

Clyde & Co LLP

Report and Financial Statements

Year Ended

30 April 2016

LLP Number OC326539

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Clyde & Co LLP

Report and financial statements
for the year ended 30 April 2016

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Designated members

M Payton
J Burns
B Knowles
S Konsta
R Hill
J Morris
A Nicholas

Registered office

The St Botolph Building
138 Houndsditch
London
EC3A 7AR

LLP number

OC326539

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Clyde & Co LLP

Members' report for the year ended 30 April 2016

The members are pleased to present their report and the audited consolidated financial statements of the Clyde & Co LLP group for the year ended 30 April 2016.

Principal activity

The principal activity of Clyde & Co LLP is the provision of legal services in the UK and internationally. The group also operates through branches in France, Dubai, Abu Dhabi and Qatar.

Results, review of business and future developments

The results for the year are set out on page 4. The members consider the results and future prospects to be satisfactory.

Designated members

The designated members who served during the year and up to the approval of these financial statements, were as follows:

M Payton
J Morris
J Burns
B Knowles
R Hill
S Konsta
A Holderness (resigned 31 October 2015)
A Nicholas (appointed 1 November 2015)

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 on account of profit 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. With the consent of members, the LLP retains a provision for tax from their profit shares which is paid to HMRC on their behalf.

The level of members' capital is determined by the members from time to time. Capital is repaid to members shortly after ceasing to be a member of the firm, or at such other time as is determined by the Management Board. There is no opportunity for the appreciation of the capital subscribed.

Donations

During the year donations of £50,984 (2015: £5,596) were made for charitable purposes. These donations form a small part of the wider CSR initiatives undertaken by the group each year, including the firm's pro bono and community investment programme. More information about these initiatives can be found on the firm's website at www.clydeco.com/firm/csr.

Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings.

Disclosure of information to auditors

All of the current members have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the auditors for the purposes of their audit and to establish that the auditors are aware of that information. The members are not aware of any relevant audit information of which the auditors are unaware.

Auditors

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed.

Approval

This members' report was approved by the Board of Members and signed on their behalf by:



S Konsta
Designated Member
28 September 2016

Clyde & Co LLP

Statement of members' responsibilities

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

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 requires the members to prepare financial statements for each financial year. Under these regulations 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 these regulations 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 group and limited liability partnership 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 limited liability partnership and group will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions, disclose with reasonable accuracy at any time the financial position of the limited liability partnership 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 limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Clyde & Co LLP

Independent auditor's report to the members of Clyde & Co LLP

We have audited the financial statements of Clyde & Co LLP for the year ended 30 April 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and limited liability partnership balance sheet, the consolidated and limited liability partnership statement of changes in members' interests, the consolidated cash flow statement and the related notes. 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 the Limited Liability Partnerships (Accounts and Audit) (Application of the 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 auditors

As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

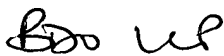
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the limited liability partnership's affairs as at 30 April 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

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 limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us;
- the 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.



Nicholas Carter-Pegg (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date:

29/9/16

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Clyde & Co LLP

Consolidated income statement for the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Turnover	3	447,277	396,750
Administrative expenses		(330,010)	(284,049)
Other operating income		<u>131</u>	<u>513</u>
Operating profit		117,398	113,214
Net interest payable	7	<u>(1,205)</u>	<u>(158)</u>
Profit for the financial year before taxation		116,193	113,056
Taxation	8	<u>(1,353)</u>	<u>(1,502)</u>
Profit for the financial year before members' remuneration and profit shares		114,840	111,554
Members' remuneration charged as an expense		<u>(4,132)</u>	<u>(2,708)</u>
Profit for the financial year available for discretionary division among members		<u><u>110,708</u></u>	<u><u>108,846</u></u>

All results relate to continuing activities.

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Consolidated statement of comprehensive income for the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year available for discretionary division among members		<u>110,708</u>	<u>108,846</u>
Foreign exchange translation differences		1,569	2,663
Actuarial losses on defined benefit pension scheme	17	(5,580)	(1,780)
Total comprehensive income for the year available for discretionary division among members		<u><u>106,697</u></u>	<u><u>109,729</u></u>
Profit for the financial year attributable to:			
Owners of the parent LLP		<u><u>110,708</u></u>	<u><u>108,846</u></u>
Total comprehensive income attributable to:			
Owners of the parent LLP		<u><u>106,697</u></u>	<u><u>109,729</u></u>

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Consolidated balance sheet as at 30 April 2016

LLP Number OC326539	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	11	21,106	20,269
		<u>21,106</u>	<u>20,269</u>
Current assets			
Debtors	12	271,074	242,651
Post retirement asset	17	1,550	1,740
Amounts due from members		53,580	45,415
Cash at bank and in hand		18,172	11,921
		<u>344,376</u>	<u>301,727</u>
Creditors: amounts falling due within one year	14	(168,376)	(155,927)
Net current assets		<u>176,000</u>	<u>145,800</u>
Total assets less current liabilities		<u>197,106</u>	<u>166,069</u>
Provision for liabilities	16	(11,641)	(10,658)
Net assets attributable to members excluding post retirement liability		185,465	155,411
Post retirement liability	17	(3,960)	(1,440)
Net asset attributable to members including post retirement liability		<u><u>181,505</u></u>	<u><u>153,971</u></u>


The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Consolidated balance sheet as at 30 April 2016 (continued)

	Note	2016 £'000	2015 £'000
Represented by:			
Loans and amounts due to members			
Members' capital classified as a liability		64,303	57,369
Other amounts		20,243	7,462
		<u>84,546</u>	<u>64,831</u>
Members' other interests			
Members' other interests – other reserves classified as equity		96,959	89,140
Equity attributable to the members		<u><u>181,505</u></u>	<u><u>153,971</u></u>
Total members' interests			
Amounts due from members		(53,580)	(45,415)
Loans and other debts due to members		84,546	64,831
Members' other interests		96,959	89,140
		<u><u>127,925</u></u>	<u><u>108,556</u></u>

These financial statements were approved and authorised for issue on behalf of the Members by the Management Board of Clyde & Co LLP on 28 September 2016 and signed by:


S Konsta
Designated member

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Consolidated statement of changes in members' interests for the year ended 30 April 2016

	EQUITY		DEBT			
			Loans and other debts due to members less any amounts due from members in debtors			
	Members' other interests £'000	Members' capital £'000	Other reserves £'000	Other amounts £'000	Total £'000	Total members' interests £'000
Amounts due to members	89,140	57,369	7,462	-	64,831	153,971
Amounts due from members	-	-	-	(45,415)	(45,415)	(45,415)
Balance at 1 May 2015	89,140	57,369	7,462	(45,415)	19,416	108,556
Members' remuneration charged as an expense	-	-	4,132	-	4,132	4,132
Profit for the year available for discretionary division among members	110,708	-	-	-	-	110,708
Members' interests after profit for the year	199,848	57,369	11,594	(45,415)	23,548	223,396
Allocated profits	(102,307)	-	56,856	45,451	102,307	-
Capital introduced	-	9,292	-	-	9,292	9,292
Members balances acquired with subsidiary undertaking	-	3,959	6,875	-	10,834	10,834
Repayments of capital	-	(6,317)	-	-	(6,317)	(6,317)
Drawings	-	-	(50,676)	(53,616)	(104,292)	(104,292)
Actuarial loss on defined benefit pension schemes (note 17)	(5,580)	-	-	-	-	(5,580)
Foreign exchange translation differences	1,569	-	-	-	-	1,569
Transfer to creditors	-	-	(4,981)	-	(4,981)	(4,981)
Movement on reserves	3,429	-	575	-	575	4,004
Amounts due to members	96,959	64,303	20,243	-	84,546	181,505
Amounts due from members	-	-	-	(53,580)	(53,580)	(53,580)
Balance at 30 April 2016	96,959	64,303	20,243	(53,580)	30,966	127,925

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Consolidated statement of changes in members' interests for the year ended 30 April 2015

	EQUITY		DEBT			
			Loans and other debts due to members less any amounts due from members in debtors			
	Members' other interests £'000	Members' capital £'000	Other reserves £'000	Other amounts £'000	Total £'000	Total members' interests £'000
Amounts due to members	65,585	50,865	3,419	-	54,284	119,869
Amounts due from members	-	-	-	(41,557)	(41,557)	(41,557)
Balance at 1 May 2014	65,585	50,865	3,419	(41,557)	12,727	78,312
Members' remuneration charged as an expense	-	-	2,708	-	2,708	2,708
Profit for the year available for discretionary division among members	108,846	-	-	-	-	108,846
Members' interests after profit for the year	174,431	50,865	6,127	(41,557)	15,435	189,866
Allocated profits	(87,187)	-	45,594	41,593	87,187	-
Capital introduced	-	10,306	-	-	10,306	10,306
Repayments of capital	-	(3,802)	-	-	(3,802)	(3,802)
Drawings	-	-	(45,090)	(45,451)	(90,541)	(90,541)
Actuarial loss on defined benefit pension scheme (note 17)	(1,780)	-	-	-	-	(1,780)
Foreign exchange translation differences	2,663	-	-	-	-	2,663
Transfer to creditors	-	-	(2,196)	-	(2,196)	(2,196)
Movement on reserves	1,013	-	3,027	-	3,027	4,040
Amounts due to members	89,140	57,369	7,462	-	64,831	153,971
Amounts due from members	-	-	-	(45,415)	(45,415)	(45,415)
Balance at 30 April 2015	89,140	57,369	7,462	(45,415)	19,416	108,556

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Consolidated statement of cash flows for the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit for the financial year before members' remuneration and profit shares		114,840	111,554
Adjustments for:			
Depreciation, impairment and amortisation of fixed assets	11	6,831	5,734
Net interest payable	7	1,205	158
Taxation expense		1,353	1,502
Profit on sale of fixed assets		-	122
Difference between net pension expense and cash contribution	17	(2,860)	(2,820)
Increase in trade and other debtors		(15,093)	(29,541)
(Decrease)/increase in trade and other creditors		(701)	5,628
Increase/(decrease) in provisions		983	(3,441)
Unwinding of discount provisions	7	(177)	(294)
Cash from operations		106,381	88,602
Taxation paid		(1,496)	(1,249)
Annuity payments to former members		(598)	(510)
Members' drawings in relation to remuneration		(104,292)	(90,541)
Net cash generated from operating activities		(5)	(3,698)
Cash flows from investing activities			
Purchases of tangible fixed assets	11	(6,979)	(4,475)
Cash acquired with subsidiary undertaking	18	2,781	-
Interest received	7	842	1,651
Net cash from investing activities		(3,356)	(2,824)
Cash flows from financing activities			
Capital introduced by members		9,292	10,306
Capital repaid to members		(6,317)	(3,802)
Interest paid	7	(1,880)	(1,495)
New bank loans	15	10,000	2,500
Bank loans repaid		-	(135)
Net cash used in financing activities		11,095	7,374
Net increase in cash and cash equivalents		7,734	852
Cash and cash equivalents at beginning of year		8,411	7,206
Foreign exchange gains and losses		129	353
Cash and cash equivalents at end of year		16,274	8,411
Cash and cash equivalents comprise:			
Cash at bank and in hand		18,172	11,921
Bank overdrafts	15	(1,898)	(3,510)
		16,274	8,411

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

LLP balance sheet
as at 30 April 2016

LLP Number OC326539	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	11	13,312	13,554
		<u>13,312</u>	<u>13,554</u>
Current assets			
Debtors	12	246,315	228,985
Amounts due from members		18,834	24,702
Investments	13	455	455
Cash at bank and in hand		2,667	1,191
		<u>268,271</u>	<u>255,333</u>
Creditors: amounts falling due within one year	14	(149,887)	(146,283)
Net current assets		<u>118,384</u>	<u>109,050</u>
Total assets less current liabilities		<u>131,696</u>	<u>122,604</u>
Provision for liabilities	16	(10,199)	(10,338)
Net assets attributable to members		<u><u>121,497</u></u>	<u><u>112,266</u></u>


The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

LLP balance sheet
as at 30 April 2016 (*continued*)

	Note	2016 £'000	2015 £'000
Represented by:			
Loans and amounts due to members			
Members' capital classified as a liability		50,012	46,891
Other amounts		48,296	28,572
		<u>98,308</u>	<u>75,463</u>
Members' other interests			
Members' other interests – other reserves classified as equity		23,189	36,803
Equity attributable to the members		<u>121,497</u>	<u>112,266</u>
Total members' interests			
Amounts due from members		(18,834)	(24,702)
Loans and other debts due to members		98,308	75,463
Members' other interests		23,189	36,803
		<u>102,663</u>	<u>87,564</u>

These financial statements were approved and authorised for issue on behalf of the Members by the Management Board of Clyde & Co LLP on 28 September 2016 and signed by:


S Konsta
Designated member

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

LLP statement of changes in members' interests for the year ended 30 April 2016

	EQUITY		DEBT			
			Loans and other debts due to members less any amounts due from members in debtors			
	Members' other interests £'000	Members' capital £'000	Other reserves £'000	Other amounts £'000	Total £'000	Total members' interests £'000
Amounts due to members	36,803	46,891	28,572	-	75,463	112,266
Amounts due from members	-	-	-	(24,702)	(24,702)	(24,702)
Balance at 1 May 2015	36,803	46,891	28,572	(24,702)	50,761	87,564
Members' remuneration charged as an expense	-	-	3,428	-	3,428	3,428
Profit for the year available for discretionary division among members	58,329	-	-	-	-	58,329
Members' interests after profit for the year	95,132	46,891	32,000	(24,702)	54,189	149,321
Allocated profits	(78,941)	-	46,098	32,843	78,941	-
Capital introduced	-	8,460	-	-	8,460	8,460
Repayments of capital	-	(5,339)	-	-	(5,339)	(5,339)
Drawings	-	-	(27,032)	(26,975)	(54,007)	(54,007)
Foreign exchange translation differences	5,691	-	-	-	-	5,691
Transfer to creditors	-	-	(3,345)	-	(3,345)	(3,345)
Movement on reserves	1,307	-	575	-	575	1,882
Amounts due to members	23,189	50,012	48,296	-	98,308	121,497
Amounts due from members	-	-	-	(18,834)	(18,834)	(18,834)
Balance at 30 April 2016	23,189	50,012	48,296	(18,834)	79,474	102,663

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

LLP statement of changes in members' interests for the year ended 30 April 2015

	EQUITY		DEBT			
			Loans and other debts due to members less any amounts due from members in debtors			
	Members' other interests £'000	Members' capital £'000	Other reserves £'000	Other amounts £'000	Total £'000	Total members' interests £'000
Amounts due to members	39,421	42,020	8,310	-	50,330	89,751
Amounts due from members	-	-	-	(22,072)	(22,072)	(22,072)
Balance at 1 May 2014	39,421	42,020	8,310	(22,072)	28,258	67,679
Members' remuneration charged as an expense	-	-	2,297	-	2,297	2,297
Profit for the year available for discretionary division among members	65,292	-	-	-	-	65,292
Members' interests after profit for the year	104,713	42,020	10,607	(22,072)	30,555	135,268
Allocated profits	(69,502)	-	41,839	27,663	69,502	-
Capital introduced	-	8,132	-	-	8,132	8,132
Repayments of capital	-	(3,261)	-	-	(3,261)	(3,261)
Drawings	-	-	(23,594)	(30,293)	(53,887)	(53,887)
Foreign exchange translation differences	3,051	-	-	-	-	3,051
Transfer to creditors	-	-	(2,526)	-	(2,526)	(2,526)
Movement on reserves	(1,459)	-	2,246	-	2,246	787
Amounts due to members	36,803	46,891	28,572	-	75,463	112,266
Amounts due from members	-	-	-	(24,702)	(24,702)	(24,702)
Balance at 30 April 2015	36,803	46,891	28,572	(24,702)	50,761	87,564

The notes on pages 15 to 36 form part of the consolidated financial statements.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016

1. Accounting policies

Clyde & Co LLP is a Limited Liability partnership ('LLP') incorporated in England and Wales under the Companies Act. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, including the Statement of Recommended Practice (2015), 'Accounting by Limited Liability Partnerships'.

Information on the impact of first-time adoption of FRS 102 is given in note 23.

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 judgement in applying the Group's accounting policies (see note 2).

Parent LLP disclosure exemptions

In preparing the separate financial statements of the parent LLP, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent LLP;
- Disclosures in respect of the parent LLP's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent LLP as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Clyde & Co LLP and its subsidiaries ("the Group") as if they formed a single entity. Intergroup 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 1 May 2014.

Turnover

Turnover represents amounts chargeable to clients for professional services provided during the year, net of any sales tax. Services provided to clients, which at the balance sheet date have not been billed, have been recognised as revenue. Turnover is recognised by reference to an assessment of the fair value of the services provided at 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 payment is contingent on factors outside the control of the Group.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting 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 reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

1. Accounting policies (*continued*)

Tangible fixed assets

Tangible fixed assets 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.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

- | | |
|------------------------------------|-----------------------------------|
| • Leasehold land and buildings | The term of the lease or 10 years |
| • Motor vehicles | 4 years |
| • Fixtures, fittings and equipment | 3 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within 'other operating income or losses' in the income statement.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'sterling', which is the LLP's functional and the group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income or expense'.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Accounting policies (continued)

1.

Profit allocations

Profit allocations are recognised in the year in which they are declared and become a present obligation of the LLP.

Drawings

Drawings represent payments on account of profits which may be allocated to members. The amount of such drawings is set at the beginning of each financial year, taking into account the anticipated cash needs of the LLP and may be reclaimed from members until profits have been allocated to them. Unallocated profits are included within members' other interests, classified as equity, advanced drawings in excess of allocated profits are included within 'Amounts due from members' in debtors, and allocated profits in excess of drawings are included within 'Amounts due to members' as a liability.

Members' capital

Initial capital contributions ('principal capital') of each of the members are amounts as set out in the LLP agreement. Further members shall contribute upon admission to the LLP such capital as determined by the Board.

Subsequent capital is repaid to members shortly after ceasing to be a member of the LLP, or at such other time as is determined by the Board. Members' subsequent capital is therefore classified as a liability due within one year. There is no opportunity for the appreciation of capital subscribed.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Professional indemnity insurance

Insurance premiums are expensed to the profit and loss account over the period of the insurance cover. Provision is made for any uninsured excess that is likely to be payable in respect of claims made. These are based on best estimates of the expected cash outflows, discounted to present value where appropriate.

Segmental reporting

No segmental analysis has been shown. The LLP considers such disclosure to be unfairly prejudicial to the business since it would be helpful to competitors who generally do not provide similar information publicly.

Leased assets: Lessee

All current leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 May 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 May 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

1. Accounting policies (*continued*)

Current and deferred taxation

Taxation on a members' share of the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements. The tax within these consolidated financial statements relate to the corporate subsidiaries of the group.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the LLP's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Defined benefit pension schemes

Operating and finance costs of pensions are charged to the Income statement in the period in which they arise and are recognised separately. The costs of past service enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in other comprehensive income. Pension costs are assessed in accordance with the advice of independent qualified actuaries.

The schemes are funded with the assets held separately from those of the Clyde & Co LLP group ("the Group"), in separate trustee administered funds. Pension scheme assets are valued at fair value and 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 a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, is presented separately after other net assets on the face of the balance sheet.

Annuities

Annuities payable to certain former partners of the predecessor partnership are provided for in full. The amount provided is recognised as the best estimate of the expenditure required to settle that obligation, and is discounted to present value. The annuity is payable to certain former partners at a fixed amount per annum for their remaining life, with no terminal payment. The annuity is accounted for as an insurance contract in accordance with FRS 103. The increase of discounted amount in the period is charged to the profit and loss account as interest payable, changes due to changes in assumptions are charged to the profit and loss account as administrative expenses.

As these are historic transactions and no new annuities are entered into, the Group does not have specific policies to manage the risks arising from these contracts.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

1. Accounting policies (*continued*)

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to a contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial liabilities

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Bank loans are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership are transferred to another party or if some significant risks and rewards of ownership are retained but control of the asset has been transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated balance sheet immediately below goodwill.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the members have made the following judgements:

- Significant judgement is taken by the members in assessing the recoverable amount of unbilled work performed in respect of client work. Consideration is given to the historic recovery rates of unbilled work when making this judgement.
- Significant judgement is taken by the members in assessing the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.
- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Tangible fixed assets (see note 11)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Tangible fixed assets are stated net of any accumulated impairment losses. Indicators of impairment of the LLP's tangible assets are assessed annually. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other provisions (see note 16)

Provisions represent an estimate of the potential cost of defending claims and, where appropriate, the estimated cost of settling claims up to the excess terms of the LLP's professional indemnity insurance.

Factors taken into consideration when making this estimation include the likelihood of an unfavourable ruling as well as the potential cost.

Defined benefit pension scheme (see note 17)

The group has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures relating to the defined benefit pension scheme.

3. Analysis of turnover

	2016 £'000	2015 £'000
Fee income	447,277	396,750
	<u>447,277</u>	<u>396,750</u>

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

4. Principal entities included in the consolidation

	Percentage of voting rights controlled	Country of incorporation
Entities providing legal services		
Clyde & Co US LLP	100%	USA
Clyde & Co (CIS) LLP	100%	England and Wales
Clyde & Co (Greece) LLP	100%	England and Wales
Clyde & Co Hong Kong (partnership)	100%	Hong Kong *
Clyde & Co Canada LLP	100%	Canada
Clyde & Co Claims LLP	100%	England and Wales
Clyde & Co Singapore PTE Limited	100%	Singapore
Clyde Abogados SLP	100%	Spain
Danie LeRoux Associates Inc (Trading as Clyde & Co South Africa)	100%	South Africa
Clyde & Co (Tanzania) LLP	100%	England and Wales
Clyde & Co (Australia) LLP	100%	England and Wales
Clyde & Co (France) LLP	100%	England and Wales
Clyde & Co India Limited	100%	England and Wales
Indian Business Law Limited	100%	England and Wales
Trident (Claims & Recoveries) LLP	100%	England and Wales
Clyde & Co (Scotland) LLP	100%	Scotland
Simpson & Marwick**	100%	Scotland *
Simpson and Marwick Solicitors LLP**	100%	England and Wales
Clyde & Co Technical Services JSC	100%	Libya
Despacho de Abogados, miembros de la Firma Internacional de Abogados Clyde & Co	100%	Venezuela
Clasis LLC	100%	Singapore
Clyde & Co Clasis Singapore Pte Limited	100%	Singapore
Clyde & Co Sociedade de Consultores em Direito Estrangeiro/Direito Ingles	100%	Brazil
Clasis Law India	100%	India
Clasis Law Limited	100%	England and Wales
Clyde & Co Canada Holdings Inc	100%	Canada
Clyde & Co Australia	100%	Australia*
Clyde & Co Westlink	100%	China
Clyde IP Services Limited	100%	Bahrain
Clyde and Co LLP Lawyers and Legal Consultants	100%	Kingdom of Saudi Arabia
Service companies		
Clyde UK Services Company (unlimited)	100%	England and Wales
Clyde Overseas Service Company (unlimited)	100%	England and Wales
Padova Enterprises Limited	100%	Hong Kong
Beaumont and Son Consultoria de Seguros Limitada	100%	Brazil
Clyde & Co Consultores Limitada	100%	Brazil
Clyde & Co Consultores SA	100%	Venezuela
Clyde & Co Australia Services PTY Limited	100%	Australia
Nicholl Paskell-Mede Inc	100%	Canada
NPM Toronto Limited	100%	Canada
Simpson & Marwick (Services) Limited**	100%	Scotland

* Principal place of business - not country of incorporation, as the entity is unincorporated.

** Consolidated from 1 October 2015 (see note 18)

Members of Clyde & Co LLP have beneficial ownership of the above consolidated entities.

The service companies provide services to members of the group.

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

5.	Operating profit	2016	2015
		£'000	£'000
	This is arrived at after charging:		
	Depreciation of tangible fixed assets	6,831	5,734
	Loss on disposal of fixed assets	-	122
	Rentals under operating leases		
	Hire of plant and machinery	102	178
	Property	21,415	17,097
	Fees payable to the LLP's auditor and its associates for the audit of the LLP's annual accounts	163	120
	Fees payable to the LLP's auditor and its associates for other services to the group:		
	Taxation compliance services	435	242
	Other	84	50
	Exchange differences	1,220	217
		<u>200,621</u>	<u>173,698</u>
6.	Employees	2016	2015
		£'000	£'000
	Staff costs consist off:		
	Wages and salaries	179,037	155,046
	Social security costs	11,524	9,877
	Pension costs	10,060	8,775
		<u>200,621</u>	<u>173,698</u>
	The average number of employees during the year was as follows:		
		Number	Number
	Practice	1,623	1,433
	Support staff	1,234	1,070
		<u>2,857</u>	<u>2,503</u>
7.	Net interest payable	2016	2015
		£'000	£'000
	Bank interest receivable	(842)	(1,651)
	Bank interest payable	1,880	1,495
	Running costs paid by the pension scheme	60	60
	Interest on pension scheme liabilities	(70)	(40)
	Unwinding of discount on provisions	177	294
		<u>1,205</u>	<u>158</u>

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

8. Taxation

The taxation charge which arises in the corporate entities included within these financial statements is:

	2016 £'000	2015 £'000
United Kingdom corporation tax charge for the year	1,072	1,154
Foreign corporation tax charge for the year	-	335
Total current taxation	1,072	1,489
Prior year adjustment	-	5
Deferred taxation	281	8
Total tax charge	1,353	1,502

In most locations, income tax payable on profits allocated to partners is the personal liability of the partners. In some locations the tax payable is the liability of the Clyde & Co LLP Group. Only the latter amounts are reflected in these financial statements.

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	116,193	113,056
Less: amounts subject to personal taxation	(105,478)	(102,363)
Profits subject to taxation	10,715	10,693

The tax assessed for the period differs to that resulting from applying the standard rate of corporation tax in the UK of 20.00% (2015: 20.92%). The differences are explained below:

Profits subject to taxation	10,715	10,693
At UK standard rate of 20.00% (2015: 20.92%)	2,143	2,237
Factors affecting the charge for the year:		
- Expenses not deductible for tax purposes	59	236
- Non-taxable movements on pension liability	(622)	(494)
- Deferred tax assets not recognised	142	52
- Prior year adjustments	-	5
- Short term timing differences	(224)	(413)
- Difference in local tax rates	(145)	(121)
Current tax charge for the year	1,353	1,502

Deferred tax assets have not been recognised where there is uncertainty over the recoverability of these losses through future profits.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

9. Members' remuneration

Profits are shared among the members in accordance with agreed profit sharing arrangements. Members are required to make their own provision for pensions from their profit shares.

	2016 Number	2015 Number
Average number of members during the year	<u>262</u>	<u>236</u>
	2016 £'000	2015 £'000
Profit attributable to the member with the largest entitlement	<u>1,397</u>	<u>1,829</u>

10. Parent LLP profit for the year

The LLP has taken advantage of the exemption allowed under the Companies Act 2006 as applied to LLP's and has not presented its own statement of comprehensive income in these financial statements. The profit available for discretionary division among members of the parent LLP for the year was £58,328,651 (2015 - £65,291,974).

11. Tangible fixed assets

Group	Leasehold Improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
As at 1 May 2015	43,075	41,863	76	85,014
Foreign exchange revaluation	458	547	(3)	1,002
Transfer in on acquisition	278	141	-	419
Reclassification	69	(69)	-	-
Additions	3,909	3,070	-	6,979
Disposals	(351)	(306)	(12)	(669)
At 30 April 2016	<u>47,438</u>	<u>45,246</u>	<u>61</u>	<u>92,745</u>
Accumulated depreciation				
As at 1 May 2015	26,015	38,706	24	64,745
Foreign exchange revaluation	242	490	-	732
Reclassification	112	(112)	-	-
Charge for the year	4,082	2,739	10	6,831
Disposals	(351)	(306)	(12)	(669)
At 30 April 2016	<u>30,100</u>	<u>41,517</u>	<u>22</u>	<u>71,639</u>
Net book value				
At 30 April 2016	<u>17,338</u>	<u>3,729</u>	<u>39</u>	<u>21,106</u>
At 30 April 2015	<u>17,060</u>	<u>3,157</u>	<u>52</u>	<u>20,269</u>

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (continued)

11. Tangible fixed assets (continued)

LLP	Leasehold Improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
As at 1 May 2015	34,560	33,090	67,650
Foreign exchange revaluation	329	316	645
Additions	1,489	2,259	3,748
Disposals	(9)	(11)	(20)
At 30 April 2016	36,369	35,654	72,023
Accumulated depreciation			
As at 1 May 2015	22,404	31,692	54,096
Foreign exchange revaluation	209	296	505
Charge for the year	2,428	1,702	4,130
Disposals	(9)	(11)	(20)
At 30 April 2016	25,032	33,679	58,711
Net book value			
At 30 April 2016	11,337	1,975	13,312
At 30 April 2015	12,156	1,398	13,554

12. Debtors

	Group 2016 £'000	Group 2015 £'000	LLP 2016 £'000	LLP 2015 £'000
Trade debtors	216,507	190,415	131,411	125,494
Amounts recoverable from clients in respect of unbilled work performed	30,750	27,663	20,529	21,282
Amounts due from group undertakings	-	-	79,816	64,824
Other debtors	7,217	5,982	3,240	3,059
Prepayments and accrued income	16,600	18,310	11,319	14,326
Deferred tax asset	-	281	-	-
	<u>271,074</u>	<u>242,651</u>	<u>246,315</u>	<u>228,985</u>

The impairment loss recognised in the profit or loss for the period in respect of bad and doubtful trade debtors was as set out below:

	Group 2016 £'000	Group 2015 £'000	LLP 2016 £'000	LLP 2015 £'000
Credit/(charge) recognised	<u>2,056</u>	<u>(921)</u>	<u>1,029</u>	<u>(1,117)</u>

All amounts shown under debtors fall due for payment within one year except:

Group:

Deferred tax asset recognised in respect of the defined benefit pension scheme operated by some subsidiaries of the group. This will reverse over the life of the scheme and is subject to changes in valuations of the defined benefit obligation and plan assets.

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (continued)

13. Current asset investments

	Group 2016 £'000	Group 2015 £'000	LLP 2016 £'000	LLP 2015 £'000
Opening fair value	-	-	455	218
Additions	-	-	-	237
Closing fair value	-	-	455	455

14. Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	LLP 2016 £'000	LLP 2015 £'000
Bank loans and overdrafts (see Note 15)	61,899	53,511	62,970	54,160
Trade creditors	33,243	34,167	22,305	26,765
Amounts owed to group undertakings	-	-	17,390	18,489
Corporation tax	190	575	-	-
Taxation and social security	11,277	8,833	4,943	4,477
Other creditors	41,613	39,111	33,677	33,614
Accruals and deferred income	20,154	19,730	8,602	8,778
	168,376	155,927	149,887	146,283

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

15. Borrowings

	Group 2016 £'000	Group 2015 £'000	LLP 2016 £'000	LLP 2015 £'000
Bank overdraft	1,898	3,510	2,969	4,159
Bank loans	60,001	50,001	60,001	50,001
	61,899	53,511	62,970	54,160
Maturity analysis				
Within one year or on demand	61,899	53,511	62,970	54,160
	61,899	53,511	62,970	54,160

Of the bank loans and overdrafts, £1,531k relates to an overdraft facility at a rate of 1.75% above base rate, £367k relates to an overdraft facility at a rate of 2.00% above base rate, £5,000k relates to a facility at a rate of 1.65% above LIBOR, £30,000k relates to a revolving loan facility expiring on 1 December 2018 at a rate of 1.95% above LIBOR, £10,000k relates to the drawn amount on a £20,000k revolving loan facility expiring on 30 April 2017 at a rate of 2.00% above LIBOR, £15,000k relates to a revolving loan facility expiring on 31 January 2017 at a rate of 1.50% above LIBOR. No security over any of the group's assets is given in relation to these loans and overdrafts.

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 *(continued)*

16. Provisions for liabilities

	2015	Charge for	Utilised in	2016
Group	£'000	the year	year	£'000
		£'000	£'000	
Property provisions	5,840	1,034	-	6,874
Provision for annuities	2,593	90	(189)	2,494
Other provisions	2,225	689	(641)	2,273
	<u>10,658</u>	<u>1,813</u>	<u>(830)</u>	<u>11,641</u>
LLP	2015	Charge for	Utilised in	2016
	£'000	the year	year	£'000
		£'000	£'000	
Property provisions	5,550	95	-	5,645
Provision for annuities	2,593	90	(189)	2,494
Other provisions	2,195	506	(641)	2,060
	<u>10,338</u>	<u>691</u>	<u>(830)</u>	<u>10,199</u>

Property provisions

This represents an estimate of the dilapidations costs in respect of requirements for the premises to be returned to their original state on conclusion of lease terms.

Annuities provision

The provision for annuities represents amounts payable to one former partner of Clyde & Co (2015: one former partner).

Other provisions

Other provisions represent an estimate of the potential cost of defending claims and, where appropriate, the estimated cost of settling claims up to the excess terms of the LLP's professional indemnity insurance.

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

17. Pensions

The group operates two final salary pension schemes, the Clyde & Co Pension Scheme and the Beaumont and Son Pension Scheme. They are administered separately and therefore information about the schemes is presented separately below. Both schemes are closed to future accrual of benefit. The combined pension asset/(liability), as shown in the financial statements, is comprised of:

	2016 £'000	2015 £'000
Net pension (liability)/asset		
Clyde & Co Pension Scheme	(3,960)	(1,440)
Beaumont and Son Pension Scheme	1,550	1,740
	<u>(2,410)</u>	<u>300</u>
Actuarial (loss)/gain		
Clyde & Co Pension Scheme	(5,340)	(2,430)
Beaumont and Son Pension Scheme	(240)	650
	<u>(5,580)</u>	<u>(1,780)</u>

Clyde & Co Pension Scheme

The group operates a funded pension Scheme providing benefits based on pensionable service and final pensionable pay. The Scheme closed to the accrual of future benefits on 5 August 2003. The assets of the Scheme are held in a Trustee administered fund, which is separate from Company assets.

The funding plan for the Scheme is to hold assets equal to the value of the benefits earned by members of the Scheme, based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against the funding plan, then the Company and Trustee agree on deficit contributions to make good the deficit over a period of time. As part of the latest triennial actuarial funding valuation, with an effective date of 5 April 2014, monthly deficit contributions of £235,000 payable from April 2014 to February 2018 (inclusive) were agreed.

The results of the formal actuarial valuation as at 5 April 2014 have been updated to the accounting date by an independent qualified actuary in accordance with FRS102, allowing for contributions, benefit payments, and changes in market conditions. The results, based on assumptions used for FRS102, are as follows.

i) Key FRS102 assumptions:

	2016	2015
Salary growth	1.6% p.a.	1.9% p.a.
Pension increases - pre 1997 service	4.0% p.a.	4.0% p.a.
Pension increases - post 1997 service	4.1% p.a.	4.1% p.a.
Discount rate	3.5% p.a.	3.7% p.a.
Retail Price inflation	2.6% p.a.	2.9% p.a.
Consumer Price inflation	1.6% p.a.	1.9% p.a.

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 28.4 years (2015: 28.3 years). Allowance is made for future improvements in life expectancy. The mortality table adopted is the S2NA table multiplied by a factor of 90% to reflect the profile of the Scheme's membership, with future improvements in line with the CMI 2013 core projections with a long-term rate of improvement of 1.25% pa for both males and females.

The expected return on assets is derived by taking a weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at the balance sheet date, as follows:

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

17. Pensions (*continued*)

ii) Asset distribution:

	2016 Fair value £'000
Equities	10,500
Diversified growth funds	20,690
Corporate bonds	6,440
Liability driven investments	7,350
Annuities	9,410
All other assets	880
	<hr/>
Fair value of assets	55,270
Present value of liabilities	(59,230)
	<hr/>
Gross pension liability	<u><u>(3,960)</u></u>

The Scheme does not invest in property used by the Group or the Group's own financial instruments.

iii) Movement in net defined benefit liability:

	2016 £'000	2015 £'000
Opening net defined benefit liability	(1,440)	(1,820)
Net finance charge – see Note 17 (iv)	-	(10)
Employer contributions	2,820	2,820
Actuarial loss	(5,340)	(2,430)
	<hr/>	<hr/>
Closing net defined benefit liability	<u><u>(3,960)</u></u>	<u><u>(1,440)</u></u>

Over the year to 30 April 2016, contributions by the Group of £2.8m (2015: £2.8m) were made to the Scheme

iv) Amount included as net finance charge:

	2016 £'000	2015 £'000
Interest expense	-	10
	<hr/>	<hr/>
Total operating charge	<u><u>-</u></u>	<u><u>10</u></u>

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

17. Pensions (*continued*)

v) Reconciliation of the present value of the defined benefit obligation:

	2016 £'000	2015 £'000
Opening defined benefit obligation	(56,310)	(49,200)
Interest on obligation	(2,040)	(2,180)
Actuarial losses	(3,070)	(6,290)
Benefits paid	2,190	1,360
Closing defined benefit obligation	<u>(59,230)</u>	<u>(56,310)</u>

vi) Reconciliation of the fair value of the scheme assets:

	2016 £'000	2015 £'000
Opening fair value of the Scheme assets	54,870	47,380
Interest on Scheme assets	2,040	2,170
Actual (loss)/return less interest on Scheme assets	(2,270)	3,860
Contributions by the employer	2,820	2,820
Benefits paid	(2,190)	(1,360)
Closing fair value of Scheme assets	<u>55,270</u>	<u>54,870</u>

The actual return on the scheme's assets over the year was a loss of £230,000 (2015: gain of £6,030,000).

Beaumont and Son Pension Scheme

The Group operates a funded pension Scheme providing benefits based on pensionable service and final pensionable pay. The Scheme closed to the accrual of future benefits on 30 June 2005. The assets of the Scheme are held in a Trustee administered fund, which is separate from Company assets.

The funding plan for the Scheme is to hold assets equal to the value of the benefits earned by members of the Scheme, based on a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against the funding plan, then the Company and Trustee agree on deficit contributions to make good the deficit over a period of time. As part of the latest triennial actuarial funding valuation, with an effective date of 31 December 2012, monthly contributions of £3,000 payable from January 2014 were agreed to cover administration expenses.

The results of the formal actuarial valuation as at 31 December 2012 have been updated to the accounting date by an independent qualified actuary in accordance with FRS102, allowing for contributions, benefit payments, and changes in market conditions. The results, based on assumptions used for FRS102, are as follows.

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

17. Pensions (*continued*)

i) Key FRS102 assumptions:

	2016	2015
Salary growth	n/a	n/a
Pension increases - pre 1997 service	2.1% p.a.	2.3% p.a.
Pension increases - post 1997 service	2.6% p.a.	2.8% p.a.
Discount rate	3.5% p.a.	3.7% p.a.
Retail Price inflation	2.6% p.a.	2.9% p.a.
Consumer Price inflation	1.6% p.a.	1.9% p.a.

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 28.4 years (2015: 28.3 years). Allowance is made for future improvements in life expectancy. The mortality table adopted is the S2NA table multiplied by a factor of 90% to reflect the profile of the Scheme's membership, with future improvements in line with the CMI 2013 core projections with a long-term rate of improvement of 1.25% pa for both males and females.

The expected return on assets is derived by taking a weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at the balance sheet date, as follows:

ii) Asset distribution:

	2016 Fair value £'000
Equities	3,580
Liability driven investments	2,770
All other assets	20
	<hr/>
Fair value of assets	6,370
Present value of liabilities	(4,820)
	<hr/>
Gross pension asset	<u>1,550</u>

The Scheme does not invest in property used by the Group or the Group's own financial instruments.

iii) Movement in net defined benefit asset:

	2016 £'000	2015 £'000
Opening net defined benefit asset	1,740	1,100
Net finance income/(charge) – see Note 17 (iv)	10	(10)
Employer contributions	40	-
Actuarial (loss)/gain	(240)	650
	<hr/>	<hr/>
Closing net defined benefit asset	<u>1,550</u>	<u>1,740</u>

Over the year to 30 April 2016, contributions by the Company of £40,000 (2015: £Nil) were made to the Scheme.

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

17. Pensions (*continued*)

iv) Amount included as net finance income/(charge):

	2016 £'000	2015 £'000
Running costs paid by the Scheme	(60)	(60)
Interest income	70	50
Net finance income/(charge)	<u>10</u>	<u>(10)</u>

v) Reconciliation of the present value of the defined benefit obligation:

	2016 £'000	2015 £'000
Opening defined benefit obligation	(4,770)	(4,440)
Interest on obligation	(170)	(200)
Actuarial gains / (losses)	30	(280)
Benefits paid	90	150
Closing defined benefit obligation	<u>(4,820)</u>	<u>(4,770)</u>

vi) Movement in fair value of Scheme assets:

	2016 £'000	2015 £'000
Opening fair value of the Scheme assets	6,510	5,540
Interest on Scheme assets	240	250
Actual (loss)/return less interest on Scheme assets	(270)	930
Running costs paid by the Scheme	(60)	(60)
Contributions by the employer	40	-
Benefits paid	(90)	(150)
Closing fair value of Scheme assets	<u>6,370</u>	<u>6,510</u>

The actual return on the scheme's assets over the year was a loss of £30,000 (2015: gain of £1,120,000).

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 (*continued*)

18. Business combinations

Acquisition of Simpson & Marwick group

On 1 October 2015 the LLP merged with Simpson & Marwick (SM), comprising Simpson & Marwick, Simpson & Marwick (Solicitors) LLP and Simpson & Marwick (Services) Ltd. The LLP acquired the assets and liabilities of SM in return for which the members of SM became Equity members of Clyde & Co LLP. The merger has been accounted for using the acquisition method of accounting.

In calculating the goodwill arising on acquisition, the fair value of net assets of £10,833,943 have been assessed and adjustments from book value have been made where necessary.

	Note	Book value £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets				
Tangible	(a) / (b)	566	(147)	419
Current assets				
Debtors	(c)	11,331	(434)	10,897
Cash at bank and in hand		2,781	-	2,781
Total current assets		14,112	(434)	13,678
Creditors				
Due within one year	(d)	(2,388)	(875)	(3,263)
Fair value of net assets		12,290	(1,456)	10,834
Goodwill				-
Total purchase consideration				10,834
Purchase consideration				10,834
Members balances granted in Clyde & Co LLP				(10,834)
Cash outflow on acquisition				-

The results of Simpson & Marwick since its acquisition are as follows:

	Current period since acquisition £'000
Turnover	18,102
Profit for the financial year before members' remuneration and profit shares	6,995

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (*continued*)

18. Business combinations (*continued*)

The adjustments arising on acquisition were in respect of the following:

- a. A decrease in the net book value of fixed assets following reassessment of accumulated depreciation in order to align the depreciation policy with that of the group.
- b. An increase in the value of fixed assets following reassessment of the provision for dilapidations.
- c. Write-down of debtors following reassessment of specific bad debt provision.
- d. An increase in the value of creditors due to:
 - i. Recognition of a liability for holiday pay;
 - ii. Recognition of a provision in order to account for lease incentives on property leases;
 - iii. An increase in the accrual for staff bonuses;
 - iv. An increase in the provision for uninsured losses; and
 - v. An increase in the provision for dilapidations (see note (b) above).

19. Contingent liabilities

In the normal course of business the group undertakes claims handling work on a delegated basis for a number of insurance company clients who seek to rely on the general exemption from value added tax (VAT) on such insurance work. The group considers that the schemes it operates or has operated are covered by the exemption, but if that interpretation of the applicable VAT rules is incorrect a liability may arise to HMRC. It is not possible to reliably quantify any such liability and, as a result, no provision has been made in the financial statements.

20. Commitments under operating lease

The group had minimum lease payments under non-cancellable operating leases as set out below:

	2016 £'000	2015 £'000
Not later than 1 year	24,246	22,664
Later than 1 year and not later than 5 years	72,620	75,045
Later than 5 years	80,794	88,121
	<u>177,660</u>	<u>185,830</u>

The LLP had no commitments under non-cancellable operating leases as at the balance sheet date.

21. Related party disclosures

Clyde & Co LLP has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions or balances with entities that are included in these consolidated financial statements.

Key management personnel include all designated members and a number of senior members and senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £12,514,981 (2015: £12,095,974).

22. Bank guarantees

At 30 April 2016 the LLP has entered into ten bank guarantee contracts in relation to rent on ten properties, for Euro 143,467, US dollars 1,873,043, US dollars 150,000, US dollars 750,000, AUD 1,109,394, AUD 447,457, AUD 260,000, AUD 711,298, AUD 374,088 and AUD 224,026. At year end exchange rates, this commitment amounts to £3,689,942 (2015: £2,931,104).

Clyde & Co LLP

Notes forming part of the financial statements for the year ended 30 April 2016 (continued)

23. First time adoption of FRS 102

Group	Note	Equity as at 1 May 2014 £'000	Profit for the year ended 30 April 2015 £'000	Other comprehensive income for the year ended 30 April 2015 £'000	Equity as at 30 April 2015 £'000
As previously stated under for UK GAAP		121,696	109,691	(337)	155,423
Transitional adjustments					
Holiday pay accrual	(a)	(3,216)	(257)	-	(3,473)
Deferred tax assets	(b)	289	(8)	-	281
Post retirement assets	(c)	1,100	(10)	650	1,740
Net finance cost on defined benefit scheme	(d)	-	(570)	570	-
As stated in accordance with FRS 102		119,869	108,846	883	153,971

Explanation of changes to previously reported profit and equity

- a. FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £3,216,000 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 30 April 2015 a charge of £257,000 was recognised in the profit and loss account and the liability at 30 April 2015 was £3,473,000.
- b. Under FRS 102 the deferred tax asset at 1 May 2014 of £289,000, arising on the holiday pay accrual, is now included within deferred tax on the balance sheet. Deferred tax of £289,000 has been recognised at 20% on the liability recognised on transition at 1 May 2014. In the year ended 30 April 2015 the company has recognised a charge of £8,000 in the profit and loss account in respect of the reduction of the holiday pay accrual and the asset at 30 April 2015 was £281,000.
- c. Under FRS 102 the Group has recognised a post retirement asset of £1,100,000 on the basis that the scheme continues and is run-off until all benefits have been paid to the last remaining member and any remaining surplus is then returned to the Company. In the year ended 30 April 2015 the company has recognised a charge of £10,000 in the profit and loss account in respect of the post retirement asset and the asset at 30 April 2015 was £1,740,000.
- d. FRS 102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported profits for the year ended 30 April 2015 because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported profit is mirrored by an increase in actuarial gains which are presented within other comprehensive income.

Clyde & Co LLP

Notes forming part of the financial statements
for the year ended 30 April 2016 *(continued)*

23. First time adoption of FRS 102 *(continued)*

LLP	Note	Equity as at 1 May 2014 £'000	Profit for the year ended 30 April 2015 £'000	Other comprehensive income for the year ended 30 April 2015 £'000	Equity as at 30 April 2015 £'000
As previously stated under for UK GAAP		90,114	65,288	3,051	112,625
Transitional adjustments					
Holiday pay accrual	(a)	(363)	4	-	(359)
As stated in accordance with FRS 102		89,751	65,292	3,051	112,266

Explanation of changes to previously reported profit and equity

- a. FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £363,000 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 30 April 2015 a credit of £4,000 was recognised in the profit and loss account and the liability at 30 April 2015 was £359,000.