



Farrer & Co LLP

REPORT AND FINANCIAL STATEMENTS

Year Ended 30 April 2013

Registration Number OC323570

SATURDAY



A2HCTFV0

A15

21/09/2013

#188

COMPANIES HOUSE

Report to the Members
Year Ended 30 April 2013

The Management Board is pleased to present its report to the members of Farrer & Co LLP and the audited financial statements of the Group (or "the firm") for the year ended 30 April 2013

Firm Structure

Farrer & Co LLP is a limited liability partnership registered in England and Wales. The firm's financial statements consolidate the financial statements of Farrer & Co LLP and its subsidiary undertakings drawn up to 30 April of each year.

A list of members' names is available for inspection at 66 Lincoln's Inn Fields, London WC2A 3LH, United Kingdom, which is also Farrer & Co LLP's principal place of business and registered office. More information about Farrer & Co LLP is available on our website, www.farrer.co.uk.

Principal Activity

The firm's principal activity is the provision of legal services in the UK. The results for the year and the financial position at the year end were considered satisfactory by the members who expect continued growth in the foreseeable future.

Designated Members

The designated members who served during the period and subsequently, except where noted, were

William Dawson (appointed 1 May 2013)
James Edmondson (resigned 30 April 2013)
Richard Parry
Simon Pring (appointed 1 May 2013)
Henry Sainty
David Smellie (resigned 30 April 2013)
Adam Walker (resigned 31 December 2012)

Going Concern

The Group has £3,771,000 of net debt at 30 April 2013 (2012: £5,433,000 of net debt) and further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in notes 12, 17, 18 and 19. In common with other businesses the current economic conditions mean that demand for our services could be impacted in the short term. In addition, liquidity pressure on both our clients and suppliers could also have an adverse impact on the business. However, the Group has sufficient financial resources together with a diverse range of clients and suppliers. The Group also has considerable discretion over the timing of any cash distributions to its members.

Notwithstanding the current economic conditions and potential uncertainty over the level and timing of future revenues, having considered the Group's forecasts and projections, and the level of committed facilities available, the Members are satisfied that the firm has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Members continue to adopt the going concern basis in preparing the accounts.

Report to the Members
Year Ended 30 April 2013

Members' Drawings and Capital Policy

The members' policy on drawings is dependent upon the working capital requirements of the firm. A conservative level of monthly drawings is set at the start of the year and further distributions are made once the results for the year and allocation of profit have been finalised.

The level of members' capital is determined by the members from time to time. Capital is repaid to members on resignation and retirement of membership of the firm.

Statement of Members' Responsibilities

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditor

Deloitte have expressed their willingness to continue in office as auditor.

Signed on behalf of the Management Board



SIGNED by **HJ SAINTY** Designated Member
for and on behalf of THE PARTNERS

Date 17/9/13

Independent Auditor's Report to the Members of Farrer & Co LLP
Year Ended 30 April 2013

We have audited the financial statements of Farrer & Co LLP for the year ended 30 April 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and limited liability partnership balance sheets, the consolidated cash flow statement, and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of members and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent limited liability partnership's affairs as at 30 April 2013 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.

Independent Auditor's Report to the Members of Farrer & Co LLP
Year Ended 30 April 2013

Matters on which we are required to report by exception

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

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



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

Date 17 September 2013

Consolidated Profit and Loss Account
Year Ended 30 April 2013

		2013 £'000	2012 £'000
	Notes		
Turnover		50,808	49,798
Other income		178	118
		<hr/> 50,986	<hr/> 49,916
Operating expenses	3	(31,235)	(30,305)
		<hr/>	<hr/>
Operating Profit		19,751	19,611
Loss on sale of tangible fixed assets		(51)	(1)
Net interest payable	5	(162)	(138)
		<hr/>	<hr/>
Profit for the financial year before members' remuneration and profit shares		19,538	19,472
Members' remuneration charged as an expense		(5,300)	(5,261)
		<hr/>	<hr/>
Profit for the financial year available for discretionary division among members	14	14,238	14,211
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations

Consolidated Statement of Total Recognised Gains and Losses
Year Ended 30 April 2013

	Notes	2013 £'000	2012 £'000
Profit for the financial year available for division among members	14	14,238	14,211
Actuarial gain on defined benefit pension scheme	21	115	255
Effect of limit on unrecognisable surplus	21	(367)	(376)
Total amount recognised in Statement of Total Recognised Gains and Losses		<u>(252)</u>	<u>(121)</u>
Total recognised gains and losses relating to the year		<u><u>13,986</u></u>	<u><u>14,090</u></u>

Consolidated Balance Sheet
At 30 April 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	8	4,233	5,126
		<u>4,233</u>	<u>5,126</u>
Current assets			
Debtors	10	23,223	23,105
Amounts due from members		3,389	4,869
Cash at bank and in hand		101	101
		<u>26,713</u>	<u>28,075</u>
Creditors: amounts falling due within one year	11	<u>(9,542)</u>	<u>(10,215)</u>
Net current assets		<u>17,171</u>	<u>17,860</u>
Total assets less current liabilities		<u>21,404</u>	<u>22,986</u>
Creditors: amounts falling due after more than one year	12	<u>(1,158)</u>	<u>(1,958)</u>
Provision for liabilities	13	<u>(225)</u>	<u>(150)</u>
Net assets		<u><u>20,020</u></u>	<u><u>20,878</u></u>
Represented by:			
Loans and other debts due to members within one year			
Members' capital classified as a liability under FRS 25	14	5,070	4,746
Other amounts	14	292	1,249
Equity			
Members' other interests	14	14,658	14,883
		<u>20,020</u>	<u>20,878</u>
Total Members' Interests			
Amounts due from members	14	(3,389)	(4,869)
Loans and other debts due to members	14	5,362	5,995
Members' other interests	14	14,658	14,883
	14	<u>16,631</u>	<u>16,009</u>

These financial statements of Farrer & Co LLP (registered number OC323570) on pages 5 to 26 were approved by the members and signed on their behalf on *17 September 2013*

By

HJ Sainty

SIGNED by HJ SAINTY
Designated Member
for and on behalf of THE PARTNERS

RWJ Parry


SIGNED by RWJ PARRY
Designated Member
for and on behalf of THE PARTNERS

Limited Liability Partnership Balance Sheet
At 30 April 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	8	4,233	5,126
Investments	9	100	100
		<u>4,333</u>	<u>5,226</u>
Current assets			
Debtors	10	23,223	23,105
Amounts due from members		3,389	4,869
Cash at bank and in hand		1	1
		<u>26,613</u>	<u>27,975</u>
Creditors: amounts falling due within one year	11	(9,542)	(10,215)
Net current assets		<u>17,071</u>	<u>17,760</u>
Total assets less current liabilities		<u>21,404</u>	<u>22,986</u>
Creditors: amounts falling due after more than one year	12	(1,158)	(1,958)
Provision for liabilities	13	(225)	(150)
Net assets		<u>20,020</u>	<u>20,878</u>
Represented by:			
Loans and other debts due to members within one year			
Members' capital classified as a liability under FRS 25	14	5,070	4,746
Other amounts	14	292	1,249
Equity			
Members' other interests	14	14,658	14,883
		<u>20,020</u>	<u>20,878</u>
Total Members' Interests			
Amounts due from members	14	(3,389)	(4,869)
Loans and other debts due to members	14	5,362	5,995
Members' other interests	14	14,658	14,883
	14	<u>16,631</u>	<u>16,009</u>

These financial statements of Farrer & Co LLP (registered number OC323570) on pages 5 to 26 were approved by the members and signed on their behalf on 17 September 2013

By



SIGNED by **HJ SAINTY**
Designated Member
for and on behalf of THE PARTNERS



SIGNED by **RWJ PARRY**
Designated Member
for and on behalf of THE PARTNERS

Consolidated Cash Flow Statement
Year Ended 30 April 2013

	Notes	2013 £'000	2012 £'000
Consolidated cash flow statement			
Net cash inflow from operating activities	17	22,024	18,864
Returns on investments and servicing of finance	18	(154)	(132)
Capital expenditure and financial investment	18	(1,283)	(2,284)
Transactions with members and former members	18	(18,924)	(18,823)
Financing	18	(800)	925
Increase/(decrease) in cash in the year		<u>863</u>	<u>(1,450)</u>

		2013 £'000	2012 £'000
Reconciliation of net cash flow to movement in net debt			
Net debt at beginning of year	19	(5,433)	(3,058)
Decrease/(increase) in overdraft in the year	19	862	(1,450)
Decrease/(increase) in loans in the year	19	800	(925)
Net debt at end of year	19	<u>(3,771)</u>	<u>(5,433)</u>

Notes to the Financial Statements
Year Ended 30 April 2013

1 **Accounting Policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and in the preparation of the comparative figures.

Basis of Accounting

The financial statements have been prepared under the historical cost convention in accordance with United Kingdom applicable law and accounting standards and the Statement of Recommended Practice, 'Accounting by Limited Liability Partnerships'.

Basis of Preparation

The financial statements consolidate the accounts of Farrer & Co LLP and all of its subsidiary undertakings (the "firm"), drawn up to 30 April each year. No individual profit and loss account is prepared for Farrer & Co LLP, as permitted by Section 408 of the Companies Act 2006.

Going Concern

The Group has £3,771,000 of net debt at 30 April 2013 (2012: £5,433,000 of net debt) and further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in notes 12, 17, 18 and 19. In common with other businesses the current economic conditions mean that demand for our services could be impacted in the short term. In addition, liquidity pressure on both our clients and suppliers could also have an adverse impact on the business. However, the Group has sufficient financial resources together with a diverse range of clients and suppliers. The Group also has considerable discretion over the timing of any cash distributions to its members.

Notwithstanding the current economic conditions and potential uncertainty over the level and timing of future revenues, having considered the Group's forecasts and projections, and the level of committed facilities available, the Members are satisfied that the firm has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Members continue to adopt the going concern basis in preparing the accounts.

Notes to the Financial Statements
Year Ended 30 April 2013

1 Accounting Policies (continued)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Farrer & Co LLP and all of its subsidiary undertakings

Fee Income and Revenue Recognition

Fee income represents the fair value of legal services provided during the year on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, expertise and skills provided, and expenses incurred. Fee income is stated net of Value Added Tax.

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income in accordance with Financial Reporting Standard 5 'Reporting the substance of transactions' Application Note G 'Revenue Recognition' and the Urgent Issues Task Force Abstract 40 'Revenue recognition and service contracts'. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the firm. Contingent fee income (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs. Unbilled fee income is included as unbilled revenue within debtors.

Fixed Assets

Depreciation is provided so as to write off the cost, less the estimated residual value, of fixed assets over their estimated useful economic lives, as follows:

Leasehold improvements	-	over the shorter of 10 years and the remaining period of the lease
Furniture and equipment	-	three to five years on a straight-line basis

Investments

Fixed asset investments are stated at cost less provision for impairment.

Notes to the Financial Statements
Year Ended 30 April 2013

1 Accounting Policies (continued)

Taxation

The taxation payable on the profits of limited liability partnerships is the personal liability of the members for the year. An amount is retained from each member's profit share within Farrer & Co LLP to cover the member's estimated liability for income tax and social security contributions on their profit share.

Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Provisions

The provision for claims represents the estimated cost to Farrer & Co LLP of defending and settling claims where a liability is considered by the members to be probable.

Staff Pensions

Farrer & Co LLP operates a defined contribution pension scheme. The firm also had a defined benefit pension scheme, which was closed to new entrants on 30 June 2000 and closed to future accrual on 31 July 2009.

The defined contribution scheme is accounted for in accordance with FRS 17, with the amount charged to the profit and loss account for the defined contribution scheme being the amount payable for the period.

The defined benefit scheme is accounted for in accordance with FRS 17. Scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds of equivalent term to the scheme liabilities. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet. Current service costs are recognised in arriving at operating profit. The interest cost of scheme liabilities net of the expected return on scheme assets is included in net finance costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

2 Segmental Analysis

The members are of the opinion that the operations of the partnership are substantially similar in that they relate to the provision of legal services. Information in relation to the geographical destination of turnover is not provided on the basis that the members believe it would be seriously prejudicial to the interests of the partnership.

Notes to the Financial Statements
Year Ended 30 April 2013

3 Analysis of Operating Expenses

	Note	2013 £'000	2012 £'000
Staff costs	4	16,384	16,460
Depreciation	8	2,126	2,027
Other operating charges		12,725	11,818
		<u>31,235</u>	<u>30,305</u>
		2013 £'000	2012 £'000
Operating profit is stated after charging			
Depreciation			
- Owned assets		2,126	2,027
Operating lease rentals			
- Land and buildings		2,173	2,081
- Plant and machinery		117	113
Auditor's remuneration			
- Fees payable to the LLP's auditor for the audit of the LLP's annual accounts		29	29
- Other services required pursuant to legislation		27	27
- Other services relating to taxation		39	35
		<u> </u>	<u> </u>

Notes to the Financial Statements
Year Ended 30 April 2013

4 Staff and Staff Costs

	2013	2012
	No.	No.
The average number of full time equivalent employees		
Fee-earners	122	120
Support staff	142	138
	<u>264</u>	<u>258</u>
	2013	2012
	£'000	£'000
Staff costs incurred during the year in respect of		
Salaries (including staff bonus)	14,123	14,181
Social Security costs	1,597	1,605
Other pension costs	664	674
	<u>16,384</u>	<u>16,460</u>
Total Staff Costs	<u><u>16,384</u></u>	<u><u>16,460</u></u>

5 Net Interest (Payable)/Receivable

	2013	2012
	£'000	£'000
Bank and other interest receivable	-	1
Interest payable on bank loans and overdrafts	(154)	(133)
Interest on the defined benefit pension scheme liabilities (Note 21)	(282)	(291)
Expected return on the defined benefit pension scheme assets (Note 21)	274	285
	<u>(162)</u>	<u>(138)</u>
Net Interest Payable	<u><u>(162)</u></u>	<u><u>(138)</u></u>

Notes to the Financial Statements
Year Ended 30 April 2013

6 Members' Share of Profits

Profits are shared among the members in accordance with agreed profit sharing arrangements after the financial statements have been approved by the members

	2013	2012
	No.	No.
Average number of members	76	76
	<u> </u>	<u> </u>

The highest remuneration of a member for the year was £742,000 (2012 £540,000)

7 Profit Attributable to the Limited Liability Partnership

The profit for the financial year attributable to the parent undertaking, Farrer & Co LLP, was £14,238,000 (2012 £14,211,000)

Notes to the Financial Statements
Year Ended 30 April 2013

8 **Tangible Fixed Assets – Consolidated and Limited Liability Partnership**

	Leasehold Improvements	Furniture and Equipment	Total
	£'000	£'000	£'000
<u>Cost</u>			
At 1 May 2012	8,184	5,588	13,772
Additions	714	569	1,283
Disposals	(508)	(247)	(755)
At 30 April 2013	<u>8,390</u>	<u>5,910</u>	<u>14,300</u>
<u>Depreciation</u>			
At 1 May 2012	4,882	3,764	8,646
Charge for the year	1,270	856	2,126
Disposals	(459)	(246)	(705)
At 30 April 2013	<u>5,693</u>	<u>4,374</u>	<u>10,067</u>
<u>Net Book Value</u>			
At 30 April 2013	<u>2,697</u>	<u>1,536</u>	<u>4,233</u>
At 30 April 2012	<u>3,302</u>	<u>1,824</u>	<u>5,126</u>

9 **Investments – Limited Liability Partnership**

	2013 £'000	2012 £'000
Investment in Subsidiary Undertakings	100	100
	<u>100</u>	<u>100</u>

Farrer & Co LLP has investments in the following principal entities

Entity	Country of Incorporation	Activity	Proportion of voting rights and ordinary shares held
Farrer & Co Trust Corporation	Great Britain	Trustee company	100%
Farrer Legal Services	Great Britain	Dormant	100%

Notes to the Financial Statements
Year Ended 30 April 2013

10 Debtors

	Consolidated and Limited Liability Partnership	
	2013	2012
	£'000	£'000
Client debtors	20,311	20,332
Unbilled revenue	1,186	1,187
Disbursements	336	278
Other debtors	390	216
Prepayments and accrued income	1,000	1,092
	<u>23,223</u>	<u>23,105</u>

11 Creditors Amounts Falling Due Within One Year

	Consolidated and Limited Liability Partnership	
	2013	2012
	£'000	£'000
Bank loans and overdrafts	2,714	3,576
Trade creditors	2,309	2,398
Social Security and other taxes	1,018	1,125
Accruals and deferred income	3,501	3,116
	<u>9,542</u>	<u>10,215</u>

Notes to the Financial Statements
Year Ended 30 April 2013

12 **Creditors Amounts Falling Due After More Than One Year**

	Consolidated and Limited Liability Partnership	
	2013	2012
	£'000	£'000
Bank Loans	1,158	1,958

Interest is payable on the loans at LIBOR+1 375% and LIBOR+1 25% The loans are repayable by 18 December 2014 and 30 January 2017 as follows

Between one and two years	633	800
Between two and five years	525	1,158
After five years	-	-
	<hr/>	<hr/>
	1,158	1,958
Within one year	2,714	3,576
	<hr/>	<hr/>
	3,872	5,534
	<hr/>	<hr/>

13 **Provision for Liabilities**

Consolidated and Limited Liability Partnership

	Provision for Claims
	£'000
At 1 May 2012	150
Provision released	(25)
Provision utilised	(58)
Charged to the profit and loss account	158
	<hr/>
At 30 April 2013	225
	<hr/>

The provision for claims is in respect of outstanding legal cases against the firm It is expected that the majority of this expenditure will occur within two years.

Notes to the Financial Statements
Year Ended 30 April 2013

14 **Reconciliation of Members' Interests – Consolidated and Limited Liability Partnership**

	Other reserves	Members' capital	Amounts due from members	Total members' interests
	£'000	£'000	£'000	£'000
Amounts due to members	14,883	4,746	1,249	20,878
Amounts due from members	-	-	(4,869)	(4,869)
Members' interests at 1 May 2012	14,883	4,746	(3,620)	16,009
Profit for the financial year available for discretionary division among members	14,238	-	-	14,238
Members' interests after profit for the year	29,121	4,746	(3,620)	30,247
Division of prior-year profit	(14,211)	-	14,211	-
Distribution of prior-year profit	-	-	(10,299)	(10,299)
Drawings on account of current year profits	-	-	(3,389)	(3,389)
Actuarial gain	(252)	-	-	(252)
Capital introduced	-	348	-	348
Capital repaid	-	(24)	-	(24)
Amounts due to members	14,658	5,070	292	20,020
Amounts due from members	-	-	(3,389)	(3,389)
Members' interests at 30 April 2013	14,658	5,070	(3,097)	16,631

Members are required under the terms of the Members' Agreement to provide capital in proportion to the profit sharing units allocated to them. The amount per unit is assessed annually, with any changes usually being effective on 1 May. Capital is repaid to members upon cessation of membership of the limited liability partnership and so is presented above in amounts due to members.

The Remuneration Committee approves the division of profit accrued after the balance sheet date. As a result, the balance of profit available for division among the members as at 30 April 2013 is included in members' other interests. Drawings by members on account of profits for the year have been included within amounts due from members. In the event of a winding up, loans and other debts due to members rank equally with unsecured creditors, members' other interests rank after unsecured creditors.

Notes to the Financial Statements
Year Ended 30 April 2013

15 Capital Commitments

At the year end, the firm had contracted capital commitments for renovation and refurbishment works at its properties for £82,000 (2012 £536,000)

16 Operating Lease Commitments

Non-cancellable operating lease payments to be made by the firm during the next year are as follows

	Land & Buildings 2013 £'000	Other 2013 £'000	Land & Buildings 2012 £'000	Other 2012 £'000
Operating leases which expire				
- Within one year	57	6	531	72
- In more than one year but not more than two	81	111	-	7
- In more than two years but not more than five	326	-	403	34
- In more than five years	1,409	-	1,147	-
	<u>1,873</u>	<u>117</u>	<u>2,081</u>	<u>113</u>

17 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2013 £'000	2012 £'000
Operating Profit	19,751	19,611
Depreciation	2,126	2,027
Loss on sale of tangible fixed assets	1	1
Increase in debtors	(119)	(2,547)
Increase/(decrease) in unbilled revenue	1	(229)
Increase/(decrease) in creditors	189	(8)
Increase in provisions for liabilities	75	135
Decrease in retirement benefit liabilities	-	(126)
Net cash inflow from operating activities	<u><u>22,024</u></u>	<u><u>18,864</u></u>

Notes to the Financial Statements
Year Ended 30 April 2013

18 Analysis of Cash Flows

	2013 £'000	2012 £'000
a) Returns on investments and servicing of finance		
Interest received	-	1
Interest paid	(154)	(133)
	<u>(154)</u>	<u>(132)</u>
b) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,283)	(2,284)
	<u>(1,283)</u>	<u>(2,284)</u>
c) Transactions with members and former members		
Drawings and distributions	(19,248)	(18,871)
Capital contributions by members	348	312
Capital repaid to members	(24)	(264)
	<u>(18,924)</u>	<u>(18,823)</u>
d) Financing		
Increase/(decrease) in bank loans	(800)	925
	<u>(800)</u>	<u>925</u>

19 Analysis of Changes in Net Funds

	At 1 May 2012	Cash flow	At 30 April 2013
Cash at bank and in hand	101	-	101
Overdraft	(2,676)	862	(1,814)
Bank loans due within 1 year	(900)	-	(900)
Bank loans due after 1 year	(1,958)	800	(1,158)
	<u>(5,433)</u>	<u>1,662</u>	<u>(3,771)</u>
Net debt	<u>(5,433)</u>	<u>1,662</u>	<u>(3,771)</u>

20 Transactions with Related Parties

Farrer & Co LLP has relied upon the exemption given in the Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions between itself and its subsidiary undertakings

Notes to the Financial Statements
Year Ended 30 April 2013

21 Staff Pension Schemes

Defined Contribution Scheme

The cost of contributions to the firm's scheme included in the profit and loss account for the year was £569,000 (2012 £569,000) No contributions were outstanding at either year end

Defined Benefit Scheme

The defined benefit scheme closed to new entrants on 30 June 2000

The pension liabilities for the defined benefit scheme were assessed in accordance with the advice of an independent qualified actuary, Barnett Waddingham The last completed full actuarial valuation was performed as at 31 December 2010 The method used to determine pension liabilities for the defined benefit scheme was the projected unit method Assets are measured at market value and the liabilities are discounted at the rate of return available at the balance sheet date on high quality corporate bonds

The firm made employer contributions of £260,100 (2012 £252,500) during the year

The major assumptions made by the actuary were as follows

	2013	2012
Discount rate	4 20%	4 70%
Inflation assumption (RPI)	3 30%	3 20%
Inflation assumption (CPI)	2 50%	2 40%
LPI 5% pension increases	3 30%	3 20%
LPI 2 5% pension increases	2 40%	2 40%
Revaluation in deferment	2 50%	3 20%
Post retirement mortality assumption (non-pensioner members)	PCA00 +2yrs LC 1% floor	PCA00 +2yrs LC 1% floor
Post retirement mortality assumption (pensioner members)	PCA00 +2yrs MC 1% floor	PCA00 +2yrs MC 1% floor
Tax free cash allowance	No allowance	No allowance

Notes to the Financial Statements
Year Ended 30 April 2013

21 Staff Pension Schemes (continued)

Under the adopted mortality tables, the future life expectancy at age 65 is as follows

Life expectancy at 65	30 April 2013	30 April 2012
Male currently aged 45	24.5	24.4
Female currently aged 45	26.7	26.6
Male currently aged 65	20.9	20.8
Female currently aged 65	23.1	23.1

	30 April 2013	30 April 2012
Long-term expected rate of return on the scheme's assets net of expenses	4.20%	5.20%

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on long-dated government bonds. Bond and cash returns are selected by reference to the yields on long-dated government bonds.

Assets

The major categories of assets as a percentage of total assets are as follows

	2013	2012
Equities	51%	46%
Bonds	49%	54%
Total	100%	100%

The actual return on the scheme's assets (net of expenses) over the year to 30 April 2013 was £1,149,000 (2012: £926,000)

Notes to the Financial Statements
Year Ended 30 April 2013

21 Staff Pension Schemes (continued)

Amounts recognised on the balance sheet at 30 April 2013

	2013	2012
	£'000	£'000
Fair value of assets	7,722	6,456
Present value of funded obligations	(6,979)	(6,080)
Surplus/(deficit)	<u>743</u>	<u>376</u>
Unrecognisable surplus	(743)	(376)
Balance sheet asset/(liability)	<u><u>-</u></u>	<u><u>-</u></u>

The pension scheme surplus has not been recognised in the accounts due to uncertainty associated with its recovery

Analysis of the amounts (charged)/credited to the profit and loss account over the year (see note 5)

	2013	2012
	£'000	£'000
Expected return on pension scheme assets	274	285
Interest on pension scheme liabilities	(282)	(291)
Net charge	<u><u>(8)</u></u>	<u><u>(6)</u></u>

Notes to the Financial Statements
Year Ended 30 April 2013

21 Staff Pension Schemes (continued)

Analysis of amount recognised in the statement of total recognised gains and losses over the year

	2013	2012
	£'000	£'000
Actual return less expected return on pension scheme assets	875	641
Impact of changes in assumptions underlying the present value of the pension scheme liabilities	(760)	(386)
Actuarial gain	115	255
Effect of limit on unrecognisable surplus	(367)	(376)
Total amount recognised in statement of total recognised gains and losses	(252)	(121)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £1,076,000 (2012 £824,000)

Reconciliation of assets and defined benefit obligation

The change in the assets over the year was

	2013	2012
	£'000	£'000
Fair value of plan assets as at the beginning of the year	6,456	5,435
Expected return on plan assets	274	285
Employer contribution	260	253
Member contributions	-	-
Benefits paid	(143)	(158)
Actuarial gain	875	641
Fair value of plan assets as at the end of the year	7,722	6,456

Notes to the Financial Statements
Year Ended 30 April 2013

21 Staff Pension Schemes (continued)

The change in defined benefit obligation over the year was

	2013	2012
	£'000	£'000
Benefit obligation as at beginning of year	6,080	5,561
Current service cost	-	-
Interest cost	282	291
Members' contributions	-	-
Benefits paid	(143)	(158)
Actuarial gains	760	386
Benefit obligation as at end of the year	<u>6,979</u>	<u>6,080</u>

Summary of prior year amounts

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(6,979)	(6,080)	(5,561)	(5,662)	(4,103)
Scheme assets	7,722	6,456	5,435	5,003	4,274
Surplus/(Deficit)	743	376	(126)	(659)	171
Experience gains and (losses) on scheme liabilities	-	-	(40)	(98)	-
Experience adjustments on scheme assets	875	641	150	423	(864)