

Company registration number: OC311575

**CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

5 APRIL 2017

**PENNINGTONS MANCHES LLP
AND SUBSIDIARIES**

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PENNINGTONS MANCHES LLP

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PENNINGTONS MANCHES LLP

DESIGNATED MEMBERS AND ADVISORS

Designated Members

G Bosi
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, Centrum House, 36 Station Road, Egham, Surrey, TW20 9LF

Bankers

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

PENNINGTONS MANCHES LLP

MEMBERS' REPORT FOR THE YEAR ENDED 5 APRIL 2017

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 2017.

Designated Members

G Bosi, T M Palmer and D J Raine were designated members of the LLP throughout the year. J D Heuvel was a designated member until he resigned on 31 July 2016.

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.

The firm have a 50% interest and indirect beneficial interest in the other 50% in Penningtons Manches (California) LLP, a limited liability partnership incorporated in the United States of America. The principal activity is the provision of marketing services.

Policy with respect to members' drawings and subscription and repayment 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 is determined by the performance and seniority of those members. On retirement, capital is repaid to members.

Business review

The 2016-17 financial year saw a significant increase in performance for Penningtons Manches LLP. The firm achieved a 12% increase in turnover and a significant increase in profit. All practice areas experienced high activity levels and the pipeline remains strong. The firm has benefited from the significant investment in recent years in office space, IT infrastructure and in the business development and knowledge teams. The firm has also gained from investing in talent and specialist resources to drive the development of new disciplines whilst maintaining the focus on our three core sectors - private wealth, technology and real estate. This has included strategic lateral hires in a number of new areas.

PENNINGTONS MANCHES LLP

MEMBERS' REPORT (continued) FOR THE YEAR ENDED 5 APRIL 2017

Members' responsibilities statement

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

Company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), 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 Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and 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 to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by 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.

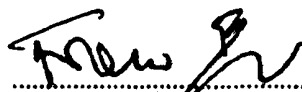
Auditors

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 5/1/2018 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 2017, set out on pages 6 to 30. The relevant financial reporting framework that has been applied in their preparation is applicable law 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 and 3, 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 2017 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 by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

PENNINGTONS MANCHES LLP

MENZIES

**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.

Menzies LLP

Andrew Cook FCA (Senior statutory auditor)
for and on behalf of
Menzies LLP

Chartered Accountants
Statutory Auditor
Centrum House
36 Station Road
Egham
Surrey
TW20 9LF

Date:

5/1/18

PENNINGTONS MANCHES LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 5 APRIL 2017

	Note	2017 £	2016 £
Turnover		69,713,883	61,945,276
Administrative expenses		(44,904,644)	(41,813,324)
Other operating income		39,463	84,625
Operating profit	4	24,848,702	20,216,577
Income from fixed assets investments		234	1,064
Interest receivable and similar income	9	405,156	514,874
Interest payable and expenses	10	(285,307)	(465,969)
Profit before tax		24,968,785	20,266,546
Tax on profit		(24)	(54)
Profit before members' remuneration and profit shares		24,968,761	20,266,492
Profit for the year before members' remuneration and profit shares		24,968,761	20,266,492
Members' remuneration charged as an expense		(18,361,837)	(16,088,185)
Profit for the financial year available for discretionary division among members		6,606,924	4,178,307
Other comprehensive income for the year			

Profit for the year attributable to:

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2017 (2016: £NIL).

The notes on pages 17 to 31 form part of these financial statements.

PENNINGTONS MANCHES LLP
REGISTERED NUMBER: OC311575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 5 APRIL 2017

	Note	2017 £	Restated 2016 £
Fixed assets			
Tangible assets	11	3,689,199	4,310,881
		<u>3,689,199</u>	<u>4,310,881</u>
Current assets			
Work in progress	13	3,760,058	3,191,379
Debtors: amounts falling due within one year	14	42,953,457	36,031,610
Cash at bank and in hand		483,568	587,447
		<u>47,197,083</u>	<u>39,810,436</u>
Creditors: amounts falling due within one year	15	(21,102,338)	(22,722,775)
Net current assets		<u>26,094,745</u>	<u>17,087,661</u>
Total assets less current liabilities		<u>29,783,944</u>	<u>21,398,542</u>
Creditors: amounts falling due after more than one year		(1,475,818)	(2,346,940)
Provisions for liabilities			
Other provisions	20	(568,415)	(591,232)
		<u>(568,415)</u>	<u>(591,232)</u>
Net assets		<u>27,739,711</u>	<u>18,460,370</u>

PENNINGTONS MANCHES LLP
REGISTERED NUMBER: OC311575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 5 APRIL 2017

	Note	2017 £	Restated 2016 £
Capital and reserves			
Loans and other debts due to members within one year			
Members' capital classified as a liability		16,980,000	10,960,000
Other amounts	21	4,205,446	3,290,927
		<u>21,185,446</u>	<u>14,250,927</u>
Members' other interests			
Other reserves classified as equity		6,554,265	4,209,443
		<u>27,739,711</u>	<u>18,460,370</u>
Total members' interests			
Loans and other debts due to members	21	21,185,446	14,250,927
Members' other interests		6,554,265	4,209,443
		<u>27,739,711</u>	<u>18,460,370</u>

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


D J Raine
Designated member


G Bosi
Designated member

Date: 5/1/2018
The notes on pages 17 to 30 form part of these financial statements.

PENNINGTONS MANCHES LLP
REGISTERED NUMBER: OC311575

LLP STATEMENT OF FINANCIAL POSITION
AS AT 5 APRIL 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	3,889,199	4,310,881
Investments	12	668,447	397,352
		<u>4,355,646</u>	<u>4,708,233</u>
Current assets			
Work in progress	13	3,780,058	3,191,379
Debtors: amounts falling due within one year	14	42,892,670	35,699,788
Cash at bank and in hand		23,883	304,815
		<u>48,376,411</u>	<u>39,195,980</u>
Creditors: amounts falling due within one year	15	(21,472,437)	(23,145,536)
Net current assets		<u>24,903,974</u>	<u>16,050,444</u>
Total assets less current liabilities		<u>29,259,620</u>	<u>20,758,677</u>
Creditors: amounts falling due after more than one year		(1,475,818)	(2,346,940)
Provisions for liabilities			
Other provisions	20	(78,905)	
		<u>(78,905)</u>	
Net assets		<u><u>27,704,897</u></u>	<u><u>18,411,737</u></u>

PENNINGTONS MANCHES LLP
REGISTERED NUMBER: OC311575

LLP STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 5 APRIL 2017

	Note	5 April 2017 £	5 April 2016 £
Represented by			
Loans and other debts due to members within one year			
Members' capital classified as a liability		16,980,000	10,960,000
Other amounts		4,205,446	3,290,927
		<u>21,185,446</u>	<u>14,250,927</u>
Members' other interests			
Revaluation reserve classified as equity	25,117	(52,653)	
Other reserves classified as equity	6,494,334	4,213,463	
		<u>6,519,451</u>	<u>4,160,810</u>
		<u>27,704,897</u>	<u>18,411,737</u>
Total members' interests			
Amounts due from members (included in debtors)	14	-	(63,526)
Loans and other debts due to members		21,185,446	14,250,927
Members' other interests		6,519,451	4,160,810
		<u>27,704,897</u>	<u>18,348,211</u>

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


D.J. Raine
Designated member


G. Bosi
Designated member

Date: 5/1/2018

PENNINGTONS MANCHES LLP

CONSOLIDATED RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 5 APRIL 2017

	Equity		Loans and other debts due to members less any amounts due from members in debtors		Debt Total members' interests	
	Members' other interest		Members' capital (classified as debt)	Other amounts	Total	Total
	Other reserves £	Total £	£	£	£	£
Amounts due to members				4,435,588	4,435,588	
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
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	4,178,307	4,178,307				4,178,307
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	
Amount 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				(21,563,604)	(21,563,604)	(21,563,604)
Amounts due to members			10,960,000	3,290,927	14,250,927	
Amounts due from members				(63,526)	(63,526)	
Balance at 5 April 2016	4,209,443	4,209,443	10,960,000	3,227,401	14,187,401	18,396,844

PENNINGTONS MANCHES LLP

CONSOLIDATED RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED) FOR THE YEAR ENDED 5 APRIL 2017

	Other reserves £	Total £	Members' capital (classified as debt) £	Other amounts £	Total £	Total £
Balance at 5 April 2016	4,209,443	4,209,443	10,960,000	3,227,401	14,187,401	18,396,844
Members' remuneration charged as an expense	-	-	-	18,361,837	18,361,837	18,361,837
Profit for the year available for discretionary division among members	<u>6,606,924</u>	<u>6,606,924</u>	-	-	-	<u>6,606,924</u>
Members' interests after profit for the year	10,816,367	10,816,367	10,960,000	21,589,238	32,549,238	43,365,605
Other division of profits	(4,262,096)	(4,262,096)	-	4,262,096	4,262,096	-
Movement in reserves	(6)	(6)	-	-	-	(6)
Amounts introduced by members	-	-	10,145,000	-	10,145,000	10,145,000
Repayment of capital	-	-	(3,355,000)	-	(3,355,000)	(3,355,000)
Amounts transferred to other creditors on members' retirement	-	-	(770,000)	(316,867)	(1,086,867)	(1,086,867)
Drawings	-	-	-	<u>(21,329,021)</u>	<u>(21,329,021)</u>	<u>(21,329,021)</u>
Amounts due to members	-	-	<u>16,980,000</u>	<u>4,205,446</u>	<u>21,185,446</u>	-
Balance at 5 April 2017	<u>6,554,265</u>	<u>6,554,265</u>	<u>16,980,000</u>	<u>4,205,446</u>	<u>21,185,446</u>	<u>27,739,711</u>

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests.

PENNINGTONS MANCHES LLP

LLP RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 5 APRIL 2017

	Members' other interests		Equity	Loans and other debts due to members less any amounts due from members in debtors		Debt	Total
	Revaluation reserve	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	members' interests
	£	£	£	£	£	£	£
Amounts due to members					4,435,588	4,435,588	
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
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		4,213,463	4,213,463				4,213,463
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	-
Movements in reserves	(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	-	-	-	-	(21,563,604)	(21,563,604)	(21,563,604)
Amounts due to members				10,960,000	3,290,927	14,250,927	
Amounts due from members					(63,526)	(63,526)	
Balance at 5 April 2016	(52,653)	4,213,463	4,160,810	10,960,000	3,227,401	14,187,401	18,348,211

PENNINGTONS MANCHES LLP

LLP RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED) FOR THE YEAR ENDED 5 APRIL 2017

	Revaluation reserve £	Other reserves £	Total £	Members' capital (classified as debt) £	Other amounts £	Total £	Total £
Balance at 5 April 2016	(52,653)	4,213,463	4,160,810	10,960,000	3,227,401	14,187,401	18,348,211
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	-	-	18,361,837	18,361,837	-
Profit for the year available for discretionary division among members	-	6,494,334	6,494,334	-	-	-	6,494,334
Members' interests after profit for the year	(52,653)	10,707,797	10,655,144	10,960,000	21,589,238	32,549,238	43,204,382
Other division of profits	-	(4,213,463)	(4,213,463)	-	4,213,463	4,213,463	-
Movements in reserves	77,770	-	77,770	-	-	-	77,770
Amounts introduced by members	-	-	-	10,145,000	48,633	10,193,633	10,193,633
Repayment of capital	-	-	-	(3,355,000)	-	(3,355,000)	(3,355,000)
Amounts transferred to other creditors on members' retirement	-	-	-	(770,000)	(316,867)	(1,086,867)	(1,086,867)
Drawings	-	-	-	-	21,329,021	21,329,021	21,329,021
Amounts due to members	-	-	-	16,980,000	4,205,446	21,185,446	-
Balance at 5 April 2017	25,117	6,494,334	6,519,451	16,980,000	4,205,446	21,185,446	27,704,897

There are no existing restrictions or limitations which impact the ability of the members of the LLP to reduce the amount of Members' other interests.

PENNINGTONS MANCHES LLP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 5 APRIL 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year available for discretionary division among members	6,606,924	4,178,307
Adjustments for:		
Members remuneration charged as an expense	18,361,837	16,088,185
Depreciation of tangible assets	1,049,058	1,003,954
Loss/Profit on disposal of tangible assets	(718)	-
Income from other fixed asset investments	(234)	(1,064)
Interest paid	285,307	465,969
Interest received	(405,156)	(514,874)
Taxation charge	24	54
(Increase)/decrease in work in progress	(568,679)	(711,040)
(Increase) in debtors	(6,913,256)	(2,066,708)
Increase in creditors	4,917,819	342,982
Increase in provisions	78,905	-
Net cash generated from operating activities	23,411,831	18,785,765
Cash flows from investing activities		
Purchase of tangible fixed assets	(427,378)	(3,547,584)
Sale of tangible fixed assets	718	-
Income from other fixed asset investments	234	1,064
Interest received	405,156	514,874
Net cash from investing activities	(21,268)	(3,031,646)
Cash flows from financing activities		
New loans	1,566,800	6,032,000
Repayment of loans	(4,338,804)	(3,056,589)
Repayment of capital elements of HP and finance leases	(68,673)	(62,114)
Interest paid	(285,307)	(465,969)
Amounts introduced by members	10,145,000	2,155,000
Drawings paid to members	(21,329,021)	(21,563,604)
Repayment of capital to members	(3,355,000)	(550,000)
Other transactions with former members	(1,290,698)	(742,543)
Net cash used in financing activities	(18,955,703)	(18,253,819)

PENNINGTONS MANCHES LLP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 5 APRIL 2017

	2017 £	2016 £
Net increase/(decrease) in cash and cash equivalents	4,434,880	(2,499,700)
Cash and cash equivalents at beginning of year	(5,266,244)	(2,766,544)
Cash and cash equivalents at the end of year	(831,384)	(5,266,244)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	483,568	587,447
Bank overdraft	(1,314,952)	(5,853,691)
	(831,384)	(5,266,244)

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

Accounting policies

1.1 Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnership'.

1.2 General Information

Penningtons Manches LLP is a Limited Liability Partnership, registered in England and Wales. The address of its registered office and principal place of business is disclosed on page 1.

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.

1.3 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies 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 2).

The following principal accounting policies have been applied:

1.4 Basis of consolidation

The consolidated financial statements present the results of the LLP 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 Statement of Financial Position, 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.

1.5 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:

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

1. Accounting policies (continued)

1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits 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 at the balance sheet date, is recognised on the basis of fee value discounted by a recovery rate and is included in debtors as "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 and is included as work in progress

1.7 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.

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.

1.8 Valuation of investments

Investments in subsidiaries are measured at the total of retained reserves.

1.9 Work in progress

Work in progress 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.

1.10 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 sum of the digits basis.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

1. Accounting policies (continued)

1.11 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.

1.12 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 and loans to related parties

1.13 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 102. 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.

1.14 Foreign currency translation

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 Statement of Comprehensive Income.

1.15 Pensions

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

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

1. Accounting policies (continued)

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.17 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 Statement of Comprehensive Income account under the relevant heading and any related balances are carried as tax payable or receivable in the Statement of Financial Position.

2. 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 on specifically on the age of the debt and the payment history of the customer.

Amounts recoverable on contracts

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

Dilapidation provision

The dilapidation provision made relating to obligations within property lease arrangements is calculated based upon expected future economic outflow having taken account of specific factors relating to each property and historic evidence.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

3. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Provision of legal services	69,713,883	61,945,276
	<u>69,713,883</u>	<u>61,945,276</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	62,816,041	55,786,163
Rest of Europe	2,887,532	2,797,406
Rest of the world	4,410,310	3,361,707
	<u>69,713,883</u>	<u>61,945,276</u>

4. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	1,049,058	1,003,954
Fees payable to the Group's auditor and its associates for the audit of the LLP's annual financial statements	29,500	28,000
Other operating lease rentals	3,318,118	3,159,755
Defined contribution pension cost	1,490,533	1,418,978
	<u>6,927,209</u>	<u>6,610,687</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

5. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	29,600	28,000
	<u>29,600</u>	<u>28,000</u>
Fees payable to the Group's auditor and its associates in respect of:		
Taxation	7,700	7,200
For other services	27,100	29,000
For subsidiaries	6,000	8,900
	<u>40,800</u>	<u>45,100</u>

6. Employees

Staff costs, including members' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	23,770,254	18,000,303
Social security costs	2,271,368	1,919,208
Cost of defined contribution scheme	1,490,533	1,418,978
	<u>27,532,145</u>	<u>21,338,489</u>

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

	2017 No.	2016 No.
Client service staff	267	157
Administrative staff	254	245
	<u>511</u>	<u>402</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

7. Information in relation to members

	2017 Number	2016 Number
The average number of members during the year was	112	109
	2017 £	2016 £
The amount of profit attributable to the member with the largest entitlement was	483,387	300,244

8. Income from investments

	2017 £	2016 £
Income from fixed asset investments	234	1,064
	234	1,064

9. Interest receivable

	2017 £	2016 £
Other interest receivable	405,166	514,874
	405,166	514,874

10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	285,307	459,414
Other interest payable		6,555
	285,307	465,969

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

11- Tangible fixed assets

Group and LLP

	Long-term leasehold property £	Office equipment £	Computer equipment and software £	Library £	Total £
Cost or valuation					
At 6 April 2016	2,689,940	1,643,189	4,315,248	15,000	8,663,377
Additions	26,805	61,002	339,769	-	427,576
Disposals	(264,824)	(15,061)	-	-	(279,885)
At 5 April 2017	2,451,721	1,689,130	4,655,017	15,000	8,810,868
Depreciation					
At 6 April 2016	856,329	1,086,770	2,609,397	-	4,352,496
Charge for the year on owned assets	257,990	170,572	589,640	-	998,202
Charge for the year on financed assets	-	-	50,856	-	50,856
Disposals	(264,824)	(15,061)	-	-	(279,885)
At 5 April 2017	649,495	1,242,281	3,229,893	-	5,121,669
Net book value					
At 5 April 2017	1,802,226	446,849	1,425,124	15,000	3,689,199
At 5 April 2016	2,033,611	556,419	1,705,851	15,000	4,310,881

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

	2017 £	2016 £
Computer equipment and software	73,447	113,007
	73,447	113,007

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

12. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the LLP:

Name	Registered Office	Class of shares	Holding	Principal activity
Penningtons (Legal Services) Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Dormant
Penningtons Manches (Legal Services) Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Dormant
Penningtons Directors (No 1) Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Dormant
Penningtons Solicitors Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Dormant
Pennsec Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Dormant
WMSS Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Dormant
Penitrust Limited	125 Wood Street, London, EC2V 7AW	Ordinary	100 %	Trading
Penningtons Insurance Limited	Maison Trinity, Trinity Square, St Peter Port, Guernsey, Channel Islands	Ordinary	100 %	Trading
Penningtons Manches (California) LLP	535 Mission Street, 14th Floor, San Francisco, CA 94105, United States		50 %	Trading

None of the above dormant companies or Penningtons Manches (California) LLP have been audited.

LLP

	Investments in subsidiary companies £
Cost or valuation	
At 6 April 2016	397,352
Additions	191,325
Revaluations	77,770
At 5 April 2017	<u>666,447</u>
Net book value	
At 5 April 2017	<u>666,447</u>
At 5 April 2016	<u>397,352</u>

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 2017

13. Work in progress

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Work in progress	3,760,058	3,191,379	3,760,058	3,191,379
	<u>3,760,058</u>	<u>3,191,379</u>	<u>3,760,058</u>	<u>3,191,379</u>

14. Debtors

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Trade debtors	20,858,557	18,641,378	20,518,557	18,335,378
Other debtors	855,576	180,891	850,714	169,979
Prepayments and accrued income	3,825,421	2,512,842	3,810,496	2,497,930
Amounts recoverable on contracts	17,412,903	14,632,973	17,412,803	14,632,973
Amounts due from members	-	63,526	-	63,526
	<u>42,953,457</u>	<u>36,031,610</u>	<u>42,592,670</u>	<u>35,699,786</u>

Other debtors include £77,497 due from former members (2016 - £50,561). Included within trade debtors is an amount totalling £231,000 (2016 - £231,000) which is due after more than one year.

15. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Bank overdrafts	1,314,952	5,853,691	1,314,952	5,853,691
Bank loans	5,455,049	7,373,098	5,455,049	7,373,098
Trade creditors	4,355,220	2,696,318	4,355,220	2,696,318
Amounts owed to group undertakings	-	-	177,766	204,349
Corporation tax	202	177	-	-
Other taxation and social security	2,781,293	2,761,542	2,781,293	2,754,519
Obligations under finance lease and hire purchase contracts	17,167	68,668	17,167	68,668
Other creditors	943,915	822,754	896,450	813,499
Accruals and deferred income	6,234,540	3,146,527	6,474,540	3,381,394
	<u>21,102,338</u>	<u>22,722,775</u>	<u>21,472,437</u>	<u>23,145,536</u>

Other creditors include £458,761 (2016 - £322,137) due to former members.

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 2017

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

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Bank loans	1,475,818	2,329,773	1,475,818	2,329,773
Net obligations under finance leases and hire purchase contracts	-	17,167	-	17,167
	<u>1,475,818</u>	<u>2,346,940</u>	<u>1,475,818</u>	<u>2,346,940</u>

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

The comparative figures at 5 April 2016 for the group have been amended by the movement of insurance provisions of £591,232, previously included within other creditors, to provisions (see note 20).

17. Loans

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Amounts falling due within one year				
Bank loans	5,455,049	7,373,098	5,455,049	7,373,098
	<u>5,455,049</u>	<u>7,373,098</u>	<u>5,455,049</u>	<u>7,373,098</u>
Amounts falling due 1-2 years				
Bank loans	1,395,500	1,760,250	1,395,500	1,760,250
	<u>1,395,500</u>	<u>1,760,250</u>	<u>1,395,500</u>	<u>1,760,250</u>
Amounts falling due 2-5 years				
Bank loans	80,318	569,523	80,318	569,523
	<u>80,318</u>	<u>569,523</u>	<u>80,318</u>	<u>569,523</u>
	<u>6,930,867</u>	<u>9,702,871</u>	<u>6,930,867</u>	<u>9,702,871</u>

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Within one year	17,167	68,668	17,167	68,668
Between 1-2 years	-	17,167	-	17,167
	<u>17,167</u>	<u>85,835</u>	<u>17,167</u>	<u>85,835</u>

19. Financial instruments

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	21,715,133	18,822,269	21,369,271	18,505,357
	<u>22,198,701</u>	<u>19,409,718</u>	<u>21,369,271</u>	<u>18,505,357</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(27,240,624)	(28,888,171)	(26,975,936)	(28,515,748)
	<u>(27,240,624)</u>	<u>(28,888,171)</u>	<u>(26,975,936)</u>	<u>(28,515,748)</u>

Financial assets that are debt instruments measured at amortised cost consist of trade debtors and other debtors.

Financial liabilities measured at amortised cost consist of all current liabilities and other debts due to members excluding corporation tax.

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

20. Provisions

Group

	Dilapidation provision £	Technical provisions £	Total £
At 6 April 2016 (restated)	-	591,232	591,232
Charged to profit and loss	78,905	(101,722)	(22,817)
At 5 April 2017	78,905	489,510	568,415

The technical provisions relate to the insurance business and are broken down as follows:

Provision for unearned premium: £207,313 (2016: £102,131)

Provision for specific reserves: £124,873 (2016: £343,633)

Provision for IBNR (Incurred but not yet reported) and unexpired risk reserves: £157,324 (2016: £145,468)

LLP

	Dilapidation provision £	Total £
Charged to profit and loss	78,905	78,905
At 5 April 2017	78,905	78,905

21. Loans and other debts due to members

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Members capital treated as debt	16,980,000	10,960,000	16,980,000	10,960,000
Amounts due to members in respect of profits	4,205,446	3,290,927	4,205,446	3,290,927
	21,185,446	14,250,927	21,185,446	14,250,927

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

PENNINGTONS MANCHES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

22. Commitments under operating leases

At 5 April 2017 the Group and the LLP had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	LLP 2017 £	LLP 2016 £
Not later than 1 year	3,159,755	1,028,596	3,159,755	1,028,596
Later than 1 year and not later than 5 years	12,194,202	11,379,336	12,194,202	11,379,336
Later than 5 years	7,456,454	10,731,113	7,456,454	10,731,113
	<u>22,810,411</u>	<u>23,139,045</u>	<u>22,810,411</u>	<u>23,139,045</u>

23. Related party transactions

Key management personnel compensation for the year is equal to the members remuneration charged as an expense.

The group has taken advantage of exemptions conferred by FRS102 from the requirement to make disclosures concerning 100% owned group undertakings in connection with group transactions.

24. Parent LLP profit for the year

The parent LLP has taken advantage of the exemption allowed under section 408 of 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 £8,494,334 (2016 - £4,213,463)

25. Financial risk management

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

Liquidity risk

The objective of the LLP is 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 obligation 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.