

# **Norton Rose Fulbright LLP**

**Annual report and consolidated financial statements**

**for the year ended 30 April 2016**

Registered number: OC328697



# **Norton Rose Fulbright LLP**

## **Report and financial statements 2016**

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# **Norton Rose Fulbright LLP**

## **Members' report**

**For the year ended 30 April 2016**

The members present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 April 2016.

### **Firm structure**

These financial statements consolidate the financial statements of Norton Rose Fulbright LLP ("the LLP") and its subsidiary undertakings (together, "the Group") drawn up to 30 April 2016.

The Group has offices in Abu Dhabi, Almaty, Amsterdam, Athens, Bahrain, Bangkok, Beijing, Brussels, Dubai, Frankfurt, Hamburg, Hong Kong, London, Milan, Morocco, Moscow, Munich, Paris, Piraeus, Rio de Janeiro, Shanghai, Singapore, Tokyo and Warsaw.

### **Principal activity**

The principal activity is the provision of legal services.

### **Review of the business and future developments**

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

The results for the year are set out on page 6. The members regard the results and future prospects to be satisfactory.

### **Designated members**

The designated members, who served throughout the year, were:

Louise Higginbottom  
Stephen Parish  
Martin Scott  
Deirdre Walker

### **Registered Office**

3 More London Riverside  
London  
SE1 2AQ

### **Members' drawings and the subscription and repayment of members' capital**

The amount of profit to be distributed to members is determined by the LLP's Remuneration Committee after the year end.

Members draw a proportion of their profit share in 12 monthly instalments during the year in which the profit is made, with the balance of their profits, net of tax retention, paid in instalments in subsequent years. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue and Customs and tax authorities in other relevant jurisdictions on behalf of members, with any excess being released to members as appropriate.

All members are equity members and share in the profits and subscribe the entire capital of the LLP. Each member's capital subscription is linked to his or her share of profit and is repaid in full on retirement. The rate of capital subscription is determined from time to time depending upon the financing requirements of the Group.

# **Norton Rose Fulbright LLP**

## **Members' report**

For the year ended 30 April 2016

### **Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor and will be proposed for reappointment.

### **Approval**

Approved by the Management Committee and signed on its behalf by:



Martin Scott  
Managing Partner  
Norton Rose Fulbright LLP

28 July 2016

## **Norton Rose Fulbright LLP**

### **Members' responsibilities statement**

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 Financial Reporting Standard 102. Under Company law as applied to Limited Liability Partnerships, 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 LLP and of the profit or loss of the Group and LLP for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 102 has 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 LLP 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 LLP and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to Limited Liability Partnerships, and in accordance with the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued July 2014). They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

## **Independent auditor's report to the members of Norton Rose Fulbright LLP**

We have audited the financial statements of Norton Rose Fulbright LLP for the year ended 30 April 2016, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and parent partnership balance sheets, the consolidated and parent partnership statement of changes in members' interests, the consolidated cash flow statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland").

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnership 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 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 and the Limited Liability Partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Limited Liability Partnership's affairs as at 30 April 2016 and of the Group's results 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 Norton Rose Fulbright LLP (continued)**

### **Matters on which we are required to report by exception**

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

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



Peter Saunders (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

28 July 2016

## Norton Rose Fulbright LLP

### Consolidated profit and loss account

For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>			
Fee income	4	434,855	391,710
Recharges to clients		7,286	7,256
Other operating income	5	2,176	2,397
		<u>444,317</u>	<u>401,363</u>
<b>Operating costs</b>			
Staff costs	8	(197,233)	(177,562)
Administrative expenses		(121,884)	(110,997)
		<u>125,200</u>	<u>112,804</u>
<b>Operating profit</b>			
Finance costs (net)	6	(1,707)	(1,754)
		<u>123,493</u>	<u>111,050</u>
<b>Profit on ordinary activities before taxation and members' remuneration and profit shares</b>	7		
		123,493	111,050
Tax on profit on ordinary activities	9	(3,635)	(4,010)
		<u>119,858</u>	<u>107,040</u>
<b>Profit on ordinary activities before members' remuneration and profit shares</b>			
		119,858	107,040
Members remuneration charged as an expense		(2,895)	(3,059)
		<u>116,963</u>	<u>103,981</u>
<b>Profit for the year available for discretionary division among members</b>			
		<u>116,963</u>	<u>103,981</u>



# Norton Rose Fulbright LLP

## Consolidated statement of comprehensive income

For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Profit for the year available for discretionary division among members</b>		<u>116,963</u>	<u>103,981</u>
Actuarial loss on pension scheme liabilities	18	(235)	(4,409)
Actuarial gain on other retirement benefits	18	219	399
Hedges of variable interest rate risk and foreign exchange risk:			
Gains arising	19	1,400	-
Loss reclassified to profit and loss	20	284	223
Currency translation gain/(loss) on foreign currency net investments		<u>3,425</u>	<u>(1,177)</u>
<b>Other comprehensive income</b>		<u>5,093</u>	<u>(4,964)</u>
<b>Total comprehensive income available for discretionary division among members</b>		<u><u>122,056</u></u>	<u><u>99,017</u></u>

# Norton Rose Fulbright LLP

## Consolidated balance sheet

As at 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	12	28,339	31,533
Investments	13	2	2
		<u>28,341</u>	<u>31,535</u>
<b>Current assets</b>			
Debtors	14	287,230	256,303
Cash at bank and in hand		71,060	53,054
		<u>358,290</u>	<u>309,357</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(137,869)</u>	<u>(97,454)</u>
<b>Net current assets</b>		<u>220,421</u>	<u>211,903</u>
<b>Total assets less current liabilities</b>		<u>248,762</u>	<u>243,438</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(51,920)</u>	<u>(73,278)</u>
<b>Net assets before provisions for pension and other post-retirement benefits</b>		<u>196,842</u>	<u>170,160</u>
<b>Provisions for pension and other post-retirement benefits</b>	17	<u>(15,173)</u>	<u>(16,663)</u>
<b>Net assets attributable to members</b>		<u>181,669</u>	<u>153,497</u>
<b>Represented by:</b>			
Members' capital classified as a liability		75,245	70,772
Members' other interest - other reserves classified as equity		106,424	82,725
		<u>181,669</u>	<u>153,497</u>
<b>Total members' interests</b>			
Members' capital classified as a liability		75,245	70,772
Other reserves		106,424	82,725
Amounts due from members		(33,415)	(24,504)
		<u>148,254</u>	<u>128,993</u>

The financial statements of Norton Rose Fulbright LLP (registered number OC328697) were approved and authorised for issue by the Management Committee and signed on its behalf on 28 July 2016 by:



Martin Scott  
Managing Partner  
Norton Rose Fulbright LLP



Kevin Mortell  
Chief Operating Officer  
Norton Rose Fulbright LLP

# Norton Rose Fulbright LLP

## LLP balance sheet

As at 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	12	25,067	27,744
Investments	13	154	166
		<u>25,221</u>	<u>27,910</u>
<b>Current assets</b>			
Debtors	14	248,539	231,259
Cash at bank and in hand		56,317	41,098
		<u>304,856</u>	<u>272,357</u>
<b>Creditors amounts falling due within one year</b>	15	<u>(91,136)</u>	<u>(59,460)</u>
<b>Net current assets</b>		<u>213,720</u>	<u>212,897</u>
<b>Total assets less current liabilities</b>		<u>238,941</u>	<u>240,807</u>
<b>Creditors amounts falling due after more than one year</b>	15	<u>(51,920)</u>	<u>(73,276)</u>
<b>Net assets before provision for post-retirement benefits</b>		<u>187,021</u>	<u>167,531</u>
<b>Provisions for pension and other post-retirement benefits</b>	17	<u>(4,449)</u>	<u>(4,941)</u>
<b>Net assets attributable to members</b>		<u>182,572</u>	<u>162,590</u>
<b>Represented by:</b>			
Members' capital classified as a liability under FRS 25		75,245	70,772
Members' other interests – other reserves classified as equity		107,327	91,818
		<u>182,572</u>	<u>162,590</u>
<b>Total members' interests</b>			
Members' capital classified as a liability		75,245	70,772
Other reserves		107,327	91,818
Amounts due from members		(33,415)	(24,504)
		<u>149,157</u>	<u>138,086</u>

The financial statements of Norton Rose Fulbright LLP (registered number OC328697) were approved and authorised for issue by the Management Committee and signed on its behalf on 28 July 2016 by:



Martin Scott  
Managing Partner  
Norton Rose Fulbright LLP



Kevin Mortell  
Chief Operating Officer  
Norton Rose Fulbright LLP

# Norton Rose Fulbright LLP

## Consolidated statement of changes in members' interests

For the year ended 30 April 2016

	Members' capital classified as liability £'000	Other reserves £'000	Sub-total £'000	Amounts due from members £'000	Total members' interest £'000
<b>Members' interests at 30 April 2014 as previously stated</b>	71,558	85,747	157,305	(23,226)	134,079
Changes on transition to FRS 102 (see note 25)	-	(2,240)	(2,240)	-	(2,240)
<b>Members' interests at 1 May 2014 as Restated</b>	71,558	83,507	155,065	(23,226)	131,839
Profit for the financial year available for discretionary division among members	-	103,981	103,981	-	103,981
<b>Members' interests after profit for the year</b>	71,558	187,488	259,046	(23,226)	235,820
Actuarial loss on pension scheme liabilities	-	(4,409)	(4,409)	-	(4,409)
Actuarial gain on other retirement benefit	-	399	399	-	399
Hedges of variable interest rate risk and foreign exchange risk	-	223	223	-	223
Currency translation difference on foreign currency net investment	-	(1,177)	(1,177)	-	(1,177)
<b>Members' interests after total comprehensive income</b>	71,558	182,524	(4,964)	-	(4,964)
Allocated profits	-	(99,799)	(99,799)	99,799	-
Payments to and on behalf of members	-	-	-	(101,077)	(101,077)
Members' capital introduced	6,515	-	6,515	-	6,515
Members' capital repaid	(7,301)	-	(7,301)	-	(7,301)
<b>Members' interests at 30 April 2015</b>	70,772	82,725	153,497	(24,504)	128,993

## Norton Rose Fulbright LLP

### Consolidated statement of changes in members' interests (continued)

For the year ended 30 April 2016

	Members' capital classified as liability £'000	Other reserves £'000	Sub-total £'000	Amounts due from members £'000	Total members' interest £'000
<b>Members' interests at 1 May 2015</b>	70,772	82,725	153,497	(24,504)	128,993
Profit for the financial year available for discretionary division among members	-	116,963	116,963	-	116,963
<b>Members' interests after profit for the year</b>	70,772	199,688	270,460	(24,504)	245,956
Actuarial loss on pension scheme liabilities	-	(235)	(235)	-	(235)
Actuarial gain on other retirement benefits	-	219	219	-	219
Hedges of variable interest rate risk and foreign exchange risk	-	1,684	1,684	-	1,684
Currency translation difference on foreign currency net investments	-	3,425	3,425	-	3,425
<b>Members' interests after total comprehensive income</b>	70,772	204,781	275,553	(24,504)	251,049
Allocated profits	-	(98,357)	(98,357)	98,357	-
Payments to and on behalf of members	-	-	-	(107,268)	(107,268)
Members' capital introduced	11,768	-	11,768	-	11,768
Members' capital repaid	(7,295)	-	(7,295)	-	(7,295)
<b>Members' interests at 30 April 2016</b>	75,245	106,424	181,669	(33,415)	148,254

## Norton Rose Fulbright LLP

### LLP statement of changes in members' interests

For the year ended 30 April 2016

	Members' capital classified as liability £'000	Other reserves £'000	Sub-total £'000	Amounts due from members £'000	Total members' interest £'000
<b>Members' interests at 30 April 2014 as previously stated</b>	71,558	94,858	166,416	(23,226)	143,190
Changes on transition to FRS 102 (see note 25)	-	(993)	(993)	-	(993)
<b>Members' interests at 1 May 2014 as restated</b>	71,558	93,865	165,423	(23,226)	142,197
Profit for the financial year available for discretionary division among members	-	98,676	98,676	-	98,676
Members' interest after profit for the year	71,558	192,541	264,099	(23,226)	240,873
Actuarial gain on other retirement benefits	-	399	399	-	399
Hedges of variable interest rate risk and foreign exchange risk	-	223	223	-	223
Currency translation loss on foreign currency net investments	-	(1,546)	(1,546)	-	(1,546)
<b>Members' interests after total comprehensive income</b>	71,558	191,617	263,175	(23,226)	239,949
Allocated profits	-	(99,799)	(99,799)	99,799	-
Payments to and on behalf of members	-	-	-	(101,077)	(101,077)
Members' capital introduced	6,515	-	6,515	-	6,515
Members' capital repaid	(7,301)	-	(7,301)	-	(7,301)
<b>Members' interests at 30 April 2015</b>	70,772	91,818	162,590	(24,504)	138,086

## Norton Rose Fulbright LLP

### LLP statement of changes in members' interests (continued)

For the year ended 30 April 2016

	Members' capital classified as liability £'000	Other reserves £'000	Sub-total £'000	Amounts due from members £'000	Total members' interest £'000
<b>Members' interests at 1 May 2015</b>	70,772	91,818	162,590	(24,504)	138,086
Profit for the financial year available for discretionary division among members	-	107,724	107,724	-	107,724
<b>Members' interests after profit for the year</b>	70,772	199,542	270,314	(24,504)	245,810
Actuarial gain on other retirement benefits	-	219	219	-	219
Hedges of variable interest rate risk and foreign exchange risk	-	1,684	1,684	-	1,684
Currency translation loss on foreign currency net investments	-	4,239	4,239	-	4,239
<b>Members' interests after total comprehensive income</b>	70,772	205,684	276,456	(24,504)	251,952
Allocated profits	-	(98,357)	(98,357)	98,357	-
Payments to and on behalf of members	-	-	-	(107,268)	(107,268)
Members' capital introduced	11,768	-	11,768	-	11,768
Members' capital repaid	(7,295)	-	(7,295)	-	(7,295)
<b>Members' interests at 30 April 2016</b>	<u>75,245</u>	<u>107,327</u>	<u>182,572</u>	<u>(33,415)</u>	<u>149,157</u>

# Norton Rose Fulbright LLP

## Consolidated statement of cash flows

For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Net cash flows from operating activities</b>	21	130,830	106,132
<b>Cash flows from investing activities</b>			
Interest received		275	632
Acquisitions of tangible fixed assets		(7,021)	(7,239)
<b>Net cash flows from investing activities</b>		(6,746)	(6,607)
<b>Cash flows from financing activities</b>			
Interest paid		(1,238)	(1,540)
Repayments of borrowings		(1,594)	(10,545)
Repayments of obligations under finance lease		-	(164)
New bank loans raised		-	18,361
Payments to or on behalf of the members		(110,163)	(104,136)
Capital contributions by members		6,304	(4,232)
<b>Net cash flows from financing activities</b>		(106,691)	(102,256)
<b>Net decrease in cash and cash equivalents</b>		17,393	(2,731)
Cash and cash equivalents at beginning of year		53,054	56,668
Effect of exchange rate fluctuations on cash held		613	(883)
<b>Cash and cash equivalents at end of year</b>		71,060	53,054

Cash and cash equivalents is represented by cash at bank and in hand.



# **Norton Rose Fulbright LLP**

## **Notes to the financial statements**

**For the year ended 30 April 2016**

### **1. General information**

Norton Rose Fulbright LLP ("the LLP") is incorporated in England and Wales under the Limited Liability Partnership Act 2000. The nature of the Group's operations and its principal activities are set out in the members' report on pages 1 to 2.

### **2. Accounting policies**

#### **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

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

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 25.

The functional currency of Norton Rose Fulbright LLP is considered to be pounds sterling. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

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

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the LLP and its subsidiary undertakings drawn up to 30 April 2016.

#### **Going concern**

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

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold improvements	Straight-line over the period of the lease or expected period of occupancy
Furniture and fittings	Straight-line over 5 to 10 years
Information technology	Straight-line over 3 to 5 years
Motor vehicles	Straight-line over 4 years

Expenditure incurred on major information technology projects starts to be depreciated once the project is fully operational.

# **Norton Rose Fulbright LLP**

## **Notes to the financial statements (continued)**

**For the year ended 30 April 2016**

### **2. Accounting policies (continued)**

#### **Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

#### **Financial instruments**

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

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

#### **Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

# **Norton Rose Fulbright LLP**

## **Notes to the financial statements (continued)**

For the year ended 30 April 2016

### **2. Accounting policies (continued)**

#### **Derivative financial instruments**

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit and loss account immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit and loss account depends on the nature of the hedge relationship.

#### **Hedge accounting**

The Group designates certain derivatives as hedging instruments in respect of variable interest rate risk of the cash flows associated with recognised debt instruments measured at amortised cost and in respect of foreign exchange risk in firm commitments and highly probable forecast transactions.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the group assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts previously recognised in the statement of comprehensive income and accumulated in equity are reclassified to the profit and loss account in the period in which the hedged item affects the profit and loss account or when the hedging relationship ends.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to the profit and loss account when the hedged item is recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to the profit and loss account.

#### **Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account as described below.

#### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

# **Norton Rose Fulbright LLP**

## **Notes to the financial statements (continued)**

For the year ended 30 April 2016

### **2. Accounting policies (continued)**

#### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### **Taxation**

In most jurisdictions in which the Group operates, the taxation payable on the entity and branch profits in that jurisdiction is the personal liability of the members. Consequently, neither the taxation, nor related deferred taxation for those entities or branches are accounted for in the financial statements. The personal tax liabilities of members are administered by the Group. Sums set aside in respect of members' tax obligations are included in the balance sheet within loans and other debts due to members or set against amounts due from members as appropriate.

In some jurisdictions, the Group is liable for the taxation payable on the entity and branch profits in that jurisdiction. The tax expense represents the sum of the current and deferred tax relating to those entities and branches that are liable to tax on their profits. The current tax expense is based on taxable profits of those entities and branches.

#### **Fee income**

Fee income represents amounts chargeable to clients, both billed and unbilled, for the provision of legal services exclusive of recharges and sales tax.

#### **Unbilled income**

Services provided to clients during the year, which at the balance sheet date have not been billed to clients, have been recognised as unbilled income in accordance with FRS 102 section 23. Unbilled revenue recognised in this manner is based on 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.

#### **Recharges to clients**

Recharges to clients represent the recharge of recoverable expenses incurred on client matters, together with income from clients in respect of secondments.

#### **Foreign currency transactions and balances**

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. The resulting exchange differences are dealt with in the profit and loss account.

The results of international offices which have functional currencies other than Sterling have been translated at the average rate for the year. The assets and liabilities of those offices are translated at the rate ruling at the balance sheet date. The resulting exchange difference arising is recognised in the statement of comprehensive income.

## **Norton Rose Fulbright LLP**

### **Notes to the financial statements (continued)**

For the year ended 30 April 2016

#### **2. Accounting policies (continued)**

##### **Leases**

Rentals on operating leases are charged to the profit and loss account on a straight-line basis over the lease term. An operating lease is a lease in which the lessee has not taken on substantially all the risks and rewards of ownership of the leased asset.

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of the leased asset to the lessee, which is accounted for as if it were an asset of the lessee. Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### **Lease incentives**

The benefits of incentives to sign property leases, including rent-free periods, are spread on a straight-line basis over the lease term.

##### **Trade debtors**

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

##### **Trade creditors**

Trade creditors 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 the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

# **Norton Rose Fulbright LLP**

## **Notes to the financial statements (continued)**

For the year ended 30 April 2016

### **2. Accounting policies (continued)**

#### **Provisions**

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### **Employee benefits**

The defined benefit scheme is accounted for in accordance with FRS 102 section 28. The operating and financing costs of pensions are charged to the profit and loss account in the period in which they arise and are recognised within staff costs. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of comprehensive income. Pension costs are assessed in accordance with the advice of independent qualified actuaries.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group in separate trustee-administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For the defined contribution schemes, the amount charged to the Profit and Loss account in respect of pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Annuities payable to members are provided for in full as the benefit accrues. The differences arising on changes in actuarial assumptions are recognised in the statement of comprehensive income. Where necessary, annuity costs are assessed in accordance with the advice of independent qualified actuaries.

Other retirement benefits are provided in full as the benefit accrues. The differences arising on changes in actuarial assumptions are recognised in the statement of total recognised gains and losses. Other retirement benefit costs are assessed in accordance with the advice of independent qualified actuaries.

#### **Members' interests**

Members' capital is repayable on retirement of the member and is therefore classified as a liability. As members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year.

#### **Divisible profits and members' remuneration**

Interest earned on Members' balances and similar allocations are automatically allocated and are treated as Members' remuneration charged as an expense in the profit and loss account in arriving at profit available for discretionary division among members.

The remainder of profit shares, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within Members' other reserves.

# **Norton Rose Fulbright LLP**

## **Notes to the financial statements (continued)**

**For the year ended 30 April 2016**

### **3. Critical judgements in applying the Group's accounting policies**

In the application of the Group's accounting policies, which are described in note 2, the Management Committee is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### **Revenue recognition – accrued revenue**

In accordance with the Group's accounting policy for revenue recognition, the value of accrued revenue is derived on the basis of estimations and assumptions to value fairly unbilled time at the year end.

#### **Actuarial assumptions**

The pension liabilities in respect of the defined benefit scheme have been independently valued by actuaries based on information provided by the Group. The assumptions are set out in note 18 and have been determined having taken advice from the independent actuaries. The measurement of defined benefit obligations is dependent upon material key assumptions, including discount rates, life expectancy rates, future returns on assets and future contribution rates. The key assumptions are set out in note 18.

#### **Impairment of debtors**

The Group makes an estimate of the recoverable value of debtors and other debtors. When assessing impairment of debtors and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile and historic experience. See note 19 for the net carrying amount of the Group's debtors and associated impairment provision.

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 4. Turnover

The analysis of the Group's turnover by geographical market is set out below:

	2016 £'000	2015 £'000
United Kingdom	244,095	218,776
Rest of Europe	112,484	107,373
Rest of world	78,276	65,561
	<u>434,855</u>	<u>391,710</u>

### 5. Other operating income

The analysis of the Group's other operating income for the year is as follows:

	2016 £'000	2015 £'000
Catering income	536	542
Property rental and service charges	1,640	1,855
	<u>2,176</u>	<u>2,397</u>

### 6. Finance costs (net)

	2016 £'000	2015 £'000
Interest payable and similar charges on bank loans and overdrafts	1,238	1,540
Investment income	(275)	(632)
Net finance cost of pension and other retirement schemes	744	846
	<u>1,707</u>	<u>1,754</u>



# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 7. Profit on ordinary activities before taxation and members' remuneration and profit shares

Profit on ordinary activities before taxation and members' remuneration and profit shares is stated after charging:

	2016 £'000	2015 £'000
Depreciation expense	10,495	10,250
Loss on disposal of property, plant and equipment	98	117
Operating lease rentals - property	25,487	25,873
Operating lease rentals - plant and machinery	167	107

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

	2016 £'000	2015 £'000
Fees payable to the auditor and its associates for the audit of the annual accounts	102	104
Fees payable to the auditor and its associates for other services	209	186
Total audit fees	311	290
Other services pursuant to legislation	77	74
Other services related to taxation	227	218
Total non-audit fees	304	292
Fees payable to the auditor in respect of the audit of the pension scheme	15	15
Total fees payable to the LLP's auditor	630	597

### 8. Staff costs

The average yearly number of employees (excluding members) was:

	2016 No.	2015 No.
Fee earners	1,094	1,077
Business services	1,129	1,084
	2,223	2,161

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 8. Staff costs (continued)

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	177,391	159,544
Social security costs	13,807	12,534
Pension costs	6,035	5,484
	<u>197,233</u>	<u>177,562</u>

Staff numbers and costs include staff on client secondments.

### 9. Tax on profit on ordinary activities

The tax charge on the profits for the year is split between tax payable by the Group and payable by the members personally. The tax charge shown below represents the tax payable by the Group. The tax charge comprises:

	2016 £'000	2015 £'000
<b>Current taxation</b>		
Tax on profit subject to taxation.	<u>3,635</u>	<u>4,010</u>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	123,493	111,050
Amounts subject to personal taxation	(106,648)	(97,907)
<b>Profit on ordinary activities subject to taxation</b>	<u>16,845</u>	<u>13,143</u>
Tax on Group profit of ordinary activities at standard UK corporation tax rate of 20% (2015: 21%)	3,369	2,757
Effects of:		
Expense not deductible in determining taxable profit (tax loss)	229	326
Different tax rates and bases in other jurisdictions	(648)	85
Tax losses	685	584
Adjustments to tax charge in respect of previous periods	-	258
<b>Group tax charge for the year</b>	<u>3,635</u>	<u>4,010</u>

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 10. Members' remuneration and transactions

Profits are shared among the members in accordance with agreed profit sharing arrangements and include interest on members' fund.

The profit attributable after the year end to the member with the largest entitlement was £1,604,000 (2015: £1,373,000).

The average number of members during the year was 242 (2015: 236).

### 11. Profit of the Limited Liability Partnership

The Partnership has taken advantage of Section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own profit and loss account in these financial statements. Its own profit/loss for the year available for discretionary division among members was £107,724,000 (2015: £98,676,000).

### 12. Tangible assets

Group	Leasehold improvements £'000	Fixtures and fittings £'000	Information technology £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 May 2015	53,351	7,461	54,233	153	115,198
Additions	2,348	63	4,583	26	7,020
Disposals	(27)	(33)	(1,111)	(75)	(1,246)
Exchange adjustment	936	428	495	7	1,866
At 30 April 2016	56,608	7,919	58,200	111	122,838
<b>Depreciation</b>					
At 1 May 2015	33,213	5,132	45,180	140	83,665
Charge for the year	3,505	525	6,461	4	10,495
Disposals	-	(18)	(1,060)	(70)	(1,148)
Exchange adjustment	716	306	463	2	1,487
At 30 April 2016	37,434	5,945	51,044	76	94,499
<b>Net book value</b>					
At 30 April 2016	19,173	1,974	7,156	35	28,339
At 30 April 2015	20,138	2,329	9,053	13	31,533

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 12. Tangible assets (continued)

LLP	Leasehold improvements £000	Fixtures and fittings £000	Information technology £'000	Motor vehicles £000	Total £'000
<b>Cost</b>					
At 1 May 2015	43,008	3,535	48,159	68	94,770
Additions	2,144	47	4,061	-	6,252
Disposals	(27)	(5)	(695)	(75)	(802)
Exchange adjustment	444	249	282	7	982
At 30 April 2016	45,569	3,826	51,807	-	101,202
<b>Depreciation</b>					
At 1 May 2015	25,036	2,150	39,772	68	67,026
Charge for the year	2,735	276	6,148	-	9,159
Disposals	-	(4)	(659)	(70)	(733)
Exchange adjustment	268	163	249	2	682
At 30 April 2016	28,039	2,585	45,510	-	76,134
<b>Net book value</b>					
At 30 April 2016	17,530	1,241	6,297	-	25,067
At 30 April 2015	17,972	1,385	8,387	-	27,744

### 13. Fixed asset investments

	Group		LLP	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Investments in subsidiaries	-	-	152	164
Other investments	2	2	2	2
	2	2	154	166

## Norton Rose Fulbright LLP

### Notes to the financial statements (continued)

For the year ended 30 April 2016

#### 13. Fixed asset investments (continued)

The LLP's subsidiary undertakings and associates and their main activities are:

Subsidiary undertakings	Country of incorporation	Principle activity	Proportion of voting rights and shares held
Norton Rose Fulbright (Central Europe) LLP*	England and Wales	Provision of legal services and holding LLP	100%
Norton Rose Fulbright Piotr Strawa and Poland Partners Limited Partnership	Poland	Provision of legal services	100%
Norton Rose Fulbright Sp z.o.o	Poland	Service and holding company	100%
Norton Rose Fulbright (Middle East) LLP *	England and Wales	Provision of legal services and holding LLP	100%
Norton Rose Consultant Service Company – Bahrain —W.L.L	Kingdom of Bahrain	Service company	100%
Norton Rose Service Company (Dubai) Limited	Dubai	Service company	100%
Norton Rose Fulbright (Asia) LLP*	Thailand	Provision of legal services and holding LLP	100%
Norton Rose Fulbright (Thailand) Limited	Thailand	Provision of legal services and holding LLP	74%
Esor Holdings Limited**	Thailand	Holding company	49%
Norton Rose Fulbright Hong Kong	Hong Kong	Provision of legal services	100%
Norton Rose Fulbright (Services) Limited	Hong Kong	Service company	100%
Norton Rose Fulbright Services Pte Limited	Singapore	Provision of legal services and service of company	100%
Norton Rose Fulbright Studio Legale**	Italy	Provision of legal services	-
NR Property Agents Limited*	England and Wales	Provision of building services	100%
Norton Rose Fulbright Service Company *	England and Wales	Service Company	100%
Norton Rose Fulbright (Kazakhstan) Limited*	England and Wales	Provision of legal services	100%
Norton Rose Fulbright (Germany) LLP	England and Wales	Provision of legal services and holding LLP	100%
Norton Rose Fulbright Morocco SARL d'associe unique*	Morocco	Provision of legal services	100%
Norton Rose Fulbright. Sofianopoulos, Tsohou, Cheilas, Kelly, Koroxenidis, Assimakis, Liberopoulos and Partners Law Firm**	Greece	Provision of legal services	-
Norton Rose Fulbright Consultores em Direito Estrangeiro**	Brazil	Provision of legal services	-
Norton Rose Fulbright Brasil Servicos Ltda*	Brazil	Service company	100%

## Norton Rose Fulbright LLP

### Notes to the financial statements (continued)

For the year ended 30 April 2016

#### 13. Fixed asset investments (continued)

Subsidiary undertakings	Country of incorporation	Principle activity	Proportion of voting rights and shares held
Norton Rose Limited*	England and Wales	Dormant	100%
Norose Limited*	England and Wales	Dormant	100%
Norose Notices Limited*	England and Wales	Dormant	100%
Norose Services Company*	England and Wales	Dormant	100%
Norton Rose (Advisory Services) Limited*	England and Wales	Dormant	100%
Norton Rose (Consultancies) Limited*	England and Wales	Dormant	100%
Norose Company Secretarial Services Limited*	England and Wales	Dormant	100%
Norton Rose Trusts Limited*	England and Wales	Dormant	100%
Norton Rose Trusts Two Limited*	England and Wales	Dormant	100%
Kempson House Limited*	England and Wales	Dormant	100%
NR (Operations Kazakhstan) Limited	England and Wales	Dormant	100%
Norton Rose Innovation Services Limited	England and Wales	Dormant	100%
Norton Rose Fulbright Pension Trustee Limited	England and Wales	Dormant	100%
<b>Associates</b>			
Norton Rose Fulbright Development Holdings Limited*	England and Wales	Holding company	37%
Norton Rose Fulbright Development Services Limited	England and Wales	Service company	37%

\* Directly owned by Norton Rose Fulbright LLP

\*\*Consolidated as Norton Rose Fulbright LLP has the power to exercise, or actually exercises dominant influence or control over this entity.

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 14. Debtors

	Note	Group		LLP	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors		177,287	161,928	135,742	120,460
Accrued income		41,309	35,975	29,558	26,897
Amounts owed by Group undertakings		-	-	21,654	32,038
Other debtors		23,070	21,809	17,490	16,702
Amounts owed by members		33,415	24,504	33,415	24,504
Prepayments		9,309	12,087	7,840	10,658
Derivative financial instruments	20	2,840	-	2,840	-
		<u>287,230</u>	<u>256,303</u>	<u>248,539</u>	<u>231,259</u>

Included within Derivative financial instruments for the Group and the LLP is £846,000 (2015: £nil) due after more than one year.

### 15. Creditors

	Note	Group		LLP	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Creditors: amounts falling due within one year</b>					
Bank loans and overdrafts	16	22,733	1,546	22,733	1,546
Tax and social security		14,721	14,290	1,591	4,149
Trade creditors		20,775	20,809	15,518	14,658
Other creditors		56,505	42,370	33,321	27,092
Accruals and deferred income		21,858	17,958	16,696	11,534
Derivative financial instruments	20	1,277	481	1,277	481
		<u>137,869</u>	<u>97,454</u>	<u>91,136</u>	<u>59,460</u>

		Group		LLP	
	Note	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Creditors: amounts falling due after more than one year</b>					
Bank loans	16	37,744	57,539	37,744	57,539
Accruals and deferred income		14,176	15,737	14,176	15,737
		<u>51,920</u>	<u>73,276</u>	<u>51,920</u>	<u>73,276</u>

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 16. Loans and borrowings

Borrowings are repayable as follows:

Group and LLP			
	Note	2016 £'000	2015 £'000
<b>Bank loans</b>			
On demand or within one year	15	22,733	1,546
Between one and two years		1,318	1,564
Between two and five years		35,676	35,864
After five years		750	20,111
		<u>60,477</u>	<u>59,085</u>
On demand or within one year	15	22,733	1,546
Repayable after more than one year	15	37,744	57,539
		<u>60,477</u>	<u>59,085</u>

Interest on £5,750,000 (2015: £6,750,000) of the loans has been fixed at 6.07% until January 2017 by way of an interest rate swap. Interest on a loan of £924,000 (2015: £1,408,000) is fixed at 3.25% per annum. Interest on the other loans is at variable rates linked to LIBOR or EURIBOR.

Net cash/loans and borrowings are as follows:

	2015 £'000	Cash flow £'000	Non-cash movement £'000	Exchange movement £'000	2016 £'000
Cash in hand and at bank	53,054	17,393	-	613	71,060
	<u>53,054</u>	<u>17,393</u>	<u>-</u>	<u>613</u>	<u>71,060</u>
Debt due within one year	(1,546)	1,594	(22,733)	(48)	(22,733)
Debt due after one year	(57,539)	-	22,733	(2,938)	(37,744)
	<u>(59,085)</u>	<u>1,594</u>	<u>-</u>	<u>(2,986)</u>	<u>(60,477)</u>
<b>Net (loans and borrowings)/cash</b>	<u>(6,031)</u>	<u>18,987</u>	<u>-</u>	<u>(2,373)</u>	<u>10,583</u>



# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 17. Provisions

Group	Pension scheme (note 18) £000	Member and former member annuity obligation £000	Other retirement benefits £000	Total £000
At 1 May 2015	11,722	2,914	2,027	16,663
Charged to profit and loss account	1,253	307	69	1,629
Charged to other comprehensive income	235	187	(406)	16
Provisions used	(2,486)	(532)	(117)	(3,135)
At 30 April 2016	10,724	2,876	1,573	15,173

  

LLP	Pension scheme (note 18) £'000	Member and former member annuity obligation £'000	Other retirement benefits £'000	Total £'000
At 1 May 2015	-	2,914	2,027	4,941
Charged to profit and loss account	-	307	69	376
Charged to other comprehensive income	-	187	(406)	(219)
Provisions used	-	(532)	(117)	(649)
At 30 April 2016	-	2,876	1,573	4,449

The provision for the defined benefit scheme liability is discussed in greater detail in note 18.

The provision for member and former member annuity obligations represents the amounts payable to certain members and former members of the LLP. There are a number of current members who may be entitled to an annuity if they meet certain conditions when they retire. No entitlement exists until those conditions are met. Once an entitlement has been established a provision is made. The provision is used to meet those liabilities as they fall due.

The provision for other retirement benefits represents the cost of providing pensions to former employees not included in the pension scheme. It also includes the cost of providing medical benefits to certain former members and employees. There will be no new entitlements so the provision will reduce as the provision is used to meet liabilities as they fall due.

### 18. Employee benefits

#### Defined contribution schemes

The Group provides defined contribution pension benefits to eligible staff through a number of defined contribution pension schemes. The total expense charged to the profit and loss account for the year was £5,150,000 (2015: £4,754,000.)

#### Defined benefit pension scheme

The Group participates in the Norton Rose Retirement Benefits Scheme ("the Scheme") which provides its members with defined benefits related to salary and service. The Scheme's assets are held in a separate trustee-administered pension fund. The Scheme is closed to new members.

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 18. Employee benefits (continued)

The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 May 2015. The results of the latest funding valuation at 1 May 2015 have been adjusted to the balance sheet date taking account of experience over the period, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, the related current service cost and any past service costs were measured using the Projected Unit Credit Method.

The principal assumptions used by the independent qualified actuary to calculate the liabilities under are set out below:

	2016 %	2015 %
Inflation - Retail Price Index	2.90	3.20
Inflation - Consumer Price Index	1.80	2.10
Rate of general long-term increases in salaries	3.90	4.20
Pension increases (LPI 5%)	2.80	3.10
Pension increases (LPI 2.5%)	2.00	2.20
Discount rate for Scheme Liabilities	3.40	3.50

The mortality assumptions are set out below:

	2016 £'000	2015 £'000
Life expectancy for male currently aged 65	22.8	23.5
Life expectancy for female currently aged 65	24.7	25.0
Life expectancy at 65 for male currently aged 45	24.8	25.3
Life expectancy at 65 for female currently aged 45	26.6	27.0

The assumptions for 2016 are based on S2PA tables with best estimate scaling factors derived from the 2015 AHLM analysis, improvements in line with the CMI 2014 projections and a long-term rate of improvement of 1.5% a year. The assumptions for 2015 are based on S1PA tables with best estimate scaling factors derived from the 2012 AHLM analysis, improvements in line with the CMI 2011 projections and a long-term rate of improvement of 1.5% a year.

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	2016 £'000	2015 £'000
Current service cost	885	730
Administration expenses	-	6
Interest cost	368	323
Charge to the profit and loss account	<u>1,253</u>	<u>1,059</u>

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 18. Employee benefits (continued)

The amounts recognised in the other comprehensive income statement are:

	2016 £'000	2015 £'000
Asset (losses)/gains arising during the year	(5,792)	8,713
Liability gains/(losses) arising during the year	5,557	(13,122)
Total amount recognised in the other comprehensive income statement	<u>(235)</u>	<u>(4,409)</u>

The amounts recognised in the balance sheet are as follows:

	2016 £'000	2015 £'000
Fair value of scheme assets	111,360	113,828
Present value of defined benefit obligation	<u>(122,084)</u>	<u>(125,550)</u>
Net liability recognised in the balance sheet	<u>(10,724)</u>	<u>(11,722)</u>

Movements in the fair value of scheme assets were as follows:

	2016 £'000	2015 £'000
At 1 May	113,828	101,425
Return on plan assets, excluding amounts included in interest income/(expense)	3,972	4,347
Actuarial (losses)/gains	(5,792)	8,713
Employer contributions	2,486	2,469
Benefits paid	(3,134)	(3,120)
Administration costs incurred	-	(6)
At 30 April	<u>111,360</u>	<u>113,828</u>

Movements in the present value of defined benefit obligations were as follows:

	2016 £'000	2015 £'000
At 1 May	125,550	110,148
Current service cost	844	730
Past service cost	41	-
Interest cost	4,340	4,670
Actuarial (losses)/gains	(5,557)	13,122
Benefits paid	<u>(3,134)</u>	<u>(3,120)</u>
At 30 April	<u>122,084</u>	<u>125,550</u>

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 18. Employee benefits (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	Value at 30 April 2016 £'000	%	Value at 30 April 2015 £'000	%
Equities	18,060	16%	18,537	16%
Government bonds	52,183	47%	44,800	39%
Dynamic asset allocation	25,874	23%	26,651	23%
Broad bonds	19,976	18%	19,904	18%
Cash, swaps and other	(4,733)	(4%)	3,936	4%
Total market value of assets	<u>111,360</u>		<u>113,828</u>	

### 19. Financial instruments

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	Group	
	2016 £'000	2015 £'000
<b>Financial assets</b>		
Measured at undiscounted amount receivable		
• Trade and other debtors (note 14)	197,668	181,645
• Amounts owed by members (note 14)	33,415	24,504
Measured at fair value in an effective hedging relationship		
• Derivative financial instruments (note 20)	2,840	-
	<u>233,923</u>	<u>206,149</u>
	2016 £'000	2015 £'000
<b>Financial liabilities</b>		
Measured at undiscounted amount payable		
• Bank loans and overdrafts (note 15)	60,477	59,085
• Trade and other creditors (note 15)	77,262	63,179
Measured at fair value in an effective hedging relationship		
• Derivative financial instruments (note 20)	1,277	481
	<u>139,016</u>	<u>122,745</u>

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 19. Financial instruments (continued)

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income and expense</b>		
Total interest expense on bank loans and overdrafts	1,238	1,540
<b>Fair value gains and losses</b>		
On derivative financial assets designated in an effective hedging relationship (note 20)	2,480	-
On derivative financial liabilities designated in an effective hedging relationship (note 20)	(1,080)	-
	1,400	-

### 20. Derivative financial instruments

	<b>Group</b>		<b>LLP</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Derivatives that are designated and effective as hedging instruments carried at fair value</b>				
<b>Assets</b>				
Forward foreign currency contracts	2,480	-	2,480	-

	<b>Group</b>		<b>LLP</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Liabilities</b>				
Forward foreign currency contracts	1,080	-	1,080	-
Interest rate swap contracts	197	481	197	481
	1,277	481	1,277	481

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 21. Consolidated cash flow statement

Reconciliation of operating profit to cash generated by operations:

	Note	2016 £'000	2015 £'000
<b>Operating profit</b>		125,200	112,804
Adjustment to cash flow from non-cash items:			
Depreciation and amortisation	7	10,495	10,250
Loss on disposal of tangible fixed assets	7	98	117
		<hr/>	<hr/>
Operating cash flow before movement in working capital		135,793	123,171
Working capital adjustments:			
Increase in debtors		(19,536)	(22,962)
Increase in creditors		22,078	13,491
Decrease in provisions		(2,250)	(2,475)
		<hr/>	<hr/>
<b>Cash generated by operations</b>		136,085	111,225
Income taxes paid		(5,255)	(5,093)
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<u>130,830</u>	<u>106,132</u>

### 22. Related party transactions

Some members of the LLP are directors of The Norton Rose Charitable Foundation, a company limited by guarantee whose activities and net assets are not consolidated in these financial statements. In the year to 30 April 2016 the LLP donated £350,000 (2015: £350,000) to the Foundation.

Transactions between the LLP and its subsidiary undertakings, which are related parties, have been eliminated on consolidation. The LLP has taken advantage of the exemption contained in FRS 102 Related Parties and has therefore not disclosed balances with wholly-owned subsidiaries in the LLP balance sheet.

The Group provided services in the year to an Associate, Norton Rose Fulbright Development Services Limited, amounting to £1,538,000 (2015: £nil).

The total remuneration of the key management personnel, including profit attributable after the year end, was £5,945,000 (2015: £4,639,000).

### 23. Contingent liability

The LLP has guaranteed part of a bank loan to an Associate, Norton Rose Fulbright Development Services Limited. It is expected that the Associate will be able to repay the loan as it falls due. At 30 April 2016 the LLP had guaranteed £5,791,000 (2015: £nil).

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 24. Financial commitments

Capital commitments are as follows:

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

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Group</b>				
- within one year	26,557	135	25,416	145
- between one and five years	97,718	354	94,484	229
- after five years	147,252	-	162,086	50
	<u>271,527</u>	<u>389</u>	<u>281,986</u>	<u>424</u>
<b>LLP</b>				
- within one year	18,080	117	17,911	125
- between one and five years	76,538	193	73,402	198
- after five years	142,963	-	157,044	50
	<u>237,581</u>	<u>310</u>	<u>248,357</u>	<u>373</u>

### 25. Transition to FRS 102

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 April 2015 and the date of transition to FRS 102 was therefore 1 May 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. Three of these have resulted in a restatement of prior years' results.

The Group has entered into interest rate swaps. Variable interest payments have been swapped for fixed rate payments. The gains or losses on these contracts were previously taken to the Profit and Loss Account in the year that they crystallised. Under FRS 102 these contracts are marked to market. The contracts are an effective hedge. Unrealised gains or losses are therefore taken to the Consolidated Statement of Comprehensive Income. In the year that gains or losses crystallise they are taken from the Consolidated Statement of Comprehensive Income to the Profit and Loss Account.

In previous years, the Group has not had to make a provision for holiday pay that has accrued but not been taken. Under FRS 102 such a provision has to be made.

The defined benefit pension scheme financing costs under FRS102 are effectively calculated using the discount rate based on corporate bonds. In previous years, the discount rate allowed for the expected outperformance on the assets over corporate bonds. The valuation of the assets and liabilities of the scheme remains the same. Therefore there is a corresponding adjustment to in the statement of comprehensive income.

The effects of these three adjustments are shown in the tables below.

# Norton Rose Fulbright LLP

## Notes to the financial statements (continued)

For the year ended 30 April 2016

### 25. Transition to FRS 102 (continued)

#### Reconciliation of equity

	Group		LLP	
	At 1 May 2014 £'000	At 30 April 2015 £'000	At 1 May 2014 £'000	At 30 April 2015 £'000
<b>Adjustments to equity on transition to FRS 102</b>				
Equity reported under previous UK GAAP	157,305	155,828	166,416	163,398
Interest rate swaps (note 20)	(704)	(481)	(704)	(481)
Holiday pay accrual	(1,536)	(1,850)	(289)	(327)
Pension scheme	-	-	-	-
<b>Equity reported under FRS 102</b>	<u>155,065</u>	<u>153,497</u>	<u>165,423</u>	<u>162,590</u>

#### Reconciliation of profit or loss for 2015

	Group £000	LLP £000
Profit for the financial year under previous UK GAAP	105,258	98,714
Interest rate swaps (note 20)	-	-
Holiday pay accrual	(314)	(38)
Pension scheme	(963)	-
<b>Profit for the financial year under FRS 102</b>	<u>103,981</u>	<u>98,676</u>