

**Baker & McKenzie LLP**

**Annual Report and Financial Statements**

**For the year ended 30 June 2016**



**Baker & McKenzie LLP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 June 2016**

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**Baker & McKenzie LLP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 30 June 2016**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DESIGNATED MEMBERS**

H Bradley  
A Chadwick  
A Poulton  
M Kurnatowska

**REGISTERED OFFICE**

100 New Bridge Street  
London  
EC4V 6JA

**BANKERS**

National Westminster Bank plc  
Aldwych Branch  
London

**INDEPENDENT AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

## **Baker & McKenzie LLP**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 June 2016**

#### **MEMBERS' REPORT**

The members are pleased to present their annual report and audited financial statements of the group for the year ended 30 June 2016.

#### **PRINCIPAL ACTIVITY**

The principal activity of Baker & McKenzie LLP is the provision of legal services in the United Kingdom to clients in the UK and overseas.

#### **FIRM STRUCTURE**

The LLP is a Limited Liability Partnership registered in the United Kingdom.

#### **DESIGNATED MEMBERS**

The designated members who served during and since the year, were as follows:

H Bradley

A Chadwick (Appointed 1 September 2016)

M Kurnatowska

A Poulton (Appointed 1 September 2015)

P Rawlinson (Resigned 1 September 2016)

#### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The LLP's business plan is to continue to invest and grow in particular in its existing location and key sectors while retaining appropriate profitability.

The LLP's consolidated profit before tax amounted to £70,634,000 (2015: £47,783,000 after adjusting for FRS102; £47,937,000 as previously reported). The consolidated profit for the year after tax on subsidiaries' profits amounted to £70,008,000 (2015: £47,209,000 after adjusting for FRS102; £47,363,000 as previously reported).

The members regard the LLP's financial position at the year end, and future prospects, to be satisfactory.

#### **GOING CONCERN**

Details regarding the adoption of the going concern basis is presented in note 1 of the accounting policies.

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **LEGAL STRUCTURE**

Baker & McKenzie LLP, a limited liability partnership registered in England and Wales, was incorporated on 1 February 2005. On 1 October 2010 the employment contracts of all employees of Baker & McKenzie LLP were transferred to Baker & McKenzie Services Limited (which is wholly owned by Baker & McKenzie LLP). From that date Baker & McKenzie Services Limited has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

On 1 September 2013 the employment contracts of certain employees of Baker & McKenzie Services Limited were transferred to Baker & McKenzie Services II LLP. From that date Baker & McKenzie Services II LLP has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

On 5 April 2014 these employment contracts were transferred to Baker & McKenzie Services II. From that date Baker & McKenzie Services II has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

A list of designated members' names is available for inspection at the LLP's registered office.

**Baker & McKenzie LLP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
For the year ended 30 June 2016**

**MEMBERS' REPORT (Continued)**

**MEMBERS' DRAWINGS AND CAPITAL POLICY**

The members are remunerated out of the profits of Baker & McKenzie LLP. Allocation of profits is made on a financial statements basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members.

Baker & McKenzie LLP's policy on determining the profits to be allocated and distributed to members in respect of a year is based on a cash received and paid basis. During the year the members receive monthly drawings on account of their share of distributable profits, and further distributions are made such that the entire distributable profit is paid to partners within five months of the year end.

No retention for member's personal tax is made. Members are responsible for settling their liabilities personally.

An individual member's capital requirement is linked to the member's profit share and the number of years of service and the requirements of the business. Capital is repaid to members on resignation or retirement from Baker & McKenzie LLP.

**AUDITOR**

Deloitte LLP has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual Members Meeting.

**AUDIT INFORMATION**

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Approved by the Members and signed on their behalf



Designated Member

27 March 2017

A CHADWICK



Designated Member

27 March 2017

H BRADLEY

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 30 June 2016**

**STATEMENT OF MEMBERS' RESPONSIBILITIES**

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the firm (and of the group) and 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. Partnerships, and in accordance with the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnership (issued July 2014). They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP**

We have audited the financial statements of Baker & McKenzie LLP for the year ended 30 June 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and LLP Balance Sheets, the Consolidated Cash Flow Statement the Consolidated and LLP Statements of Changes in Members' Interest and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

### **RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITORS**

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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 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.

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 30 June 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Members' Report for the financial year for which the financial statements are prepared is consistent with the information in the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP (continued)**

### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

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



Jeremy Black (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

**27** March 2017

## Baker & McKenzie LLP

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2016

	Notes	2016 £000's	2015 £000's
<b>TURNOVER</b>	3	176,076	145,246
Administrative expenses		(107,485)	(99,008)
Other operating income		1,889	1,584
<b>OPERATING PROFIT</b>	4	70,480	47,822
Net interest receivable/(payable)	7	154	(39)
<b>PROFIT BEFORE TAXATION</b>		70,634	47,783
Taxation	9	(626)	(574)
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>		70,008	47,209

All results relate to continuing activities.

There are no items of other comprehensive income in the current or preceding year.

The company has taken advantage of section 408 of Companies Act 2006 not to publish a separate Income Statement and Statement of Comprehensive Income.

The notes 1 to 24 form part of these financial statements.

**Baker & McKenzie LLP**

**CONSOLIDATED BALANCE SHEET  
As at 30 June 2016**

	Notes	2016 £000's	2015 £000's
<b>FIXED ASSETS</b>			
Tangible assets	11	4,929	4,361
<b>CURRENT ASSETS</b>			
Debtors	12	106,100	74,006
Amounts due from members		77,674	77,898
Cash at bank and in hand		5,054	10,055
		188,828	161,959
Creditors: amounts falling due within one year	13	(27,297)	(22,506)
<b>NET CURRENT ASSETS</b>		161,531	139,453
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		166,460	143,814
Provisions for liabilities	15	(35)	(35)
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		166,425	143,779
<b>REPRESENTED BY</b>			
Loans and other debt due to members within one year:			
Members' capital classified as a liability		17,121	15,054
Equity:			
Other reserves		149,304	128,725
<b>MEMBERS' OTHER INTERESTS</b>		166,425	143,779
<b>TOTAL MEMBER INTERESTS</b>			
Members' other interests		166,425	143,779
Amounts due from members		(77,674)	(77,898)
		88,751	65,881

These financial statements of Baker & McKenzie LLP (Registration No. OC311297) were approved by the Members on 29 March 2017.

Signed on behalf of the Members

*A Chadwick*

Designated Member

A CHADWICK

*H Bradley*

Designated Member

H BRADLEY

The notes 1 to 24 form part of these financial statements.

**Baker & McKenzie LLP****LIMITED LIABILITY PARTNERSHIP BALANCE SHEET****As at 30 June 2016**

	Notes	2016 £000's	2015 £000's
<b>FIXED ASSETS</b>			
Tangible assets	11	4,929	4,361
<b>CURRENT ASSETS</b>			
Debtors	12	105,287	71,461
Amounts due from members		75,486	75,028
Cash at bank and in hand		4,843	9,966
		<u>185,616</u>	<u>156,455</u>
Creditors: amounts falling due within one year	13	(30,665)	(24,532)
<b>NET CURRENT ASSETS</b>		<u>154,951</u>	<u>131,923</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		159,880	136,284
Provisions for liabilities	15	(35)	(35)
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u><u>159,845</u></u>	<u><u>136,249</u></u>
<b>REPRESENTED BY</b>			
Loans and other debt due to members within one year:			
Members' capital classified as a liability		17,121	15,054
Equity:			
Other reserves		142,724	121,195
<b>MEMBERS' OTHER INTERESTS</b>		<u>159,845</u>	<u>136,249</u>
<b>TOTAL MEMBER INTERESTS</b>			
Members' other interests		159,845	136,249
Amounts due from members		(75,486)	(75,028)
		<u>84,359</u>	<u>61,221</u>

These financial statements of Baker & McKenzie LLP (Registration No. OC311297) were approved by the Members on 27 March 2017.

Signed on behalf of the Members



Designated Member

A CHADWICK



Designated Member

H BRADLEY

The notes 1 to 24 form part of these financial statements.

**Baker & McKenzie LLP**

**CONSOLIDATED STATEMENT  
OF CHANGES IN MEMBERS' INTEREST  
As at 30 June 2016**

	<b>Members' capital £'000</b>	<b>Other reserves £'000</b>	<b>Total £'000</b>	<b>Amounts due from members £'000</b>	<b>Total members' interests £'000</b>
<b>MEMBERS' INTEREST AT 30 JUNE 2014 AS PREVIOUSLY STATED</b>	11,122	117,480	128,602	(69,715)	58,887
Changes on transition to FRS 102 (see note 24)	-	(1,074)	(1,074)	-	(1,074)
<b>MEMBERS' INTEREST AT 1 JULY 2014</b>	11,122	116,406	127,528	(69,715)	57,813
Profit for the financial year available for discretionary division among members	-	47,209	47,209	-	47,209
<b>MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR</b>	11,122	163,615	174,737	(69,715)	105,022
Currency translation difference	803	-	803	-	803
<b>TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>	11,925	163,615	175,540	(69,715)	105,825
Allocated profits	-	(34,890)	(34,890)	34,890	-
Capital introduced	4,154	-	4,154	-	4,154
Repayment of capital	(939)	-	(939)	-	(939)
Capital due to former members	(86)	-	(86)	-	(86)
Loan to members	-	-	-	(351)	(351)
Drawings	-	-	-	(42,722)	(42,722)
<b>AT 30 JUNE 2015</b>	<b>15,054</b>	<b>128,725</b>	<b>143,779</b>	<b>(77,898)</b>	<b>65,881</b>
Profit for the financial year available for discretionary division among members	-	70,008	70,008	-	70,008
<b>MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR</b>	15,054	198,733	213,787	(77,898)	135,889
Currency translation difference	1,773	-	1,773	-	1,773
<b>TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>	16,827	198,733	215,560	(77,898)	137,662
Allocated profits	-	(49,429)	(49,429)	49,429	-
Capital introduced	2,227	-	2,227	-	2,227
Repayment of capital	(1,322)	-	(1,322)	-	(1,322)
Capital due to former members	(611)	-	(611)	-	(611)
Loan to members	-	-	-	102	102
Drawings	-	-	-	(49,307)	(49,307)
<b>AT 30 JUNE 2016</b>	<b>17,121</b>	<b>149,304</b>	<b>166,425</b>	<b>(77,674)</b>	<b>88,751</b>

The notes 1 to 24 form part of these financial statements.

**LIMITED LIABILITY PARTNERSHIP STATEMENT  
OF CHANGES IN MEMBERS' INTEREST  
As at 30 June 2016**

	Members' capital £'000	Other reserves £'000	Total £'000	Amounts due from members £'000	Total members' interests £'000
<b>MEMBERS' INTEREST AT 30 JUNE 2014 AS PREVIOUSLY STATED</b>	11,122	114,136	125,258	(68,222)	57,036
Changes on transition to FRS 102 (see note 24)	-	(1,128)	(1,128)	-	(1,128)
<b>MEMBERS' INTEREST AT 1 JULY 2014</b>	11,122	113,008	124,130	(68,222)	55,908
Profit for the financial year available for discretionary division among members	-	43,077	43,077	-	43,077
<b>MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR</b>	11,122	156,085	167,207	(68,222)	98,985
Currency translation difference	803	-	803	-	803
<b>TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>	11,925	156,085	168,010	(68,222)	99,788
Allocated profits	-	(34,890)	(34,890)	34,890	-
Capital introduced	4,154	-	4,154	-	4,154
Repayment of capital	(939)	-	(939)	-	(939)
Capital due to former members	(86)	-	(86)	-	(86)
Loan to members	-	-	-	(351)	(351)
Drawings	-	-	-	(41,345)	(41,345)
<b>AT 30 JUNE 2015</b>	<u>15,054</u>	<u>121,195</u>	<u>136,249</u>	<u>(75,028)</u>	<u>61,221</u>
Profit for the financial year available for discretionary division among members	-	67,669	67,669	-	67,669
<b>MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR</b>	15,054	188,864	203,918	(75,028)	128,890
Currency translation difference	1,773	-	1,773	-	1,773
<b>TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>	16,827	188,864	205,691	(75,028)	130,663
Allocated profits	-	(46,140)	(46,140)	46,140	-
Capital introduced	2,227	-	2,227	-	2,227
Repayment of capital	(1,322)	-	(1,322)	-	(1,322)
Capital due to former members	(611)	-	(611)	-	(611)
Loan to members	-	-	-	102	102
Drawings	-	-	-	(46,700)	(46,700)
<b>AT 30 JUNE 2016</b>	<u>17,121</u>	<u>142,724</u>	<u>159,845</u>	<u>(75,486)</u>	<u>84,359</u>

The notes 1 to 24 form part of these financial statements.

**Baker & McKenzie LLP****CONSOLIDATED CASH FLOW STATEMENT  
For the year ended 30 June 2016**

	<b>Notes</b>	<b>2016 £000's</b>	<b>2015 £000's</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	43,786	46,276
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of equipment		(1,803)	(714)
Interest received		165	18
Interest paid		(11)	(57)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<u>(1,649)</u>	<u>(753)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans to members		102	(351)
Payments to or on behalf of the members		(49,307)	(42,722)
Capital contributions by members		2,227	4,154
Repayments to former members		(1,933)	(1,025)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<u>(48,911)</u>	<u>(39,944)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(6,774)	5,579
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		10,055	3,673
Effect of foreign exchange rate changes		1,773	803
<b>CASH AND CASH EQUIVALENTS AT END YEAR</b>		<u>5,054</u>	<u>10,055</u>
<b>RECONCILIATION TO CASH AT BANK AND IN HAND:</b>			
Cash at bank and in hand		5,054	10,055
<b>CASH AND CASH EQUIVALENTS</b>		<u>5,054</u>	<u>10,055</u>

The notes 1 to 24 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. These have all been applied consistently throughout the current year and the preceding year.

**General information and basis of accounting**

Baker & McKenzie LLP ("the Partnership") is incorporated in the United Kingdom under the Limited Liability Partnership Act 2000. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Members' Report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued July 2014).

The functional currency of the group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in pounds sterling.

The Partnership meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, and remuneration of key management personnel.

**Going concern**

The members have prepared the financial statements on the going concern basis. The Partnership's principal activity and policy on members' drawings and capital is set out in the Members' Report on pages 2 to 3.

The members have reviewed the Partnership's forecast cash flow projections for a period of at least 12 months from the date of signing of the financial statements. As a consequence, the members believe that the Partnership is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The members continually review the Partnership's plans in respect of the activities and the group's financial position to ensure the Partnership is profitable, has positive net current assets, net assets and positive cash flows.

On this basis, the members are satisfied that the Partnership has adequate resources to continue in operational existence for the foreseeable future.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of Baker & McKenzie LLP and all of its subsidiary undertakings, Baker & McKenzie Services Limited and Baker & McKenzie Services II, drawn up to 30 June each year.

**Investment in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**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, less estimated residual value, on each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	10% per annum
Computer equipment	20% - 33.33% per annum
Fixtures and fittings	12.5% - 20% per annum

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**Turnover**

Fee income represents amounts receivable, both billed and unbilled, for services provided in the normal course of business net of VAT and disbursements.

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income in accordance with Section 23 Revenue of Financial Reporting Standard 102. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement.

Unbilled fee income is included as amounts recoverable from clients within debtors. Amounts recoverable on contracts are stated at fair value where the right to consideration has been obtained. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the group. Contingent fee income (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs.

**Members' interests**

In accordance with Financial Reporting Standard 102: Section 22 members' interests have been presented as follows:

- classification of members' capital as a financial liability; and
- discretionary profit allocations are classified as a division of profits within members' interests.

Baker & McKenzie LLP's policy on determining the profits to be allocated and distributed to members in respect of a year is based on a cash received and paid basis.

Allocation of profits is made on a financial statement year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members.

Members' other interests rank after unsecured creditors. Loans and other debts due to members rank pari passu with unsecured creditors in the event of winding up.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Taxation**

The taxation payable on the partnership profits is the personal liability of the members. Consequently, neither partnership taxation nor related deferred taxation are accounted for in the financial statements.

The tax expense represents the sum of the current and deferred tax relating to the corporate subsidiaries. The current tax expense is based on taxable profits of these companies.

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

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

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Foreign Currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains and losses on translation are included in the profit and loss account.

**Provisions**

Provision is made on a case by case basis in respect of the cost of defending claims and, where appropriate, the estimated cost to Baker & McKenzie LLP of settling claims. Separate disclosure is not made of any expected insurance recoveries in respect of claims on the grounds that disclosure might seriously prejudice the position of the firm.

**Leases**

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

**Pension costs**

Baker & McKenzie LLP operates a defined contribution pension scheme for staff. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Members of Baker & McKenzie LLP are required to make their own provision for pensions.

**Allocation of profits**

A member's share in the profit or loss for the year is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

**Holiday pay**

The group makes provision for holiday entitlement accrued by staff but not yet taken at the balance sheet date based on the relevant salaries at that date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Partnership's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgement and source of estimation uncertainty is:

**Revenue recognition – accrued income**

The value of accrued income is derived on the basis of estimations and assumptions regarding the fair value of unbilled time at the year-end which is then compared to post year end billing.

**3. TURNOVER**

Turnover represents fee income earned from the provision of legal services and is stated net of value added tax. No geographical segmental analysis has been shown as the members believe that such a disclosure would be seriously prejudicial to the business.

**4. OPERATING PROFIT**

	<b>2016</b>	<b>2015</b>
	<b>£000's</b>	<b>£000's</b>
<b>Operating profit is stated after charging:</b>		
Depreciation		
- owned assets	1,235	1,082
Rentals under operating leases		
Other operating leases	6,807	6,807
	<u>6,807</u>	<u>6,807</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**5. AUDITOR'S REMUNERATION**

The analysis of the auditor's remuneration is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fees payable to the Group LLP's auditor and its associates for the audit of the Limited Liability Partnerships annual accounts</b>	59	59
<b>Fees payable to the Group LLP's auditor and its associates for other services to the Group</b>	279	255
The audit of the Group LLP's subsidiaries	9	3
<b>Total audit fees</b>	<u>347</u>	<u>317</u>
Taxation compliance services	241	208
Other assurance services	38	47
<b>Total non-audit fees</b>	<u>279</u>	<u>255</u>

Fees payable to Deloitte for non-audit services to the Partnership are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

No services were provided pursuant to contingent fee arrangements.

**6. STAFF COSTS**

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Average monthly number of persons employed during the year (excluding members)		
Practice	340	306
Support staff	308	308
	<u>648</u>	<u>614</u>
	<b>2016</b>	<b>2015</b>
	<b>£000's</b>	<b>£000's</b>
Employee costs during the year amounted to:		
Wages and salaries	50,960	44,579
Redundancy costs	63	140
Social security costs	6,651	5,996
Pension costs (note 20)	1,834	1,726
	<u>59,508</u>	<u>52,441</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**7. NET INTEREST RECEIVABLE/(PAYABLE)**

	<b>2016</b> <b>£000's</b>	<b>2015</b> <b>£000's</b>
Interest receivable	165	18
Interest payable	(11)	(57)
	<u>154</u>	<u>(39)</u>

**8. MEMBERS' SHARE OF PROFITS**

Allocation of profits is made on a financial statement year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members. All members are required to make their own provision for pensions from their profit shares.

The profit attributable to the member with the largest entitlement was £1,203,000 (2015: £1,777,000).

	<b>2016</b> <b>No</b>	<b>2015</b> <b>No</b>
Average number of members during the year	<u>83</u>	<u>85</u>

**9. TAXATION**

	<b>2016</b> <b>£000's</b>	<b>2015</b> <b>£000's</b>
Current tax	<u>626</u>	<u>574</u>
Profit before taxation	70,634	47,783
Less amounts subject to personal tax	(70,957)	(45,007)
Dividend from group undertaking	3,400	-
Profits subject to taxation	<u>3,077</u>	<u>2,776</u>
UK corporation tax of 20% (20.8% to 31 March 2015)	615	575
Tax effect of		
- Expenses disallowed for tax purposes	8	1
Over provision in respect of prior year	3	(2)
	<u>626</u>	<u>574</u>

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015: 20.8%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

**10. PROFIT ATTRIBUTABLE TO THE LIMITED LIABILITY PARTNERSHIP**

The partnership has taken advantage of Section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own statement of comprehensive income in these financial statements.

The profit for the financial year attributable to the parent undertaking, Baker & McKenzie LLP, was £67,669,000 (2015: £43,077,000).

**11. TANGIBLE FIXED ASSETS - CONSOLIDATED AND LIMITED LIABILITY PARTNERSHIP**

	Leasehold improvements £000's	Fixtures and fittings £000's	Computer equipment £000's	Total £000's
<b>Cost</b>				
At 1 July 2015	8,210	7,960	5,114	21,284
Additions	110	119	1,574	1,803
Disposals	(41)	(754)	(179)	(974)
At 30 June 2016	<u>8,279</u>	<u>7,325</u>	<u>6,509</u>	<u>22,113</u>
<b>Accumulated depreciation</b>				
At 1 July 2015	6,045	7,059	3,819	16,923
Charge for the year	352	227	656	1,235
Disposals	(41)	(754)	(179)	(974)
At 30 June 2016	<u>6,356</u>	<u>6,532</u>	<u>4,296</u>	<u>17,184</u>
<b>Net book value</b>				
At 30 June 2016	<u>1,923</u>	<u>793</u>	<u>2,213</u>	<u>4,929</u>
At 30 June 2015	<u>2,165</u>	<u>901</u>	<u>1,295</u>	<u>4,361</u>

**12. DEBTORS**

	Consolidated		Limited Liability Partnership	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
<b>Due within one year:</b>				
Trade debtors	49,829	38,313	49,829	38,313
Amounts recoverable from clients in respect of unbilled work performed	18,412	18,545	18,412	18,545
Amounts due from other member firms of the Baker & McKenzie global organisation	30,818	11,814	30,639	10,362
Other debtors	3,459	1,660	3,189	1,355
Prepayments	3,582	3,674	3,218	2,886
	<u>106,100</u>	<u>74,006</u>	<u>105,287</u>	<u>71,461</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 30 June 2016**

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Consolidated		Limited Liability Partnership	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
Trade creditors	12,378	11,871	11,819	10,739
Amounts due to group undertakings	-	-	10,286	9,744
Amounts due to other member firms of the Baker & McKenzie global organisation	2,427	1,157	3,947	1,157
Taxation and social security	2,529	2,588	462	799
Corporation tax	316	286	-	-
Sundry creditors	1,019	275	1,018	275
Accruals and deferred income	8,628	6,329	3,133	1,818
	<u>27,297</u>	<u>22,506</u>	<u>30,665</u>	<u>24,532</u>

**14. FINANCIAL INSTRUMENTS**

	Consolidated		Limited Liability Partnership	
	2016 £000's	2015 £000's	2016 £000's	2015 £000's
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	89,160	61,842	88,500	59,996
	<u>89,160</u>	<u>61,842</u>	<u>88,500</u>	<u>59,996</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	24,452	19,632	30,203	23,733
	<u>24,452</u>	<u>19,632</u>	<u>30,203</u>	<u>23,733</u>

**Consolidated and Limited Liability Partnership**

Financial assets measured at amortised cost comprise cash at bank, trade debtors, owed by other member firms of the Baker & McKenzie global organisation and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts due to group undertakings and other member firms of the Baker & McKenzie global organisation, sundry creditors and accruals.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**15. PROVISIONS FOR LIABILITIES**

**Consolidated and Limited Liability Partnership**

	1 July 2015 £000's	Utilised in the current year £000's	Released in the current year £000's	30 June 2016 £000's
Client claim provisions	35	-	-	35

Client claim provisions are the estimated cost of defending and concluding client claims. No separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice Baker & McKenzie LLP.

**16. CASH FLOW STATEMENT**

Reconciliation of operating profit to cash generated by operations:

	2016 £'000	2015 £'000
Operating profit	70,480	47,822
Adjustment for:		
Depreciation	1,235	1,082
Increase in debtors	(32,094)	(8,992)
Increase in creditors	4,761	7,240
Decrease in provisions	-	(315)
<b>Cash generated by operations</b>	<b>44,382</b>	<b>46,837</b>
Income taxes paid	(596)	(561)
<b>Net cash from operating activities</b>	<b>43,786</b>	<b>46,276</b>

**17. PRINCIPAL GROUP INVESTMENTS**

Baker & McKenzie LLP has an investment in Baker & McKenzie Services Limited at a value of £4, and control over its subsidiary Baker & McKenzie Services II.

	Country of incorporation	Address	Principal activity	Proportion held
Baker & McKenzie Services Limited Subsidiary undertaking	UK	100 New Bridge Street, London	Provision of support services	100%
Baker & McKenzie Services II Subsidiary undertaking	UK	100 New Bridge Street, London	Provision of support services	100%

**18. RESERVES**

**Other reserves**

Includes all current and prior period retained profits and losses, that have not been distributed to members yet.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**19. OBLIGATIONS UNDER OPERATING LEASES**

Total future minimum lease payments under non-cancellable operating leases are as follows:

**Land and Building**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Consolidated</b>		
- within one year	6,807	6,807
- between one and five years	27,228	27,228
- after five years	17,018	23,825
	<u>51,053</u>	<u>57,860</u>
<b>Limited Liability Partnership</b>		
- within one year	6,807	6,807
- between one and five years	27,228	27,228
- after five years	17,018	23,825
	<u>51,053</u>	<u>57,860</u>

**20. PENSIONS**

The group operates a defined contribution pension scheme.

The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £1,834,000 (2015: £1,726,000).

Amounts due as at 30 June 2016: £155,000 (2015: £140,000).

**21. TRANSACTIONS WITH RELATED PARTIES**

The total remuneration for key management personnel in the period was £5,530,000 (2015: £4,894,000).

Baker & McKenzie LLP is a member firm of Baker & McKenzie International, a Swiss Verein. In the opinion of the members Baker & McKenzie LLP is not related with any other member firm of Baker & McKenzie International as defined for the purposes of Financial Reporting Standard 102 section 33 'Related Party Disclosures'.

Baker & McKenzie LLP has relied upon the exemption given in Financial Reporting Standard 102 section 33 "Related Party Disclosures" not to disclose transactions between itself and its subsidiary undertakings.

**22. CONTINGENT LIABILITIES**

Baker & McKenzie International BV ("BMIBV") is the primary financing vehicle for Baker & McKenzie International, a Swiss Verein, and its member firms, including Baker & McKenzie LLP. Each member firm of the Verein has entered into arrangements with BMIBV pursuant to which such entity may borrow funds from BMIBV.

In order to obtain the funds to make loans to the member firms, BMIBV has entered into an arrangement to obtain loans from certain banks.

As part of the arrangements between BMIBV and the banks, Baker & McKenzie LLP has entered into guarantee arrangements with the Banks pursuant to which it has guaranteed a portion of the bank loans equal to its then outstanding loans from BMIBV.

At 30 June 2016 and 30 June 2015 the obligations of Baker & McKenzie LLP under these do not exceed that amount already recognised as payable to BMIBV.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 30 June 2016**

**23. CONTROLLING PARTY**

The LLP is controlled by its members and as such there is no one controlling party.

**24. EXPLANATION OF TRANSITION TO FRS 102**

This is the first year that the LLP has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. In particular the financial statements now include a provision for holiday entitlement accrued by staff but not yet taken at the balance sheet date.

**Reconciliation of equity**

	<b>Group</b>		<b>Limited Liability Partnership</b>	
	<b>At 1 July 2014 £'000</b>	<b>At 30 June 2015 £'000</b>	<b>At 1 July 2014 £'000</b>	<b>At 30 June 2015 £'000</b>
Members' interests reported under previous UK GAAP	58,887	67,109	57,036	62,510
<b>Adjustments to equity on transition to FRS 102</b>				
Holiday pay accrual	(1,074)	(1,228)	(1,128)	(1,289)
Members' interests reported under FRS 102	<u>57,813</u>	<u>65,881</u>	<u>55,908</u>	<u>61,221</u>

**Reconciliation of profit for the year ended 30 June 2015**

	<b>Group £'000</b>	<b>Limited Liability Partnership £'000</b>
<b>Profit for the financial year under previous UK GAAP</b>	47,363	43,238
Holiday pay	(154)	(161)
<b>Profit for the financial year under FRS 102</b>	<u>47,209</u>	<u>43,077</u>

**Explanation of changes to previously reported profit and equity:**

The Group now provides for holiday entitlement accrued by staff at the year end but not taken. Previously, no such provision was made.