

Bevan Brittan LLP

Members' report and financial statements

Registered number OC309219

Year ended 30 April 2018

© Bevan Brittan LLP

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Report and Financial Statements 2018

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Report and Financial Statements 2018

Members' report

The members present their annual report and the audited financial statements for the year ended 30 April 2018.

Bevan Brittan LLP is a limited liability partnership registered in England and Wales with registered number OC309219. A list of members' names and of the non-members who are designated as partners is available for inspection at Kings Orchard, 1 Queen Street, Bristol BS2 0HQ which is also Bevan Brittan LLP's principal place of business and registered office. For more information about Bevan Brittan LLP, visit our website at www.bevanbrittan.com.

Principal activity

Bevan Brittan is a UK Top 100 commercial law firm providing a comprehensive range of legal services from offices in Bristol, London, Birmingham and Leeds. The firm advises over 300 private sector businesses and is a market-leading law firm across Health and Social Care, Housing and Local and Central Government throughout the UK.

Business review

Bevan Brittan performed well during 2017/18 and increased revenue from £39.2m to £44.0m across a range of markets and has made good progress against its strategic priorities. Distributable profits increased from £8.1m to £10.0m.

Whilst growing the revenue generated by the public sector, the firm continued with its strategy to increase its number of private sector clients and delivered 77:23 revenue split between public and private sector clients.

1. Health and social care

Bevan Brittan is one of the leading health and social care legal and regulatory advisors in the UK.

The firm is Band 1 ranked by both the Chambers & Partners and Legal 500 legal directories for its national healthcare practice and recently won Legal Advisor of the Year (Public Sector) and Legal Advisor of the Year (Public Sector Transactional) at the recent *HealthInvestor* Awards.

Across the NHS there has been a continued reduction in legal spend against a backdrop of an increasing number of clinical claims, reducing overall costs and new ways of working. The firm benefitted from its successful reappointment to advise NHS Resolution and continues to advise a range of NHS Arms-Length Bodies, including NHS England.

The firm further strengthened its relationship with NHS Property Services, being appointed as single supplier to the majority of the country and appointed by Community Health Partnerships to advise on future Private Public Partnership schemes. Across NHS Providers & Commissioners legal spend has been cut or work brought in-house.

There has been significant activity across London and the South East with strategic property and commercial projects, such as advising the Royal Free London NHS Foundation Trust on redevelopment of Chase Farm Hospital, which will be one of the newest and most digitally advanced hospitals in the NHS. In addition the firm is also advising half the mental health trusts across England.

The firm continues to advise the major insurers and brokers on clinical and personal liability claims, with health and social care, the firm's Independent Health & Social Care practice continues to grow its breadth of private sector clients across providers, funders and suppliers, including Siemens Healthineers, Leonard Cheshire Disability and Barchester Healthcare and advising membership bodies on the impact of policy changes across the health and social care sector.

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Members' report (continued)

Business review (continued)

2. Housing

The firm grew its Housing Association practice and now advises some of the largest Housing Associations in the country such as Places for People, Sanctuary Housing and L&Q. The firm is also playing a significant role in advising public and private sector housing developers to meet the growing housing shortage, such as advising on the Icknield Loop redevelopment scheme in Birmingham and advising Peabody on its appointment as a strategic partner on the development of the Thamesmead Waterfront, including building 11,500 new homes.

3. Central and Local Government

Public sector client growth was achieved within Central and Local Government with the firm providing extensive commercial, governance, property and sensitive employment advice. The firm benefited from a significant number of urban regeneration schemes within the West Midlands and a number of London Boroughs. The firm was reappointed to its key public sector frameworks including EMLawShare and the London Borough Legal Alliance and appointed to WYLAWS, in Yorkshire.

The firm continued to successfully advise other regulatory bodies, such as the Parliamentary Health Service Ombudsman and advised on a number of High Court and international litigation cases, including the University of Oxford and Financial Services Compensation Scheme.

4. Commercial Services

Across the other private sector clients, the firm continued significant growth in the provision of commercial, construction, property, litigation, employment legal advice and procurement challenges, with clients including Wates Construction, Engie and advising Argent and Related Companies on all the utility and district energy aspects of the Brent Cross South redevelopment in London

5. Continued growth in the Leeds office

Now entering its 3rd year, the Leeds office has continued to grow with now 40 members of staff, including recently appointed new partners and senior associates, providing a broad mix of services across the commercial, property, housing management and employment law. The firm has a balanced portfolio of clients with significant projects and tender wins nationally and regionally, including Broadacres Housing Association, Leeds & Yorkshire Partnership NHS Foundation Trust, appointed to the West Yorkshire Association of Acute Trust (WYAAT) and advising A Shade Greener and Hornbeam Park.

Designated Members

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year and to the date of this report were as follows:

Mark Calverley
Joanne Easterbrook
Bethan Evans (resigned 26 June 2017)
Robert Harrison
Adam Kendall
Paul Taverner (resigned 2 July 2018)
Andrew Tobin
Jonathan Turner (appointed 2 July 2018)
Michael Boyd (resigned 22 September 2016)
Duncan Weir

Report and Financial Statements 2018

Members' report (continued)

Charitable donations

We continue to be committed to corporate responsibility and charitable giving. We operate a pro bono scheme providing legal advice to organisations that best fit our criteria of supporting young people and homelessness. We run a variety of events with Business in the Community including a 'Ready for Work' programme, 'Give and Gain Day' and reading schemes at schools in Bristol, London and Birmingham. We also hold dress down days to support major charitable events such as Children in Need or Comic Relief and charities local to our offices.

The LLP and staff made donations through a number of fundraising events over the year. The LLP itself contributed £6,395 (2017: £4,000).

Policy regarding Members' Drawings and Capital

Members are remunerated solely out of the profits of the LLP.

Capital

The capital requirements of the LLP are determined from time to time by the board. At present, capital is subscribed on a graduating system of £40,000 for fixed share consultant members, and full equity members on a sliding scale between £75,000 and £250,000. Capital is repaid within 24 months of the date members cease to be members.

Allocation of profits and drawings

The LLP has discretion over when and how to divide profits. During the year, the membership has formally allocated profits relating to prior periods. No other profits have been formally allocated. Unallocated profits will be formally divided when the Board decides it is appropriate to do so.

Any tax liability due on these profit allocations is the responsibility of the individual members. However the LLP retains from the members profit entitlement the tax due on these profits and pays this over to the relevant tax authorities on behalf of all the members at the appropriate times during the year.

Where the cash requirements of the business conflict with that of the need to pay monthly drawings, the membership policy is to meet the needs of the business commitments, then to discharge any amounts available to the members, without compromise to the business' cash position.

Where members have a contractual entitlement to remuneration, these payments are shown in the profit and loss account as 'Members remuneration charged as an expense' in accordance with the LLP Statement of Recommended Practice (SORP). Further details are contained within Note 1.

Report and Financial Statements 2018

Members' report (continued)

Employees

It is the LLP's policy to employ the most suitably qualified people, regardless of sex, age, sexual orientation, ethnic origin or religion. The LLP encourages the employment and career development of disabled people and the development and training of those employees who became disabled while in the LLP's employment.

The LLP regularly reviews its responsibilities for the health, safety and welfare of its employees.

The LLP recognises the benefit of keeping employees informed of the business' performance and updates employees by regular communicative reports.

Disclosure of information to auditor


The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

Auditor

During the year the members re-appointed KPMG LLP as auditor of the Limited Liability Partnership.

Approved by the Members and signed on their behalf by:

5th October 2018



Duncan Weir
Designated Member

Kings Orchard
1 Queen Street
Bristol
BS2 0HQ

Report and Financial Statements 2018

Statement of members' responsibilities in respect of the Members' report and the financial statements

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 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 LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Report and Financial Statements 2018

Independent auditor's report to the members of Bevan Brittan LLP

Opinion

We have audited the financial statements of Bevan Brittan LLP ("the LLP") for the year ended 30 April 2018 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position, the Cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 30 April 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Report and Financial Statements 2018

Independent auditor's report to the members of Bevan Brittan LLP

Members' responsibilities

As explained more fully in their statement set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

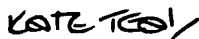
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Kate Teal (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
United Kingdom

16 October 2018

Report and Financial Statements 2018

**Statement of comprehensive income
for the year ended 30 April 2018**

| | Note | 2018 £000 | 2017 £000 |
|---|------|--------------|--------------|
| Turnover | | 43,951 | 39,248 |
| Operating expenses | 2 | (33,400) | (30,353) |
| Operating profit | 3 | 10,551 | 8,895 |
| Interest receivable and similar income | 5 | 725 | 272 |
| Interest payable & similar charges | 6 | (614) | (695) |
| Profit for the financial year before members' remuneration and profit shares | | 10,662 | 8,472 |
| Members' remuneration charged as an expense | 8 | (626) | (357) |
| Profit for the financial year available for discretionary division among members | | 10,036 | 8,115 |

All results relate to continuing activities.

There was no Other Comprehensive Income arising in the current or comparative year.

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**Statement of changes in equity
for the year ended 30 April 2018**

| | Loans and other debts due to members £000 | | | Members' other interests £000 | Total members' interests £000 |
|--|---|--------------------|------------|-------------------------------|-------------------------------|
| | Members' capital £000 | Other amounts £000 | Total £000 | | |
| Members' interests at 1 May 2016 | 4,717 | (1,363) | 3,354 | 6,744 | 10,098 |
| Members' remuneration charged as an expense | - | 357 | 357 | - | 357 |
| Profit for the year available for discretionary division among members | - | - | - | 8,115 | 8,115 |
| Members' interests after profit for the year | 4,717 | (1,006) | 3,711 | 14,859 | 18,570 |
| Other divisions of profit in the year | - | 6,744 | 6,744 | (6,744) | - |
| Introduced by members | 537 | - | 537 | - | 537 |
| Repayment of capital | (570) | - | (570) | - | (570) |
| Drawings and distributions | - | (7,463) | (7,463) | - | (7,463) |
| Other movements | - | (256) | (256) | - | (256) |
| Members' interests at 30 April 2017 | 4,684 | (1,981) | 2,703 | 8,115 | 10,818 |

| | Loans and other debts due to members £000 | | | Members' other interests £000 | Total members' interests £000 |
|--|---|--------------------|------------|-------------------------------|-------------------------------|
| | Members' capital £000 | Other amounts £000 | Total £000 | | |
| Members' interests at 1 May 2017 | 4,684 | (1,981) | 2,703 | 8,115 | 10,818 |
| Members' remuneration charged as an expense | - | 626 | 626 | - | 626 |
| Profit for the year available for discretionary division among members | - | - | - | 10,036 | 10,036 |
| Members' interests after profit for the year | 4,684 | (1,355) | 3,329 | 18,151 | 21,480 |
| Other divisions of profit in the year | - | 8,115 | 8,115 | (8,115) | - |
| Introduced by members | 325 | - | 325 | - | 325 |
| Repayment of capital | (445) | - | (445) | - | (445) |
| Drawings and distributions | - | (5,880) | (5,880) | - | (5,880) |
| Other movements | - | (687) | (687) | - | (687) |
| Members' interests at 30 April 2018 | 4,564 | 193 | 4,757 | 10,036 | 14,793 |

Loans and other debts due to members would rank pari passu, in the event of a winding up, with other creditors.

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**Statement of financial position
as at 30 April 2018**

| | Note | 2018 £000 | 2017 £000 |
|--|------|----------------------|----------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 1,576 | 988 |
| Tangible assets | 9 | 2,382 | 3,007 |
| | | <u>3,958</u> | <u>3,995</u> |
| Current assets | | | |
| Debtors | 10 | 20,225 | 18,635 |
| Cash at bank and in hand | | 1,076 | 2 |
| | | <u>21,301</u> | <u>18,637</u> |
| Creditors: amounts falling due within one year | 11 | (7,710) | (7,293) |
| Net current assets | | <u>13,591</u> | <u>11,344</u> |
| Total assets less current liabilities | | 17,549 | 15,339 |
| Creditors: amounts falling due after more than one year | 12 | (1,356) | (3,014) |
| Provisions for liabilities | 13 | (1,400) | (1,507) |
| NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>14,793</u> | <u>10,818</u> |
| REPRESENTED BY: | | | |
| Loans and other debts due to members | | | |
| Members' capital classified as a liability | | 4,564 | 4,684 |
| Other amounts | | 193 | (1,981) |
| | | <u>4,757</u> | <u>2,703</u> |
| Equity | | | |
| Members' other interests – other reserves classified as equity | | 10,036 | 8,115 |
| TOTAL MEMBERS' INTERESTS | | <u>14,793</u> | <u>10,818</u> |

The financial statements of Bevan Brittan LLP, registered number OC309219, were approved by the Members on

5th October 2018

Signed on behalf of the Members

Duncan Weir
Managing Partner



Report and Financial Statements 2018

Cash flow statement

Year ended 30 April 2018

| | 2018 £000 | 2017 £000 |
|---|----------------------|----------------------|
| Net cash inflow from operating activities | | |
| Profit for the financial year after members' remuneration charged as an expense | 10,036 | 8,115 |
| Adjustments for: | | |
| Interest receivable and similar income | (725) | (272) |
| Interest payable and similar expenses | 614 | 695 |
| Depreciation / Amortisation | 1,079 | 708 |
| Loss on disposal of fixed assets | - | 3 |
| Decrease in provisions | (107) | (350) |
| Increase / (decrease) in creditors | 244 | (631) |
| (Increase) / decrease in debtors | (1,590) | 1,574 |
| Interest paid | (614) | (695) |
| Net cash flows from operating activities before transactions with members | 8,937 | 9,147 |
| Payments to and on behalf of members | (5,941) | (7,362) |
| | <u>2,996</u> | <u>1,785</u> |
| Net cash from investing activities | | |
| Interest received | 38 | 16 |
| Acquisition of tangible fixed assets | (201) | (611) |
| Acquisition of intangible assets | (841) | (988) |
| | <u>(1,004)</u> | <u>(1,583)</u> |
| Net cash from financing activities | | |
| Capital introduced by members | 325 | 537 |
| Capital repayments to members | (445) | (570) |
| Repayment of bank loans | (798) | (731) |
| | <u>(918)</u> | <u>(764)</u> |
| Net (decrease)/increase in cash and cash equivalents | 1,074 | (562) |
| Cash and cash equivalents at 1 May | 2 | 564 |
| Cash and cash equivalents at 30 April | <u>1,076</u> | <u>2</u> |

Report and Financial Statements 2018

Notes to the Financial Statements

Year ended 30 April 2018

1. Accounting policies

The principal accounting policies used in the preparation of the financial statements, which have been consistently applied in the current and preceding financial years, are as follows:

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") and The Statement of Recommended Practice, 'Accounting by Limited Liabilities Partnerships' issued on 26 January 2017. All amounts in the financial statements are presented in £ thousands.

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the members, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 18.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Going concern

The members have reviewed the net assets position and trading and cashflow forecasts for the following 12 months, and as a result have a reasonable expectation that the LLP has the resources available at its disposal to continue in operational existence for the foreseeable future. Trading for the year has been profitable as discussed in the members' report. It is expected that the strategies discussed within that report will continue to drive profitable trading going forwards. It is considered that there is sufficient funding in place at present, as shown in Note 12, and there are indications that further funding can be introduced as required. Therefore the members have adopted the going concern basis in preparing the annual financial statements.

Turnover

Turnover represents the right to consideration earned in respect of legal services performed during the year through performance of contractual obligations, net of any sales tax and discounts given to clients and excludes disbursements charged on to clients. Turnover is based on recorded time spent, skills and expertise provided and billed in accordance with the contractual arrangements with each client. All income arises within the UK. Also included in turnover is income from sub-leases, the value of which is disclosed in Note 3. Rental income is invoiced periodically in advance and recognised in the period to which leases relate.

Unbilled fee income is included as Amounts to be billed to clients within debtors. Fee income recognised in this manner is included where the right to consideration has been obtained and valued based on an assessment of the fair value of the services provided at the balance sheet date, allowing for any unrecoverable amounts.

Contingent fee Income

Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the Partnership and the probability of that event is uncertain.

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Notes to the Financial Statements (continued)

Year ended 30 April 2018

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Amounts to be billed to clients

Services provided during the year to clients, which at the balance sheet date have not been billed to clients, have been recognised as revenue. Revenue recognised in this manner is based on an assessment of the fair value of services provided at the balance sheet date as a proportion of the total value of the engagement. 'Amounts to be billed to clients' is included in debtors. Amounts invoiced in advance are included in accruals and deferred income.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately as a profit or loss.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in the Statement of Comprehensive Income as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

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Notes to the Financial Statements (continued)

Year ended 30 April 2018

Intangible fixed assets

Intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Software – 4 years

Assets not yet brought into use are classed as Assets under Construction and are not amortised until they are brought into use.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold buildings – life of lease

Fixtures and fittings, computer equipment – 3-4 years

Depreciation methods, useful lives and residual values are reviewed where there is an indication of a significant change since the last annual reporting date in the pattern by which the LLP expects to consume an asset's future economic benefits.

Cash and cash equivalents

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash).

Leases

Operating lease rentals are charged to the Statement of Comprehensive Income in equal amounts over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income over the lease term, or up to the break point date, as an integral part of the total lease expense.

Dilapidations

Provision is made for dilapidations in respect of property leases which contain a requirement for the property to be returned to their original condition prior to the conclusion of the lease. Dilapidation provisions are accumulated on a straight line basis starting from a point in time 12 years prior to the end of the lease term.

Report and Financial Statements 2018

Notes to the Financial Statements (continued) Year ended 30 April 2018

Provision for liabilities

Provisions are recognised when the LLP has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. Provisions are recognised using reliable estimates of the amounts required to settle obligations at the reporting date.

Onerous Leases

Provision is made for the present value of foreseeable lease commitments in respect of property leases, net of expected sub-let income, where the income receivable is lower than the head lease commitment. Onerous leases include leases representing property which will become redundant as a result of steps to which the LLP is demonstrably committed.

Capital

The capital requirements of the LLP are determined from time to time by the Board. At present, capital is subscribed on a graduating system of £40,000 for fixed share consultant members, and on a sliding scale between £75,000 and £250,000 for full equity members. Capital is repaid within 24 months of the date members cease to be members. Once members cease to be members amounts unpaid are shown within other creditors.

Allocation of profits and drawings

The LLP has discretion over when to divide profits. During the year the membership has formally allocated profits relating to prior periods. No other profits have been formally allocated. Unallocated profits will be formally divided when the Board decides it is appropriate to do so.

During the period members received monthly drawings. Monthly drawings represent payments on account of current period profits and are reclaimable from members until profits have been formally allocated by the Board.

Certain members have contractual elements of remuneration that are not discretionary. These elements are shown in the Statement of Comprehensive Income as 'Members' remuneration charged as an expense' and represent a liability of the LLP.

Taxation

The taxation payable on the profits of the LLP is the personal liability of the members during the period under consideration and consequently neither taxation nor related deferred taxation are accounted for in the financial statements. Amounts retained in respect of members' personal tax liabilities are treated in the same way as other profits of the partnership and are so included in "Members interests" or in "Loans and other debts due to members" depending on whether or not an allocation of profits has occurred.

2. Operating expenses

| | 2018 £000 | 2017 £000 |
|--|---------------|---------------|
| Staff Costs (Note 4) | 19,573 | 15,541 |
| Depreciation and Amortisation (Note 3 & 9) | 1,079 | 708 |
| Other operating expenses | 12,748 | 14,104 |
| | <u>33,400</u> | <u>30,353</u> |

Report and Financial Statements 2018

Notes to the Financial Statements (continued)
Year ended 30 April 2018

3. Operating profit

| | 2018 | 2017 |
|---|-------------|-------------|
| | £000 | £000 |
| Operating profits after charging / (crediting): | | |
| Depreciation of tangible fixed assets | | |
| Owned assets | 826 | 708 |
| Amortisation of intangible fixed assets | | |
| Owned assets | 253 | - |
| Loss on disposal of tangible fixed assets | - | 3 |
| Rentals under operating leases | | |
| Other operating leases | 3,169 | 3,137 |
| Auditor's remuneration | | |
| Audit of these financial statements | 44 | 38 |
| Amounts receivable by auditor and their associates in respect of: | | |
| Audit related assurance services | 38 | 37 |
| Income from sub-lets, included in turnover | (1,049) | (1,291) |

4. Staff costs and employee information

| | 2018 | 2017 |
|---|---------------|---------------|
| | £000 | £000 |
| Employee costs (excl. Members' remuneration charged as an expense) during the year amounted to: | | |
| Wages and salaries | 16,295 | 12,829 |
| Social security costs | 1,665 | 1,320 |
| Pension costs (Note 15) | 1,613 | 1,392 |
| | <u>19,573</u> | <u>15,541</u> |

Average Headcount Numbers

| | 2018 | 2017 |
|---------------|-------------|-------------|
| | No | No |
| Members | 37 | 36 |
| Fee earners | 203 | 197 |
| Trainees | 25 | 17 |
| Support staff | 136 | 39 |
| | <u>401</u> | <u>289</u> |

Report and Financial Statements 2018

Notes to the Financial Statements (continued)

Year ended 30 April 2018

5. Interest receivable and similar income

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Bank interest receivable | 38 | 16 |
| Net gain on financial instruments measured at fair value through profit or loss | 687 | 256 |
| | <u>725</u> | <u>272</u> |

6. Interest payable and similar charges

| | 2018 £000 | 2017 £000 |
|-------------------------------------|--------------|--------------|
| Bank interest payable | 108 | 170 |
| Interest payable in respect of SWAP | 500 | 502 |
| Unwind of discount on provisions | 4 | 21 |
| Payments to clients | 2 | 2 |
| | <u>614</u> | <u>695</u> |

Net interest payable excludes interest payable to members, which is included within "Members' drawings".

7. Members' share of profits

The average number of members during the year was 37 (2017:36).

The profit of the highest paid member depends on the allocation of the performance related bonus pool, which at the date of signing the accounts had still to be finalised. Excluding this element the profit share of the highest paid member in the year to 30 April 2018 was £245k (2017 - £225k). This also excludes interest distributed on members' current account balances, as the members consider this not to be an allocation of profits. The full payment of the highest paid member including performance related bonus in the year to 30 April 2017 was £435k.

8. Members' remuneration charged as an expense

In accordance with the requirements of the Statement of Recommended Practice '*Accounting by Limited Liability Partnerships*' all outflows of benefits to members are treated as members' remuneration, with the exception of amounts paid to fixed share consultant members that is treated as members remuneration charged as an expense. No remuneration was paid to members under an employment contract (2017 – £Nil).

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Notes to the Financial Statements (continued)

Year ended 30 April 2018

9. Tangible and Intangible fixed assets

| | Tangible Assets | | | | Intangible Assets | | | |
|--|--|--------------|----|--|-------------------|----------------------------------|----------------|--------------|
| | Buildings leasehold improvements | Equipment | IT | Fixtures, fittings, tools and equipment | Total | Software under development | IT Software | Total |
| | £000 | £000 | | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | | | | |
| At 1 May 2017 | 7,621 | 2,032 | | 2,405 | 12,058 | 988 | - | 988 |
| Additions | 53 | 132 | | 16 | 201 | 85 | 756 | 841 |
| Transfers | - | - | | - | - | (988) | 988 | - |
| At 30 April 2018 | 7,674 | 2,164 | | 2,421 | 12,259 | 85 | 1,744 | 1,829 |
| Accumulated depreciation / amortisation | | | | | | | | |
| At 1 May 2017 | 5,465 | 1,355 | | 2,231 | 9,051 | - | - | - |
| Charge for the year | 521 | 257 | | 48 | 826 | - | 253 | 253 |
| At 30 April 2018 | 5,986 | 1,612 | | 2,279 | 9,877 | - | 253 | 253 |
| Net book value | | | | | | | | |
| At 30 April 2018 | 1,688 | 552 | | 142 | 2,382 | 85 | 1,491 | 1,576 |
| At 30 April 2017 | 2,156 | 677 | | 174 | 3,007 | 988 | - | 988 |

10. Debtors

| | 2018 £000 | 2017 £000 |
|---------------------------------|---------------|---------------|
| Trade debtors | 11,560 | 9,448 |
| Amounts to be billed to clients | 3,239 | 2,597 |
| Amounts due from members | 2,926 | 2,993 |
| Prepayments and other debtors | 2,500 | 3,597 |
| | 20,225 | 18,635 |

All amounts are due within one year.

Report and Financial Statements 2018

Notes to the Financial Statements (continued)

Year ended 30 April 2018

11. Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|-------------------------------|----------------------|----------------------|
| Bank loans and overdrafts | 971 | 798 |
| Trade creditors | 2,187 | 2,503 |
| Other creditors | 1,145 | 1,322 |
| Accruals and deferred income | 2,601 | 1,616 |
| Amounts due to former members | 40 | 328 |
| SWAP liability (Note 17) | 490 | 490 |
| Holiday pay accrual | 276 | 236 |
| | 7,710 | 7,293 |

12. Creditors: amounts falling due after more than one year

| | 2018 £000 | 2017 £000 |
|--------------------------|----------------------|----------------------|
| Bank loans | - | 971 |
| SWAP liability (note 17) | 1,356 | 2,043 |
| | 1,356 | 3,014 |

Borrowing Facilities

As at 30 April 2018 the LLP had a bank loan with a balance outstanding of £971,000, and an overdraft facility of £3.0m that is undrawn at year end. The bank loan carries an interest rate of 2.2% above base and is repayable in equal quarterly instalments of £209,000 by 29 January 2019 inclusive of interest. The capital element of the borrowings will be fully repaid within the next 12 months as disclosed in Note 11. The facility is secured by a fixed and floating charge over the assets of the LLP.

Security

All members' capital contributions are the personal responsibility of the members. The LLP guarantees to pay any capital repayments and interest due for any member, which remains unpaid at the date when they retire from the LLP, or in the unlikely event that the member defaults.

Report and Financial Statements 2018

Notes to the Financial Statements (continued)

Year ended 30 April 2018

13. Provisions for liabilities

| | Onerous leases £000 | Dilapidations £000 | Professional indemnity £000 | Total £000 |
|-----------------------------|---------------------------|-----------------------|-----------------------------------|---------------|
| At beginning of year | 737 | 548 | 222 | 1,507 |
| Utilised during year | (239) | - | - | (239) |
| Released during year | (174) | (24) | - | (198) |
| Additional amounts provided | - | 228 | 98 | 326 |
| Unwinding of discount | 4 | - | - | 4 |
| At end of year | 328 | 752 | 320 | 1,400 |

The expected timing of such provisions is as follows:

| | Onerous leases £000 | Dilapidations £000 | Professional indemnity £000 | Total £000 |
|--------------------------|---------------------------|-----------------------|-----------------------------------|---------------|
| Within one year | 237 | 428 | 320 | 985 |
| Within two to five years | 91 | 133 | - | 224 |
| After five years | - | 191 | - | 191 |
| | 328 | 752 | 320 | 1,400 |

The professional indemnity provision is included to cover estimated excess elements of claims arising as a result of claims against Bevan Brittan LLP.

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Notes to the Financial Statements (continued)

Year ended 30 April 2018

14. Operating lease commitments

- (a) The LLP had no capital commitments at the end of the financial year (2017: £Nil);
- (b) Total commitments under non-cancellable operating leases are as follows:

| | 2018 | 2017 |
|--------------------------|-------------------------------|-------------------------------|
| | Land and buildings £000 | Land and buildings £000 |
| Lease commitments due: | | |
| Within one year | 2,846 | 3,036 |
| Within two to five years | 5,817 | 8,639 |
| After five years | - | - |
| | 8,663 | 11,675 |

- (c) Leases as lessor

The future minimum lease payments receivable under non-cancellable leases are as follows:

| | 2018 | 2017 |
|--------------------------|-------------------------------|-------------------------------|
| | Land and buildings £000 | Land and buildings £000 |
| Within one year | 1,032 | 922 |
| Within two to five years | 881 | 1,608 |
| After five years | - | - |
| | 1,913 | 2,530 |

During the year £nil (2017: £nil) of contingent rent was recognised as income by the LLP.

15. Employee benefits

Bevan Brittan LLP operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the LLP in an independently administered fund. Contributions payable by the LLP amounted to £1,613k in the year (2017: £1,392k) and are included in the profit and loss account. At 30 April 2018 amounts due to the scheme of £146k (2017: £126k) were included within creditors falling due within one year in the balance sheet.

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Notes to the Financial Statements (continued)

Year ended 30 April 2018

16. Related parties

In the opinion of the members there is no one controlling party as defined by FRS 102 as the LLP is controlled by its members.

The largest and smallest group of undertakings for which accounts have been drawn up is that headed by Bevan Brittan LLP.

Transactions with key management

The members of the Strategic Board are responsible for planning, directing and controlling the activities of the LLP. The members of the Board share in the profits of the partnership and the following disclosures relate to those members only.

Details of profit share is disclosed in Note 7. The total payable to the members on the Board, excluding the profit share that is yet to be allocated, was £1,288k.

There were no balances due to or from key management at 30 April 2018 or 30 April 2017 save in respect of relevant shares of profit (or related taxation) and members' capital.

Total members' capital invested by key management in the partnership amounted to £1,325k at 30 April 2018 (2017: £1,325k).

Other related party transactions

One of the designated members is also a director of K O Facilities Ltd, a company owned by Bevan Brittan LLP. This company is dormant and as such there were no transactions between Bevan Brittan LLP and KO Facilities Ltd in the period. No amounts remain outstanding at the period end.

17. Financial instruments

17 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Liabilities measured at fair value through Statement of comprehensive income | 1,846 | 2,533 |
| | <u>1,846</u> | <u>2,533</u> |

The above liability is in respect of an interest rate swap expiring in June 2022.

Report and Financial Statements 2018

Notes to the Financial Statements (continued)

Year ended 30 April 2018

17 (b) Financial instruments measured at fair value

The fair value of the SWAP liability is based on the settlement value provided by the financial institution providing the instrument. This quote is tested for reasonableness by discounting estimated cash flows based on terms and maturity of the contract and using market interest rates for a similar instrument at the measurement date. The interest rate used to calculate estimated cash flows was 2.2%.

It is felt that the impact of Bevan Brittan's own credit risk movement is immaterial in the year and has no impact on these estimates.

18. Accounting estimates and judgements

Onerous Leases

Provision is made for the present value of foreseeable rental commitments in respect of surplus property, after offsetting expected sub-letting income. The LLP has several subleases against property we hold as the main lease holder. There is no additional space that is surplus to requirement.

Where these sub-leases, including any incentives given are at less than the market rent the LLP is expecting to pay against the head lease, this reduction in economic benefit has been accounted for up to the first potential break, reflecting the certainty that currently exists. In addition this onerous element has been discounted by 3% to reflect the unexpired portions of the sub-leases (see total provision in Note 13). The discount rate used is in line with current funding lines.

The total discount on the onerous lease provision as at 30 April 2018 is £5,000. Were the discount rate on the onerous leases to decrease by 1%, the required provision would increase by £1,400. If the tenanted area vacated at the end of the subleases is not sublet or otherwise used in a profitable manner, the additional costs to the LLP are expected at the reporting date to be £588,000 per annum.

Dilapidations

Provision is made for dilapidations in respect of property leases which contain a requirement for premises to be returned to their original state prior to the conclusion of the lease term. Such provisions required are provided over the 12 years before the lease end date (see Accounting Policies Note 1).

The rate of provision is calculated with reference to the most recent dilapidations payments per square foot and applied to other properties in the LLP portfolio. This allows the estimate of dilapidations provision to be accumulated using the most recent relevant data available. This is updated as soon as there is certainty regarding expected cost or reinstatement work.

The inflation rate used to estimate costs is 3% in line with current RPI (May 2018). Were this rate to change by 1%, this would require a change in the annual charge estimated to be £13,000.

Report and Financial Statements 2018

Notes to the Financial Statements (continued)

Year ended 30 April 2018

18. Accounting estimates and judgements (continued)

Trade debtors and amounts to be billed to clients

Invoices are raised as per client contracts, management consider the recoverability of the resulting trade debtors based on known or indicated poor payment or dispute. A provision is held against these amounts.

Also included in debtors are amounts to be billed to clients representing work in progress. This is calculated at the value recorded and expected to be billed after the period end. The balance is calculated after the removal of items that are considered likely to be irrecoverable (see Note 1: Turnover).

Were a further 1% of trade debtors and accrued income to be irrecoverable, this would result in an additional impairment charge of £112,000 and £37,000 respectively.

SWAP

The SWAP is also considered an estimate. See Note 17(b) for information on measurement.

The measurement of this estimate is based on expectations of future interest rates. A 0.1% change in interest rates has an approximate impact of £35,000 on the fair value (an increase in interest rates would reduce the liability and vice versa).