	Capital classified as a liability £m	Equity £m	Total 2014 £m	Total 2013 £m
Total Members' interests at 1 May	(51.0)	108.4	289.8	347.2	331.7
Total comprehensive income for the year	-	-	321.8	321.8	308.7
Profit allocated to Members	290.3	-	(290.3)	-	-
Drawings and distributions	(308.1)	-	-	(308.1)	(278.8)
Capital introduced	-	26.9	-	26.9	12.1
Capital repaid	-	(12.1)	-	(12.1)	(26.5)
	(68.8)	123.2	321.3	375.7	347.2

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	
	2014 £m	2013 £m	2014 £m	2013 £m
Included in current liabilities	1.7	3.9	1.7	3.8
Included in non-current liabilities	144.3	144.6	121.5	104.6
	146.0	148.5	123.2	108.4

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

23_RELATED PARTY TRANSACTIONS

The key management personnel comprise the Senior Partner and Managing Partner, the heads of the main global practice groups and the support directors. The majority of partners in key management positions maintain significant client responsibilities. The share of the profit and the salaries awarded to these key management personnel for the year ended 30 April 2014 will amount to £11.6 million (2013 – £10.3 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 2014, there was a net provision of services to the LLP from other Group undertakings to the value of £5.3 million (2013 – £14.2 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 Director responsible for the global support functions. For the year ended 30 April 2014, there was a net provision of administrative support to the LLP from other Group entities to the value of £3.7 million (2013 – £2.1 million).

Balances outstanding

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

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

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

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	2014 No.	2013 No.
Net client receivables	399.3	411.2
Unbilled revenue	97.4	96.9
Other receivables	24.6	29.1
Cash	124.1	121.2
Total	645.4	658.4

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

	2014 No.	2013 No.
Australian Dollar	18.5	19.2
Euro	219.2	217.7
Sterling	224.5	210.1
US Dollar (or currencies linked to US Dollar)	154.2	178.1
Other currencies	29.0	33.3
Total	645.4	658.4

Liabilities	2014 No.	2013 No.
Trade payables	20.8	26.8
Employment and sales taxes	24.8	25.5
Other payables	133.0	129.3
Accruals	71.0	74.6
	249.6	256.2

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

	2014 No.	2013 No.
Australian Dollar	5.3	4.3
Euro	58.6	58.9
Sterling	144.5	152.8
US Dollar (or currencies linked to US Dollar)	34.5	35.6
Other currencies	6.7	4.6
	249.6	256.2

Liquidity risk

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

Foreign currency risk

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

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

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

	2014		2013	
	Profit £m	Net assets £m	Profit £m	Net assets £m
Euro 5% weaker	(0.5)	8.0	(1.0)	8.3
US Dollar (including linked currencies) 5% weaker	(2.2)	6.2	(2.7)	(9.0)

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.