

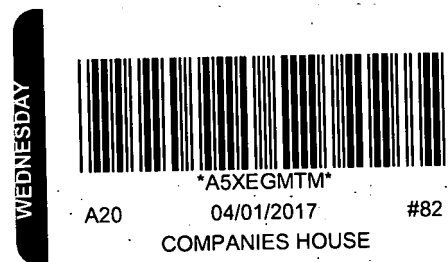
Company registration number OC311575

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

5 APRIL 2016

PENNINGTONS MANCHES LLP



MENZIES
BRIGHTER THINKING

PENNINGTONS MANCHES LLP

CONTENTS

	Page
Members' Report	2 - 3
Independent Auditors' Report	4 - 5
Consolidated Statement of Comprehensive Income	6
Consolidated Balance Sheet	7 - 8
LLP Balance Sheet	9 - 10
Consolidated Reconciliation of Members' Interests	11 - 12
LLP Reconciliation of Members' Interests	13 - 14
Consolidated Statement of Cash Flows	15 - 16
Notes to the Financial Statements	17 - 30

PENNINGTONS MANCHES LLP

INFORMATION

Designated Members

G Bosi
J D Heuvel (resigned 31/7/2016)
P D P McElligott
T M Palmer
D J Raine

LLP registered number

OC311575

Registered office

125 Wood Street, London, EC2V 7AW

Independent auditors

Menzies LLP, 1st Floor, Midas House, 62 Goldsworth Road, Woking, Surrey, GU21 6LQ

Bankers

Allied Irish Bank, 26 Finsbury Square, London, EC2A 1DS

PENNINGTONS MANCHES LLP

MEMBERS' REPORT FOR THE YEAR ENDED 5 APRIL 2016

The members present their annual report together with the audited financial statements of Penningtons Manches LLP (the "LLP and the Group") for the year ended 5 April 2016.

Principal activities

The principal activity of the Limited Liability Partnership (LLP) and its subsidiary entities is the provision of legal services from offices in the City of London, Basingstoke, Cambridge, Guildford, Oxford and Reading.

Designated Members

G Bosi, J D Heuvel, P D P McElligott, T M Palmer and D J Raine were designated members of the LLP and the Group throughout the period.

Going Concern

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

Branches outside the UK

The firm has an insurance company, called Penningtons Insurance Limited, incorporated in Guernsey.

The principal activity of Penningtons Insurance Limited is that of underwriting a professional indemnity insurance policy for Penningtons Manches LLP.

Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members

Members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial year, taking into account the anticipated cash needs of the LLP.

New members are required to subscribe a minimum level of capital and in subsequent years members are invited to subscribe for further capital, the amounts of which are determined by the performance and seniority of those members. On retirement, capital is repaid to members.

Business Review

Penningtons Manches LLP's performance over the 2015-16 financial year reflected a period of consolidation across the practice. By moving to larger and more prestigious office accommodation in London and Guildford, the firm laid the groundwork for future growth. It also invested significant resource in the ongoing development of its technology and knowledge systems. These advances are expected to provide a strong platform for progression as Penningtons Manches continues to enhance its client offering, with a particular emphasis on the technology, real estate and private wealth sectors. In The Legal 500's 2016 edition, reference was made to the breadth of Penningtons Manches' services during the preceding 12 months. The directory acknowledged its 'consistent and comprehensive advice', 'substantial resources' and 'professional acumen'.

Members' responsibilities statement

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Company law, as applied to LLPs, requires 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

PENNINGTONS MANCHES LLP

MEMBERS' REPORT (continued) FOR THE YEAR ENDED 5 APRIL 2016

Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, as applied to LLPs, 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 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

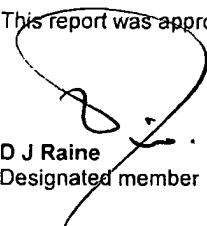
Each of the persons who are members at the time when this Members' Report is approved has confirmed that:

- so far as that member is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- that member has taken all the steps that ought to have been taken as a member in order to be aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

The auditors, Menzies LLP, have indicated their willingness to continue in office. The Designated members will propose a motion re-appointing the auditors at a meeting of the members.

This report was approved by the members on 14.10.2016 and signed on their behalf by:



D J Raine
Designated member



G Bosi
Designated member

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENNINGTONS
MANCHES LLP**

We have audited the financial statements of Penningtons Manches LLP and subsidiaries for the year ended 5 April 2016, set out on pages 6 to 30. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the LLP's members in accordance with the Companies Act 2006, as applied by Part 12 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 Auditors' 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 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 Members' Responsibilities Statement on page 2, 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

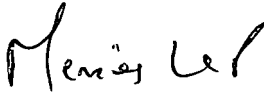
- give a true and fair view of the state of the Group's and the parent LLP's affairs as at 5 April 2016 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENNINGTONS
MANCHES 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 LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent LLP 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.



Peter Noyce FCA (Senior Statutory Auditor)
for and on behalf of

Menzies LLP
Chartered Accountants
Statutory Auditor
1st Floor
Midas House
62 Goldsworth Road
Woking
Surrey
GU21 6LQ

Date: 4 January 2017

PENNINGTONS MANCHES LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 5 APRIL 2016

	Note	2016 £	2015 £
Turnover	4	61,945,276	57,792,273
Administrative expenses		(41,813,324)	(36,889,427)
Other operating income		84,625	-
Operating profit	5	20,216,577	20,902,846
Income from fixed assets investments		1,064	2,291
Loss on disposal of fixed asset investments		-	(17,824)
Interest receivable and similar income	11	514,874	663,683
Interest payable and expenses	12	(465,969)	(377,753)
Profit before tax		20,266,546	21,173,243
Tax on profit		(54)	(17)
Profit for the year before members' remuneration and profit shares		20,266,492	21,173,226
Profit for the year before members' remuneration and profit shares		20,266,492	21,173,226
Members' remuneration charged as an expense		(16,088,185)	(16,968,434)
Profit for the financial year available for discretionary division among members		4,178,307	4,204,792

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 17 to 30 form part of these financial statements.

PENNINGTONS MANCHES LLP

REGISTERED NUMBER:OC311575

CONSOLIDATED BALANCE SHEET AS AT 5 APRIL 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	<u>4,310,881</u>	<u>1,767,251</u>
		4,310,881	1,767,251
Current assets			
Work in progress	15	3,191,379	2,480,339
Debtors: amounts falling due within one year	16	36,031,610	33,965,856
Cash at bank and in hand	17	<u>587,447</u>	<u>577,050</u>
		39,810,436	37,023,245
Creditors: amounts falling due within one year	18	<u>(22,824,906)</u>	<u>(17,177,201)</u>
Net current assets		16,985,530	19,846,044
Total assets less current liabilities		21,296,411	21,613,295
Creditors: amounts falling due after more than one year	19	<u>(2,836,041)</u>	<u>(2,676,304)</u>
		18,460,370	18,936,991
Net assets		18,460,370	18,936,991

PENNINGTONS MANCHES LLP

REGISTERED NUMBER: OC311575

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 5 APRIL 2016

	Note	2016 £	2015 £
Represented by:			
Loans and other debts due to members within one year			
Members' capital classified as a liability		10,960,000	9,895,000
Other amounts		3,290,927	4,435,588
		<u>14,250,927</u>	<u>14,330,588</u>
Members' other interests			
Other reserves classified as equity	4,209,443	4,606,403	
		<u>4,209,443</u>	<u>4,606,403</u>
		<u>18,460,370</u>	<u>18,936,991</u>
Total members' interests			
Amounts due from members (included in debtors)	16	(63,526)	(57,875)
Loans and other debts due to members		14,250,927	14,330,588
Members' other interests		4,209,443	4,606,403
		<u>18,396,844</u>	<u>18,879,116</u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 14.10.2016.

D J Raine
Designated member

G Bosi
Designated member

The notes on pages 17 to 30 form part of these financial statements.

PENNINGTONS MANCHES LLP

REGISTERED NUMBER:OC311575

LLP BALANCE SHEET AS AT 5 APRIL 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	4,310,881	1,767,251
Investments	14	397,352	379,712
		<u>4,708,233</u>	<u>2,146,963</u>
Current assets			
Work in progress	15	3,191,379	2,480,339
Debtors: amounts falling due within one year	16	35,699,786	33,694,590
Cash at bank and in hand	17	304,815	151,474
		<u>39,195,980</u>	<u>36,326,403</u>
Creditors: amounts falling due within one year	18	(23,145,536)	(17,456,514)
Net current assets		<u>16,050,444</u>	<u>18,869,889</u>
Total assets less current liabilities		<u>20,758,677</u>	<u>21,016,852</u>
Creditors: amounts falling due after more than one year	19	(2,346,940)	(2,081,290)
Net assets		<u><u>18,411,737</u></u>	<u><u>18,935,562</u></u>

PENNINGTONS MANCHES LLP

REGISTERED NUMBER:OC311575

LLP BALANCE SHEET (CONTINUED) AS AT 5 APRIL 2016

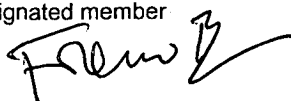
	Note	5 April 2016 £	5 April 2015 £
Capital and reserves			
Loans and other debts due to members within one year			
Members' capital classified as a liability		10,960,000	9,895,000
Other amounts		3,290,927	4,435,588
		<u>14,250,927</u>	<u>14,330,588</u>
Members' other interests			
Other reserves classified as equity		4,160,810	4,604,974
		<u>4,160,810</u>	<u>4,604,974</u>
		<u>18,411,737</u>	<u>18,935,562</u>
Total members' interests			
Amounts due from members (included in debtors)	16	(63,526)	(57,875)
Loans and other debts due to members		14,250,927	14,330,588
Members' other interests		<u>4,160,810</u>	<u>4,604,974</u>
		<u>18,348,211</u>	<u>18,877,687</u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 14.10.2016

D J Raine
Designated member



G Bosi
Designated member



PENNINGTONS MANCHES LLP

CONSOLIDATED RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 5 APRIL 2016

	Equity Members' other interest		Debt Loans and other debts due to members less any amounts due from members in debtors			Total members' interests
	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	Total
	£	£	£	£	£	£
Amounts due to members				2,829,493	2,829,493	
Amounts due from members				(117,788)	(117,788)	
Balance at 6 April 2014	3,403,152	3,403,152	6,485,017	2,711,705	9,196,722	12,599,874
Members' remuneration charged as an expense	-	-	-	16,968,434	16,968,434	16,968,434
Profit for the year available for discretionary division among members	<u>4,204,792</u>	<u>4,204,792</u>	-	-	-	<u>4,204,792</u>
Members' interests after profit for the year	7,607,944	7,607,944	6,485,017	19,680,139	26,165,156	33,773,100
Other division of profits	(3,001,541)	(3,001,541)	-	3,001,541	3,001,541	-
Introduced by members	-	-	4,104,983	-	4,104,983	4,104,983
Repayment of capital	-	-	(165,000)	-	(165,000)	(165,000)
Amounts transferred to other creditors on members' retirement	-	-	(530,000)	(435,289)	(965,289)	(965,289)
Drawings	-	-	-	(17,868,673)	(17,868,673)	(17,868,673)
Other movements	-	-	-	(5)	(5)	(5)
Amounts due to members			9,895,000	4,435,588	14,330,588	
Amounts due from members			-	(57,875)	(57,875)	
Balance at 5 April 2015	4,606,403	4,606,403	9,895,000	4,377,713	14,272,713	18,879,116

PENNINGTONS MANCHES LLP

CONSOLIDATED RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED) FOR THE YEAR ENDED 5 APRIL 2016

	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	Total
Balance at 5 April 2015	4,606,403	4,606,403	9,895,000	4,377,713	14,272,713	18,879,116
Members' remuneration charged as an expense	-	-	-	16,088,185	16,088,185	16,088,185
Profit for the year available for discretionary division among members	<u>4,178,307</u>	<u>4,178,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,178,307</u>
Members' interests after profit for the year	8,784,710	8,784,710	9,895,000	20,465,898	30,360,898	39,145,608
Other division of profits	(4,575,267)	(4,575,267)	-	4,575,267	4,575,267	-
Introduced by members	-	-	2,155,000	-	2,155,000	2,155,000
Repayment of capital	-	-	(550,000)	-	(550,000)	(550,000)
Amounts transferred to other creditors on members' retirement	-	-	(540,000)	(250,160)	(790,160)	(790,160)
Drawings	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,563,604)</u>	<u>(21,563,604)</u>	<u>(21,563,604)</u>
Amounts due to members			10,960,000	3,290,927	14,250,927	
Amounts due from members			<u>-</u>	<u>(63,526)</u>	<u>(63,526)</u>	
Balance at 5 April 2016	<u>4,209,443</u>	<u>4,209,443</u>	<u>10,960,000</u>	<u>3,227,401</u>	<u>14,187,401</u>	<u>18,396,844</u>

PENNINGTONS MANCHES LLP

LLP RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 5 APRIL 2016

	Equity Members' other interests			Debt Loans and other debts due to members less any amounts due from members in debtors			Total members' interests
	Revaluation reserve £	Other reserves £	Total £	Members' capital (classified as debt) £	Other amounts £	Total £	Total £
Amounts due to members					2,829,486	2,829,486	
Amounts due from members					(117,788)	(117,788)	
Balance at 6 April 2014	401,611	3,001,541	3,403,152	6,485,017	2,711,698	9,196,715	12,599,867
Members' remuneration charged as an expense	-	-	-	-	16,968,434	16,968,434	16,968,434
Profit for the year available for discretionary division among members	-	4,575,267	4,575,267	-	-	-	4,575,267
Members' interests after profit for the year	401,611	7,576,808	7,978,419	6,485,017	19,680,132	26,165,149	34,143,568
Other division of profits	-	(3,001,541)	(3,001,541)	-	3,001,541	3,001,541	-
Other Movements	(371,904)	-	(371,904)	-	-	-	(371,904)
Amounts introduced by members	-	-	-	4,104,983	-	4,104,983	4,104,983
Repayment of capital	-	-	-	(165,000)	-	(165,000)	(165,000)
Amounts transferred to other creditors on members' retirement	-	-	-	(530,000)	(435,289)	(965,289)	(965,289)
Drawings	-	-	-	-	(17,868,671)	(17,868,671)	(17,868,671)
Amounts due to members				9,895,000	4,435,588	14,330,588	
Amounts due from members				-	(57,875)	(57,875)	
Balance at 5 April 2015	29,707	4,575,267	4,604,974	9,895,000	4,377,713	14,272,713	18,877,687

PENNINGTONS MANCHES LLP

LLP RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED) FOR THE YEAR ENDED 5 APRIL 2016

	Revaluation reserve	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	Total
Balance at 5 April 2015	29,707	4,575,267	4,604,974	9,895,000	4,377,713	14,272,713	18,877,687
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	-	-	16,088,185	16,088,185	16,088,185
Profit for the year available for discretionary division among members	-	<u>4,213,463</u>	<u>4,213,463</u>	-	-	-	<u>4,213,463</u>
Members' interests after profit for the year	29,707	8,788,730	8,818,437	9,895,000	20,465,898	30,360,898	39,179,335
Other division of profits	-	(4,575,267)	(4,575,267)	-	4,575,267	4,575,267	-
Other Movements	(82,360)	-	(82,360)	-	-	-	(82,360)
Amounts introduced by members	-	-	-	2,155,000	-	2,155,000	2,155,000
Repayment of capital	-	-	-	(550,000)	-	(550,000)	(550,000)
Amounts transferred to other creditors on members' retirement	-	-	-	(540,000)	(250,160)	(790,160)	(790,160)
Drawings	-	-	-	-	<u>(21,563,604)</u>	<u>(21,563,604)</u>	<u>(21,563,604)</u>
Amounts due to members				10,960,000	3,290,927	14,250,927	
Amounts due from members				-	<u>(63,526)</u>	<u>(63,526)</u>	
Balance at 5 April 2016	<u>(52,653)</u>	<u>4,213,463</u>	<u>4,160,810</u>	<u>10,960,000</u>	<u>3,227,401</u>	<u>14,187,401</u>	<u>18,348,211</u>

PENNINGTONS MANCHES LLP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 5 APRIL 2016

	2016 £	2015 £
Cash flows from operating activities		
Result for the financial year available for discretionary division among members	4,178,307	4,204,792
Adjustments for:		
Members remuneration charged as an expense	16,088,185	16,968,434
Depreciation of tangible assets	1,003,954	768,587
Loss/Profit on disposal of tangible assets	-	(102,984)
Loss on Disposal of fixed asset investment	-	17,824
Interest paid	465,969	377,753
Interest received	(514,874)	(663,683)
Taxation charge	54	17
(Increase)/decrease in work in progress	(711,040)	295,682
(Increase) in debtors	(2,066,708)	(4,344,345)
Increase/(decrease) in creditors	342,982	(367,360)
Corporation tax received/(paid)	-	(201,698)
Income from other fixed asset investments	(1,064)	(2,291)
Net cash generated from operating activities	18,785,765	16,950,728
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,547,584)	(740,446)
Sale of tangible fixed assets	-	1,776,859
Interest received	514,874	663,683
Loss from disposal of fixed asset investment	-	(17,824)
Income from other fixed asset investments	1,064	2,291
Net cash from investing activities	(3,031,646)	1,684,563
Cash flows from financing activities		
New loans	6,032,000	8,300,000
Repayment of loans	(3,056,589)	(6,498,092)
Repayment of capital elements of HP and finance leases	(62,114)	(61,695)
Other transactions with former members	(742,543)	(829,166)
Interest paid	(465,969)	(377,753)
Amounts introduced by members	2,155,000	4,104,983
Drawings paid to members	(21,563,604)	(17,868,678)
Repayment of capital & debt to members	(550,000)	(165,000)
Net cash used in financing activities	(18,253,819)	(13,395,401)

PENNINGTONS MANCHES LLP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 5 APRIL 2016

	2016 £	2015 £
Net (decrease)/increase in cash and cash equivalents	(2,499,700)	5,239,890
Cash and cash equivalents at beginning of year	<u>(2,766,544)</u>	<u>(8,006,434)</u>
Cash and cash equivalents at the end of year	<u>(5,266,244)</u>	<u>(2,766,544)</u>
 Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	587,447	577,050
Bank Overdraft	<u>(5,853,691)</u>	<u>(3,343,594)</u>
	<u>(5,266,244)</u>	<u>(2,766,544)</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

1. General information

Penningtons Manches LLP is a limited liability partnership incorporated and domiciled in the UK. The LLP's registered office is 125 Wood Street, London, EC2V 7AW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 06 April 2014.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Turnover which has been recognised, but not invoiced by the balance sheet date, is included in debtors "amounts recoverable on contracts"

Turnover in respect of contingent fee arrangements which has not been invoiced by the balance sheet date is valued on the basis of direct costs plus attributable overheads based on normal level of activity.

2.4 Tangible Assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

2. Accounting policies (continued)

2.4 Tangible Assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as follows.

Depreciation is provided on the following basis:

Long-term leasehold property	- over remaining period of the lease
Fixtures and fittings	- 20% straight line
Equipment	- 20% straight line
Computer equipment & software	- 10% or 33% straight line depending on expected useful life

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.5 Work in Progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on the normal level of activity. A provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

2.6 Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

2.7 Operating Lease Agreement

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

2. Accounting policies (continued)

2.8 Members Participation Rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 25 (IAS 32) Financial Instruments: Disclosure and Presentation and UITF abstract 39 Members' shares in co-operative entities and similar instruments. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the Profit and Loss Account in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the Balance Sheet.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Profit and Loss Account and are equity appropriations in the Balance Sheet.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

2.9 Taxation

Members are personally liable for taxation on their share of the LLP's profits. Consequently, no reserve for taxation is made in these financial statements and the profits are shown within the members' interests or as Loans and other debts due to Members, without any deduction for tax.

The companies dealt with in the consolidated financial statements are subject to corporation tax based on their profits for the accounting period. Tax and any deferred taxation of these companies are recorded in the profit and loss account under the relevant heading and any related balances are carried as tax payable or receivable in the balance sheet.

2.10 Foreign Currencies

Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are dealt with in the profit and loss account.

2.11 Pensions

The LLP makes contributions to a stakeholder pension plan, which is a defined contribution pension scheme. Amounts are charged to the profit and loss account as incurred, representing the contributions payable by the LLP for the accounting period.

2. Accounting policies (continued)

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.14 Debtors

Short term debtors are measured at transaction price less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change of value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the entity's cash management.

2.16 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key estimates and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Bad debts

A bad debt provision is calculated based specifically on the age of the debt and the payment history of the customer.

Amounts recoverable on contracts

Management use an estimation to calculate amounts recoverable on contracts by applying a departmental recovery rate that is calculated on billing recovery rates.

4. Turnover

	2016 £	2015 £
Provision of legal services	61,945,276	57,792,273
	<u>61,945,276</u>	<u>57,792,273</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	55,786,163	52,000,218
Rest of Europe	2,797,406	2,232,899
Rest of the world	3,361,707	3,559,156
	<u>61,945,276</u>	<u>57,792,273</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	1,003,954	768,587
Fees payable to the Group's auditor and its associates for the audit of the LLP's annual financial statements	28,000	27,500
Other operating lease rentals	3,159,755	2,364,044
Defined contribution pension cost	1,418,978	1,432,540

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	28,000	27,500
	<u>28,000</u>	<u>27,500</u>
Fees payable to the Group's auditor and its associates in respect of:		
Taxation	7,200	5,200
For other services	29,000	17,500
For subsidiaries	8,900	8,000
	<u>45,100</u>	<u>30,700</u>

7. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	18,000,303	18,724,062
Social security costs	1,919,208	1,929,221
Cost of defined contribution scheme	1,418,978	1,432,540
	<u>21,338,489</u>	<u>22,085,823</u>

The average monthly number of persons (including members with contracts of employment) employed during the year was as follows:

	2016 No.	2015 No.
Client Service Staff	157	266
Administrative Staff	245	221
	<u>402</u>	<u>487</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

8. Information in relation to members

	2016 Number	2015 Number
The average number of members during the year was	109	115

9. Members' remuneration

The highest paid member received remuneration of £300,244 (2015 - £366,051).

10. Income from investments

	2016 £	2015 £
Income from fixed asset investments	1,064	2,291
	<u>1,064</u>	<u>2,291</u>

11. Interest receivable

	2016 £	2015 £
Other interest receivable	514,874	663,683
	<u>514,874</u>	<u>663,683</u>

12. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	459,414	367,574
Other loan interest payable	6,555	10,179
	<u>465,969</u>	<u>377,753</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

13. Tangible fixed assets

Group and LLP

	Long-term leasehold property £	Fixtures and fittings £	Office equipment £	Computer equipment and software £	Library £	Total £
Cost or valuation						
At 6 April 2015	1,604,851	308,336	2,380,941	6,072,848	15,000	10,381,976
Additions	1,946,647	-	462,020	1,138,917	-	3,547,584
Disposals	(861,558)	(308,336)	(1,199,772)	(2,896,517)	-	(5,266,183)
At 5 April 2016	2,689,940	-	1,643,189	4,315,248	15,000	8,663,377
Depreciation						
At 6 April 2015	1,204,482	308,336	2,129,513	4,972,394	-	8,614,725
Charge for the period on owned assets	313,405	-	157,029	482,664	-	953,098
Charge for the period on financed assets	-	-	-	50,856	-	50,856
Disposals	(861,558)	(308,336)	(1,199,772)	(2,896,517)	-	(5,266,183)
At 5 April 2016	656,329	-	1,086,770	2,609,397	-	4,352,496
Net book value						
At 5 April 2016	2,033,611	-	556,419	1,705,851	15,000	4,310,881
At 5 April 2015	400,369	-	251,428	1,100,454	15,000	1,767,251

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Computer equipment and software	113,007	163,863
	<u>113,007</u>	<u>163,863</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the LLP:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Penningtons (Legal Services) Limited	England	Ordinary	100 %	Dormant
Penningtons Manches (Legal Services) Limited	England	Ordinary	100 %	Dormant
Penningtons Directors (No 1) Limited	England	Ordinary	100 %	Dormant
Penningtons Solicitors Limited	England	Ordinary	100 %	Dormant
Pennsec Limited	England	Ordinary	100 %	Dormant
WMSS Limited	England	Ordinary	100 %	Dormant
Penntrust Limited	England	Ordinary	100 %	Trading
Penningtons Insurance Limited	Guernsey	Ordinary	100 %	Trading
Penningtons Manches (California) LLP	US	-	50 %	Dormant

None of the above dormant companies have been audited.

LLP

	Investments in subsidiary companies £
Cost or valuation	
At 6 April 2015	379,712
Additions	100,000
Amounts written off	(82,360)
	<hr/>
At 5 April 2016	397,352
	<hr/>
Net book value	
At 5 April 2016	397,352
	<hr/>
At 5 April 2015	379,712
	<hr/>

Whilst not a direct investment, Penningtons Manches (US) LLP, a limited liability partnership incorporated in England, by virtue of control, is consolidated into these financial statements. This entity controls 50% of Penningtons Manches (California) LLP.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

15. Work in progress

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Work in progress	3,191,379	2,480,339	3,191,379	2,480,339
	<u>3,191,379</u>	<u>2,480,339</u>	<u>3,191,379</u>	<u>2,480,339</u>

16. Debtors

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Trade debtors	18,641,378	17,792,793	18,335,378	17,561,793
Other debtors	180,891	221,724	169,979	202,225
Prepayments and accrued income	2,512,842	2,850,934	2,497,930	2,830,167
Amounts recoverable on long term contracts	14,632,973	13,042,530	14,632,973	13,042,530
Amounts due from members	63,526	57,875	63,526	57,875
	<u>36,031,610</u>	<u>33,965,856</u>	<u>35,699,786</u>	<u>33,694,590</u>

Other debtors include £50,561 due to former members (2015 £11,986). Included within trade debtors is an amount totalling £231,000 (2015 - £231,000) which is due after more than one year.

17. Cash and cash equivalents

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Cash at bank and in hand	587,447	577,050	304,815	151,474
	<u>587,447</u>	<u>577,050</u>	<u>304,815</u>	<u>151,474</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

18. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Bank loans and overdrafts	13,226,789	8,073,518	13,226,789	8,073,518
Trade creditors	2,696,318	3,232,167	2,696,318	3,213,157
Amounts owed to group undertakings	-	-	204,349	183,142
Corporation tax	177	123	-	-
Other taxation and social security	2,761,542	2,424,075	2,754,519	2,424,075
Obligations under finance lease and hire purchase contracts	68,668	64,194	68,668	64,194
Other creditors	924,885	1,226,338	813,499	1,060,171
Accruals and deferred income	3,146,527	2,156,786	3,381,394	2,438,257
	<u>22,824,906</u>	<u>17,177,201</u>	<u>23,145,536</u>	<u>17,456,514</u>

Other creditors include £322,137 due to former members (2015 - £547,464). The bank loans and overdrafts are secured by a fixed and floating charge over the fixed and current assets of the LLP.

19. Creditors: Amounts falling due after more than one year

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Bank loans	2,329,773	1,997,536	2,329,773	1,997,536
Net obligations under finance leases and hire purchase contracts	17,167	83,754	17,167	83,754
Other creditors	489,101	595,014	-	-
	<u>2,836,041</u>	<u>2,676,304</u>	<u>2,346,940</u>	<u>2,081,290</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the fixed and current assets of the LLP.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

20. Loans

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Amounts falling due within one year				
Bank loans	13,226,789	8,073,518	13,226,789	8,073,518
	<u>13,226,789</u>	<u>8,073,518</u>	<u>13,226,789</u>	<u>8,073,518</u>
Amounts falling due 2-5 years				
Bank loans	2,329,773	1,997,536	2,329,773	1,997,536
	<u>2,329,773</u>	<u>1,997,536</u>	<u>2,329,773</u>	<u>1,997,536</u>
	<u>15,556,562</u>	<u>10,071,054</u>	<u>15,556,562</u>	<u>10,071,054</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Within one year	68,668	64,194	68,668	64,194
Between 2-5 years	17,167	83,754	17,167	83,754
	<u>85,835</u>	<u>147,948</u>	<u>85,835</u>	<u>147,948</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

22. Financial instruments

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Financial assets				
Financial assets measured at fair value through profit or loss	587,447	577,050	304,815	151,474
Financial assets that are debt instruments measured at amortised cost	18,885,795	18,072,392	18,568,883	17,821,893
	<u>19,473,242</u>	<u>18,649,442</u>	<u>18,873,698</u>	<u>17,973,367</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(26,115,833)	21,612,789	(26,436,463)	(21,892,102)
	<u>(26,115,833)</u>	<u>21,612,789</u>	<u>(26,436,463)</u>	<u>(21,892,102)</u>

The financial assets measured at fair value consist of cash balances, trade debtors and other debtors.

The financial liabilities measured at amortised cost comprise of all current liabilities and other debts due to members.

23. Loans and other debts due to members

	Group 2016 £	Group 2015 £	LLP 2016 £	LLP 2015 £
Members capital treated as debt	(10,960,000)	(9,895,000)	(10,960,000)	(9,895,000)
Amounts due to members in respect of profits	(3,290,927)	(4,435,588)	(3,290,927)	(4,435,588)
	<u>(14,250,927)</u>	<u>(14,330,588)</u>	<u>(14,250,927)</u>	<u>(14,330,588)</u>

Loans and other debts due to members rank equally with debts due to unsecured creditors in the event of a winding up.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2016

24. Commitments under operating leases

At 5 April 2016 the Group and the LLP had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	1,028,596	1,151,413
Later than 1 year and not later than 5 years	11,379,336	2,870,362
Later than 5 years	10,731,113	2,450,329
	23,139,045	6,472,104

25. Related party transactions

In the opinion of the members there is no controlling party as defined by Financial Reporting Standard No 8 "Related party disclosures".

Various members act as Trustees or officers for a number of clients of the firm in accordance with normal commercial procedures and terms of engagement for solicitors

26. Parent LLP profit for the year

The LLP has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent LLP for the year was £4,213,463 (2015 - £4,575,026)

27. Financial risk management

The LLP has exposures to two main areas of risk - liquidity risk and customer credit exposure.

Liquidity risk

The objective of the LLP in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The LLP expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the LLP has credit facilities available and the management of members drawings.

Customer credit exposure

The LLP may offer credit terms to its customers which allow payment of the debt after delivery of the services. The LLP is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and credit control procedures.

28. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.