

**Registered number: OC333653**

**Pinsent Masons LLP**

**Annual Report and Financial Statements**

**For the year ended 30 April 2016**



# **Pinsent Masons LLP**

## **Annual Report and Financial Statements For the year ended 30 April 2016**

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# **Pinsent Masons LLP**

## **Annual Report and Financial Statements For the year ended 30 April 2016**

### **Officers and Professional Advisers**

#### **Registered number**

OC333653

#### **Designated members**

John Cleland  
Richard Foley

#### **Registered office**

30 Crown Place  
London  
United Kingdom  
EC2A 4ES

#### **Bankers**

Barclays Bank plc  
1 Churchill Place  
London  
United Kingdom  
E14 5HP

Royal Bank of Scotland plc  
280 Bishopsgate  
London  
United Kingdom  
EC2M 4RB

HSBC Bank PLC  
60 Queen Victoria Street  
London  
United Kingdom  
EC4N 4TR

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

# **Pinsent Masons LLP**

## **Annual Report and Financial Statements For the year ended 30 April 2016**

### **Report to the Members**

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.

#### **Group Structure**

These financial statements consolidate the financial statements of Pinsent Masons LLP and its subsidiary undertakings (the 'Group') for the year ended 30 April 2016.

Pinsent Masons LLP (the 'LLP') is a Limited Liability Partnership registered in England and Wales with registered number OC333653. A list of members and non-members who are designated as partners is available for inspection at Crown Place, London, United Kingdom, EC2A 4ES, which is also the LLP's principal place of business and registered office.

The LLP has branches, as defined in Section 1046(3) of the Companies Act 2006, outside the UK in the United Arab Emirates, Qatar, Singapore and People's Republic of China.

The subsidiary undertakings of the Group and LLP are set out in note 13.

#### **Principal Activity**

The Group's principal activity is the provision of legal services.

#### **Review of the Business and Future Developments**

The Group strategy is to be the market leading law firm in its chosen markets and core sectors. As such, it is pursuing a clear strategic vision with a defined sector focus and an international expansion programme along with a continuous drive for innovative service delivery.

During the year the Group acquired the majority stake in Complete Electronic Risk Compliance Ltd (Cerico), the regulatory compliance solution business. The Group also continued with its international programme by expanding European operations and establishing a presence in Australia, opening offices in Sydney and Melbourne, with the Board reviewing further opportunities for international expansion.

The profit for the year, the financial position at 30 April 2016 and future prospects are considered satisfactory by members.

## **Pinsent Masons LLP**

### **Annual Report and Financial Statements For the year ended 30 April 2016**

#### **Report to the Members (continued)**

##### **Designated Members**

The designated members, who served during the year, were as follows:

John Cleland

Richard Foley

Alastair Morrison (resigned 1 July 2016)

Richard Masters (resigned 14 March 2016)

Laura Cameron (resigned 28 October 2015)

Kirkland Murdoch (resigned 1 July 2016)

Catherine Workman (resigned 1 July 2016)

Joanne Ellis (appointed 1 November 2015, resigned 1 July 2016)

Rainer Kreifels (appointed 1 November 2015, resigned 1 July 2016)

##### **Members' Drawings and Capital Policy**

The policy on members' drawings is dependent upon the working capital requirements of the Group. A conservative level of monthly drawings is set at the start of the year and further distributions are made once the results for the year can be estimated.

The level of members' capital is determined by the members from time to time. Capital is repaid to members following cessation of membership of the Group.

##### **Disabled Employees and Diversity**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. Our approach to disabled employees is part of an award winning diversity programme. This programme has promoted an inclusive culture that encourages everyone, regardless of gender, sexual orientation, (including gay, lesbian, bisexual and transgender), marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability, age or pregnancy to realise their full potential.

##### **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 and regular staff surveys. Employees took part in a number of employee satisfaction surveys, which measure engagement levels of staff. The Group also took part in the "Workplace Equality Index" compiled by the charity Stonewall and, out of over 300 companies applying, was ranked joint 5<sup>th</sup> in the UK index and was the best performing law firm.

During the year, the Group launched an "innovation hub", which sought volunteers who would generate ideas across the business to assist in achievement of the group strategy. This is now up and running, with many good ideas generated and considered.

## **Pinsent Masons LLP**

### **Annual Report and Financial Statements For the year ended 30 April 2016**

#### **Report to the Members (continued)**

##### **Charitable and Political Donations**

During the year the Group made charitable donations of £107,000 (2015: £67,585) to a number of chosen independent charities.

The Group made no donations to political parties during the year.

##### **Modern Slavery Act 2015**

The Group has a zero tolerance policy towards modern slavery and human trafficking and are committed to ensuring that there is no modern slavery or human trafficking in the supply chains or in any part of the business.

##### **Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint Deloitte LLP as the Group's auditor will be proposed at the next Board meeting.

Approved by the Board and signed on its behalf by:



John Cleland

**Managing Partner and Designated Member**  
22 September 2016

## **Pinsent Masons LLP**

### **Annual Report and Financial Statements For the year ended 30 April 2016**

#### **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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Limited Liability Partnership and of the profit or loss of the Group and Limited Liability Partnership for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership 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 Limited Liability Partnership 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 Partnership (issued July 2014). 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.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Group'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 Board on behalf of the members.

# **Independent Auditor's Report to the Members of Pinsent Masons LLP**

We have audited the financial statements of the Group for the year ended 30 April 2016 which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the LLP Balance Sheet, the Consolidated Statement of Changes in Members' Interests, the LLP Statement of Changes in Members' Interests, the Consolidated Cash Flow Statement and the related notes 1 to 22. 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 FRS 102 "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. 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Limited Liability Partnership's affairs as at 30 April 2016 and of its 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.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Report to the Members for the financial year for which the financial statements are prepared is consistent with the information in the financial statements.





## **Independent Auditor's Report to the Members of Pinsent Masons 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, 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.



Jeremy Black (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
14 October 2016

## Pinsent Masons LLP

### Consolidated Profit and Loss Account For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	3	382,834	363,633
<b>Operating costs</b>			
Staff costs	6	(166,908)	(155,486)
Depreciation and amortisation		(6,842)	(6,374)
Other operating charges		(90,506)	(88,563)
<b>Operating profit</b>		<b>118,578</b>	<b>113,210</b>
Net interest receivable /(payable)	5	165	(362)
<b>Profit on ordinary activities before taxation and members' remuneration and profit shares</b>	4, 7	<b>118,743</b>	<b>112,848</b>
Tax on profit on ordinary activities	8	(1,280)	(1,342)
<b>Profit on ordinary activities before members' remuneration and profit shares</b>		<b>117,463</b>	<b>111,506</b>
Members' remuneration charged as an expense		-	-
<b>Profit for the financial year available for discretionary division among members</b>		<b>117,463</b>	<b>111,506</b>
<b>Profit attributable to:</b>			
Members		117,511	111,506
Non-controlling interest		(48)	-

The profits for the year are all derived from continuing operations.

## **Pinsent Masons LLP**

### **Consolidated Statement of Comprehensive Income For the year ended 30 April 2016**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Profit for the financial year available for discretionary division among members</b>	<b>117,463</b>	<b>111,506</b>
Foreign exchange translation reserve	1,314	2,410
<b>Other comprehensive income</b>	<b>1,314</b>	<b>2,410</b>
<b>Total comprehensive income available for discretionary division among members</b>	<b>118,777</b>	<b>113,916</b>
<b>Comprehensive income attributable to:</b>		
Members	118,825	113,916
Non-controlling interest	(48)	-

**Pinsent Masons LLP**  
Registered Number OC333653

**Consolidated Balance Sheet**  
**As at 30 April 2016**

	<b>Note</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Fixed assets</b>			
Goodwill	11	366	-
Tangible assets	12	31,511	31,138
Investments		-	141
		<u>31,877</u>	<u>31,279</u>
<b>Current assets</b>			
Amounts due from members		40,320	39,016
Debtors	14	153,751	146,947
Cash at bank and in hand		45,656	20,036
		<u>239,727</u>	<u>205,999</u>
<b>Creditors: amounts falling due within one year</b>	15	(60,735)	(56,243)
<b>Net current assets</b>		<u>178,992</u>	<u>149,756</u>
<b>Total assets less current liabilities</b>		<u>210,869</u>	<u>181,035</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(18,657)	(19,851)
<b>Provisions for liabilities</b>	17	(7,243)	(5,767)
<b>Net assets attributable to members</b>		<u><b>184,969</b></u>	<u><b>155,417</b></u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability		50,825	46,744
Other amounts		21,883	6,679
		<u>72,708</u>	<u>53,423</u>
<b>Equity</b>			
Members' other interests		112,383	101,994
Non-controlling interest		(122)	-
		<u><b>184,969</b></u>	<u><b>155,417</b></u>
<b>Total members' interests</b>			
Amounts due from members		(40,320)	(39,016)
Loans and other debts due to members		72,708	53,423
Members' other interests		112,261	101,994
		<u><b>144,649</b></u>	<u><b>116,401</b></u>

The notes on pages 15 to 30 form part of the financial statements.

The financial statements were approved and authorised for issue on 22 September 2016.



John Cleland  
Managing Partner and Designated Member



Charlotte Beckett  
Finance Director

**Pinsent Masons LLP**  
Registered Number OC333653

**LLP Balance Sheet**  
**As at 30 April 2016**

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Goodwill	11	-	-
Tangible assets	12	26,927	27,038
Investments		-	141
		<u>26,927</u>	<u>27,179</u>
<b>Current assets</b>			
Amounts due from members		33,353	34,045
Debtors	14	150,895	138,326
Cash at bank and in hand		41,251	19,876
		<u>225,499</u>	<u>192,247</u>
<b>Creditors: amounts falling due within one year</b>	15	(57,036)	(56,213)
<b>Net current assets</b>		<u>168,463</u>	<u>136,034</u>
<b>Total assets less current liabilities</b>		<u>195,390</u>	<u>163,213</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(18,238)	(19,481)
<b>Provisions for liabilities</b>	17	(7,243)	(5,567)
<b>Net assets attributable to members</b>		<u><u>169,909</u></u>	<u><u>138,165</u></u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>			
Members' capital classified as a liability		48,740	46,234
Other amounts		15,887	497
		<u>64,627</u>	<u>46,731</u>
<b>Equity</b>			
Members' other interests		105,282	91,434
		<u><u>169,909</u></u>	<u><u>138,165</u></u>
<b>Total members' interests</b>			
Amounts due from members		(33,353)	(34,045)
Loans and other debts due to members		64,627	46,731
Members' other interests		105,282	91,434
		<u><u>136,556</u></u>	<u><u>104,120</u></u>

The notes on pages 15 to 30 form part of the financial statements.

The financial statements were approved and authorised for issue on 22 September 2016.



John Cleland  
Managing Partner and Designated Member



Charlotte Beckett  
Finance Director

# Pinsent Masons LLP

## Consolidated Statement of Changes in Members' Interests As at 30 April 2016

	Loans and other debts due to members		Members' other interests classified as equity £'000	Subtotal £'000	Amounts due from members £'000	Total £'000
	Members' capital classified as a liability £'000	Members' other amounts £'000				
<b>Members' interests at 30 April 2014</b>	<b>36,600</b>	<b>5,839</b>	<b>78,813</b>	<b>121,252</b>	<b>(38,017)</b>	<b>83,235</b>
Changes on transition to FRS 102 (see note 22)	-	-	(2,098)	(2,098)		(2,098)
<b>Members' interests at 1 May 2014</b>	<b>36,600</b>	<b>5,839</b>	<b>76,715</b>	<b>119,154</b>	<b>(38,017)</b>	<b>81,137</b>
Profit for the financial year available for discretionary division among members	-	-	112,848	112,848	-	112,848
Tax on profit	-	-	(1,342)	(1,342)	-	(1,342)
<b>Members' interests after profit for the year</b>	<b>36,600</b>	<b>5,839</b>	<b>188,221</b>	<b>230,660</b>	<b>(38,017)</b>	<b>192,643</b>
Allocation of profits	-	50,620	(88,637)	(38,017)	38,017	-
Members' capital introduced	12,320	-	-	12,320	-	12,320
Members' capital repaid	(2,207)	-	-	(2,207)	-	(2,207)
Payments made to and on behalf of members	-	(49,767)	-	(49,767)	(39,016)	(88,783)
Capitalisation of current accounts	25	(25)	-	-	-	-
Foreign exchange movements	-	-	2,410	2,410	-	2,410
Other movements	6	12	-	18	-	18
<b>At 30 April 2015</b>	<b>46,744</b>	<b>6,679</b>	<b>101,994</b>	<b>155,417</b>	<b>(39,016)</b>	<b>116,401</b>
Profit for the financial year available for discretionary division among members	-	-	118,743	118,743	-	118,743
Tax on profit	-	-	(1,280)	(1,280)	-	(1,280)
<b>Members' interests after profit for the year</b>	<b>46,744</b>	<b>6,679</b>	<b>219,457</b>	<b>272,880</b>	<b>(39,016)</b>	<b>233,864</b>
Allocation of profits	-	69,893	(108,909)	(39,016)	39,016	-
Members' capital introduced	8,111	-	-	8,111	-	8,111
Members' capital repaid	(4,030)	-	-	(4,030)	-	(4,030)
Payments made to and on behalf of members	-	(54,689)	-	(54,689)	(40,320)	(95,009)
Foreign exchange movements	-	-	1,314	1,314	-	1,314
Other movements	-	-	399	399	-	399
<b>At 30 April 2016</b>	<b>50,825</b>	<b>21,883</b>	<b>112,261</b>	<b>184,969</b>	<b>(40,320)</b>	<b>144,649</b>

# Pinsent Masons LLP

## LLP Statement of Changes in Members' Interests As at 30 April 2016

	Loans and other debts due to members					
	Members' capital classified as a liability £'000	Members' other amounts £'000	Members' other interests classified as equity £'000	Subtotal £'000	Amounts due from members £'000	Total £'000
<b>Members' interests at 30 April 2014</b>	<b>36,516</b>	<b>1,432</b>	<b>72,726</b>	<b>110,674</b>	<b>(35,863)</b>	<b>74,811</b>
Changes on transition to FRS 102 (see note 22)	-	-	(1,908)	(1,908)	-	(1,908)
<b>Members' interests at 1 May 2014</b>	<b>36,516</b>	<b>1,432</b>	<b>70,818</b>	<b>108,766</b>	<b>(35,863)</b>	<b>72,903</b>
Profit for the financial year available for discretionary division among members	-	-	102,021	102,021	-	102,021
<b>Members' interests after profit for the year</b>	<b>36,516</b>	<b>1,432</b>	<b>172,839</b>	<b>210,787</b>	<b>(35,863)</b>	<b>174,924</b>
Allocation of profits	-	45,961	(81,824)	(35,863)	35,863	-
Members' capital introduced	11,900	-	-	11,900	-	11,900
Members' capital repaid	(2,207)	-	-	(2,207)	-	(2,207)
Payments made to and on behalf of members	-	(48,996)	-	(48,996)	(34,045)	(83,041)
Capitalisation of current accounts	25	(25)	-	-	-	-
Foreign exchange movements	-	-	419	419	-	419
Other movements	-	2,125	-	2,125	-	2,125
<b>At 30 April 2015</b>	<b>46,234</b>	<b>497</b>	<b>91,434</b>	<b>138,165</b>	<b>(34,045)</b>	<b>104,120</b>
Profit for the financial year available for discretionary division among members	-	-	113,111	113,111	-	113,111
<b>Members' interests after profit for the year</b>	<b>46,234</b>	<b>497</b>	<b>204,545</b>	<b>251,276</b>	<b>(34,045)</b>	<b>217,231</b>
Allocation of profits	-	65,569	(99,614)	(34,045)	34,045	-
Members' capital introduced	6,359	-	-	6,359	-	6,359
Members' capital repaid	(3,853)	-	-	(3,853)	-	(3,853)
Payments made to and on behalf of members	-	(50,179)	-	(50,179)	(33,353)	(83,532)
Foreign exchange movements	-	-	351	351	-	351
<b>At 30 April 2016</b>	<b>48,740</b>	<b>15,887</b>	<b>105,282</b>	<b>169,909</b>	<b>(33,353)</b>	<b>136,556</b>



## Pinsent Masons LLP

### Consolidated Cash Flow Statement For the year ended 30 April 2016

	Note	2016 £'000	2015 £'000
<b>Net cash flows from operating activities</b>	18	123,844	117,057
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(6,969)	(2,943)
Proceeds from sale of tangible fixed assets		-	(196)
Purchase of trade investment		-	(141)
Purchase of shares in subsidiary		(550)	-
<b>Net cash flows from investing activities</b>		<u>(7,519)</u>	<u>(3,280)</u>
<b>Cash flows from financing activities</b>			
Interest paid		(190)	(422)
Bank interest received, net of interest paid to clients		413	110
Fixed capital introduced		8,111	12,320
Fixed capital repaid		(4,030)	(2,207)
Lease finance		-	(469)
Distributions to members and former members		(60,309)	(51,772)
Taxation paid on behalf of members		(34,700)	(37,011)
<b>Net cash flows from financing activities</b>		<u>(90,705)</u>	<u>(79,451)</u>
<b>Net increase in cash and cash equivalents</b>		<u>25,620</u>	<u>34,326</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>20,036</u>	<u>(14,290)</u>
<b>Cash and cash equivalents at end of year</b>		<u><b>45,656</b></u>	<u><b>20,036</b></u>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		45,656	20,036
Cash equivalents		-	-
<b>Cash and cash equivalents</b>		<u><b>45,656</b></u>	<u><b>20,036</b></u>

# **Pinsent Masons LLP**

## **Notes to the Financial Statements For the year ended 30 April 2016**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### **General information and basis of accounting**

Pinsent Masons LLP (the 'LLP') is incorporated in the United Kingdom and the address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Report to the Members on pages 2 to 4.

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 (SORP), *Accounting by Limited Liability Partnerships* issued July 2014.

The prior year financial statements were restated for material adjustments following the first time adoption of FRS 102 in the current year. For further information see note 22.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are also presented in pounds sterling and foreign operations are consolidated into the Group results in accordance with the policies set out below.

The 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 financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

No individual profit and loss account is included for the LLP, as permitted by Section 408 of the Companies Act 2006 as applied to Limited Liability Partnerships. For further information see note 9.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the LLP and its subsidiary undertakings up to 30 April each year with the exception of Complete Electronic Risk Compliance Ltd, with accounts drawn up to 31 March each year. The Group does not consider any significant transactions or events occurred between the date of those financial statements and the date of the consolidated Group financial statements.

A list of the subsidiary undertakings which are consolidated in these financial statements is given in note 13.

#### **Going concern**

In common with other businesses the current economic conditions mean that demand for the Group services could be impacted in the short term. In addition, liquidity pressure on both clients and suppliers could also have an adverse impact on the Group. However, the Group has considerable financial resources together with a diverse range of clients and suppliers across different geographic locations and sectors. The Group also has considerable discretion over the timing of any cash distributions to its members.

Notwithstanding the current economic conditions and potential uncertainty over the level and timing of future revenues, having considered the Group's forecasts and projections and the level of committed facilities available, the members are satisfied that the Group has adequate resources to continue in operational existence for a period of not less than twelve months from the date the financial statements were signed by the Board. For this reason the members continue to adopt the going concern basis in preparing the financial statements.

# **Pinsent Masons LLP**

## **Notes to the Financial Statements (continued) For the year ended 30 April 2016**

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

#### **Fee income and revenue recognition**

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

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income in accordance with section 23 of Financial Reporting Standard 102. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the Group.

Unbilled fee income is included as amounts recoverable on contracts within debtors. Amounts recoverable on contracts are stated at fair value where the right to consideration has been obtained.

Where the substance of a contract is such that a right to consideration does not arise until the occurrence of a critical event, the asset and revenue are valued at £nil.

#### **Business combinations and goodwill**

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such assets, the difference is treated as goodwill and capitalised in the consolidated balance sheet in the year of acquisition.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 3 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account. Reversals of impairment are recognised when the reasons for impairment no longer apply.

The results and cash flows relating to the acquired business are included in the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement from the date of acquisition.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

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

Leasehold property improvements	-	evenly over the estimated useful life (currently between 5 and 20 years)
Furniture and equipment	-	15%-33% per annum straight-line
Computer installation and software licences	-	33% per annum straight-line
Motor vehicles	-	reducing balance

No depreciation is charged on assets under construction.

#### **Investments**

Investments are stated at cost less provision for impairment.

# **Pinsent Masons LLP**

## **Notes to the Financial Statements (continued) For the year ended 30 April 2016**

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

#### **Taxation**

The tax payable on the profits of Limited Liability Partnerships is usually the personal liability of the members, although payment of such liabilities is administrated by the LLP for UK members.

The tax expense represents the sum of current and deferred tax relating to corporate subsidiaries. The current tax expense in the Consolidated Profit and Loss Account is based on the taxable profits of these companies.

Deferred tax relating to corporate subsidiaries is recognised on all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the taxable profit and the results stated in the financial statements that arise from the inclusion of gains and losses in tax assessment periods that are different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits.

#### **Foreign currencies**

Transactions denominated in currencies other than the reporting currency are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities not denominated in the reporting currency at the balance sheet date are translated at the rates ruling at that date. Differences arising on translation of the opening net assets and results of operations where the functional currency is not sterling are reported in reserves and the Consolidated Statement of Comprehensive Income.

#### **Leases**

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains an operating or finance lease based on the substance of the arrangement. Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 May 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

#### **Provisions**

Provision is made for the best estimate of expected losses from onerous contracts; in particular, in respect of surplus property. This is calculated as the present value of future lease payments for surplus property after allowance for anticipated income from subtenants.

Provision is made for dilapidations in respect of property leases which contain requirements for the premises to be returned to their original state prior to the conclusion of the lease term.

The provision for claims represents the estimated cost to the Group of defending and settling claims where a liability is considered by the members to be probable, after allowing for expected recoveries under insurance policies.

The value of the provision for former member and employee annuities is based on the best estimate of the current value of future cash flows.

Longer term provisions are shown at the present value of the expected liability. The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate is charged to the profit and loss account.

# **Pinsent Masons LLP**

## **Notes to the Financial Statements (continued) For the year ended 30 April 2016**

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

#### **Pension costs**

The Group operates a number of Group Personal Pension Plans which are defined contribution schemes. The assets of these are held separately from those of the Group. The amount charged to the profit and loss account represents the contributions payable to the Personal Pension Plans in respect of the accounting year.

### **2. Critical accounting judgements and estimates**

In the application of the Group's accounting policies, which are described in note 1, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. 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.

These 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 period or in the period of the revision and future periods if the revision affects both current and future periods.

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

The key estimates and assumptions relate to property provisioning, amounts recoverable on contracts and trade receivable valuations. Further details are set out in each of the relevant accounting policies and the notes to the financial statements. Management continue to review the assumptions used against actual experience and market data and make adjustments in future periods where appropriate.

### **3. Turnover**

The Group's turnover derives from the provision of legal services.

No segmental or geographical analysis has been shown. The Board considers that such a disclosure would be prejudicial to the interests of the business.

# Pinsent Masons LLP

## Notes to the Financial Statements (continued) For the year ended 30 April 2016

### 4. 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/ (crediting):

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets (note 12)	6,658	6,273
Amortisation of intangible assets (note 11)	184	101
Loss on disposal of fixed assets	49	196
Operating lease rental costs for the year:		
Land and buildings	20,488	19,924
Furniture and equipment	175	182
Loss/(gain) on foreign exchange	226	(52)

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

	2016 £'000	2015 £'000
<b>Fees payable to the Group's auditor for the audit of the Limited Liability Partnerships annual financial statements</b>	67	66
<b>Fees payable to the Group's auditor and its associates for other services to the Group</b>		
The audit of the Group's subsidiary entities	69	56
<b>Total audit fees</b>	136	122
Taxation compliance services	240	481
Other services	56	55
<b>Total non-audit fees</b>	296	536
<b>Total auditor's remuneration</b>	432	658

### 5. Net interest receivable/ (payable)

	2016 £'000	2015 £'000
Interest payable and similar charges	(190)	(422)
Interest receivable, net of interest paid to clients	413	110
Interest to former partners	(24)	(1)
Interest cost on post-retirement annuities	(34)	(49)
	165	(362)

# Pinsent Masons LLP

## Notes to the Financial Statements (continued) For the year ended 30 April 2016

### 6. Staff numbers and costs

Aggregate staff costs comprised:

	2016 £'000	2015 £'000
Basic salaries	146,511	135,488
Social security costs	12,200	12,099
Other pension costs	4,926	4,435
Other costs	3,271	3,464
	<u>166,908</u>	<u>155,486</u>

The average monthly number of employees (including members) was:

	2016 Number	2015 Number
Fee earners	1,357	1,310
Support staff:		
Secretarial support	358	353
Business support	672	632
	<u>2,387</u>	<u>2,295</u>

Average member numbers during the year:

Equity	148	141
Non-equity	201	190
	<u>349</u>	<u>331</u>

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

Profits are shared among the members each year in accordance with agreed profit sharing arrangements and include interest on members' funds. Members make their own provision for pensions from their profit shares.

	2016 Number	2015 Number
Average number of members (note 6)	349	331

At 30 April 2016 there were 340 members (2015: 323 members). The highest remuneration of a member for the year, which was allocated since the year end, was £810,490 (2015: £856,293).

Key management compensation in the year totalled £5,138,192 (2015: £5,003,960).

# Pinsent Masons LLP

## Notes to the Financial Statements (continued) For the year ended 30 April 2016

### 8. Taxation on profit on ordinary activities

Taxation arises within the subsidiary undertakings of the Group and represents:

	2016 £'000	2015 £'000
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax charge for the year	1,288	1,411
UK corporation tax prior year adjustment	(13)	(18)
<b>Total current tax</b>	<u>1,275</u>	<u>1,393</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(12)	(51)
Adjustments in respect of prior years	17	-
<b>Total deferred tax</b>	<u>5</u>	<u>(51)</u>
<b>Total tax on profit on ordinary activities</b>	<u>1,280</u>	<u>1,342</u>

In most locations, including the UK, income tax payable on the allocation of profit to its members is the personal liability of the members and hence is not shown in these financial statements.

The amount of tax payable that is a personal liability of the members is not shown in these financial statements whereas the amount that is a corporate liability of the Group is shown.

During the year the net reversal of deferred tax assets and liabilities is expected to increase the corporation tax charge for the year by £5,000 (2015: £51,000 decrease). Deferred tax assets have been recognised on the basis that management are of the opinion that suitable taxable profits against which deferred tax assets will reverse are reliably forecast.

The standard rate of corporation tax applied to profit on ordinary activities is 20% (2015: 20.9%). The applicable tax rate changed to 20% from 1 April 2015. The Finance (No.2) Act 2015 enacted further reductions resulting in a main rate of corporation tax of 19% for financial years 2017 to 2019 and a rate of 18% with effect from 1 April 2020. A further reduction to 17% has been proposed in Finance Bill 2016.

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	118,743	112,848
Less: Amounts subject to personal tax	(112,361)	(106,411)
Profits subject to corporate tax charge	<u>6,382</u>	<u>6,437</u>

### Reconciliation of total tax charge

Tax at UK standard corporation rate of 20% (2015: 20.9%)	1,276	1,346
Impact of difference in tax rates	-	2
Prior year adjustments	4	(6)
<b>Total tax charge</b>	<u>1,280</u>	<u>1,342</u>



## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 9. Profit of the LLP

The LLP 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 for the year available for discretionary division among members was £113,111,000 (2015: £102,021,000).

#### 10. Acquisition of subsidiary undertaking

Complete Electronic Risk Compliance Ltd (Cerico) was a joint venture of the Group as at 30 April 2015. The primary activity of Cerico is the provision of regulatory compliance solutions.

On 10 July 2015 the Group acquired an additional 10% of the issued share capital of Cerico, which comprised of an additional 25 ordinary shares, bringing the total holding to 60% for consideration of £500,000.

Following the acquisition above, in February 2016 the Group acquired an additional 3.8 per cent of the issued share capital of Cerico. As control had already been achieved, no revision has been made to goodwill following increase in ownership.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £'000	Fair value to Group £'000
<b>Fixed assets</b>		
Intangible	-	-
Tangible	-	-
<b>Current assets</b>		
Prepayments		
Debtors	91	91
Cash	87	87
Taxation	3	3
<b>Total assets</b>	<b>181</b>	<b>181</b>
<b>Creditors</b>		
Bank loans	-	-
Non-bank loans	(152)	(152)
Trade creditors	(99)	(99)
Accruals	(13)	(13)
<b>Total liabilities</b>	<b>(264)</b>	<b>(264)</b>
<b>Net liabilities</b>	<b>(83)</b>	<b>(83)</b>
Non-controlling interest		33
Goodwill		550
<b>Consideration</b>		<b>500</b>

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 10. Acquisition of subsidiary undertaking (continued)

There were no amendments made to the book value of the acquired assets on acquisition.

In the year turnover of £643,000 and loss of £134,000 was included in the Consolidated Profit and Loss account in respect of Cerico.

#### 11. Intangible fixed assets

<b>Group</b>	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 May 2015	637
Additions	550
	<hr/>
At 30 April 2016	1,187
	<hr/>
<b>Accumulated amortisation</b>	
At 1 May 2015	(637)
Charge for the year	(184)
	<hr/>
At 30 April 2016	(821)
	<hr/>
<b>Net book value</b>	
At 30 April 2016	366
	<hr/>
At 30 April 2015	-
	<hr/>

Additions relates to the acquisition of Complete Electronic Risk Compliance Ltd, details of which can be found in note 10.

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 12. Tangible fixed assets

The Group	Leasehold property improvements £'000	Furniture and equipment £'000	Computer installation £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 May 2015	54,618	4,463	7,549	34	66,664
Additions	3,336	1,278	2,355	-	6,969
Disposals	(2,081)	(220)	(170)	-	(2,471)
Exchange adjustment	221	40	83	(1)	343
At 30 April 2016	56,094	5,561	9,817	33	71,505
<b>Depreciation</b>					
At 1 May 2015	28,157	1,662	5,687	20	35,526
Charge for the year	4,221	516	1,916	5	6,658
Disposals	(2,048)	(214)	(160)	-	(2,422)
Exchange adjustment	263	316	(347)	-	232
At 30 April 2016	30,593	2,280	7,096	25	39,994
<b>Net book value</b>					
At 30 April 2016	25,501	3,281	2,721	8	31,511
At 30 April 2015	26,461	2,801	1,862	14	31,138
<b>LLP</b>					
	Leasehold property improvements £'000	Furniture and equipment £'000	Computer installation £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 May 2015	49,719	4,051	7,250	34	61,054
Intergroup transfers	105	(173)	25	-	(43)
Additions	2,475	1,097	1,872	-	5,444
Disposals	(1,962)	(214)	(156)	-	(2,332)
Exchange adjustment	116	39	38	(1)	192
At 30 April 2016	50,453	4,800	9,029	33	64,315
<b>Depreciation</b>					
At 1 May 2015	27,224	1,636	5,136	20	34,016
Intergroup transfers	11	(95)	84	-	0
Charge for the year	3,353	406	1,790	5	5,554
Disposals	(1,962)	(214)	(156)	-	(2,332)
Exchange adjustment	104	154	(108)	-	150
At 30 April 2016	28,730	1,887	6,746	25	37,388
<b>Net book value</b>					
At 30 April 2016	21,723	2,913	2,283	8	26,927
At 30 April 2015	22,495	2,415	2,114	14	27,038

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 13. Investments

The subsidiary undertakings within the Group at 30 April 2016 are as follows:

##### Subsidiary partnerships

	Country of incorporation or business address	Principal activity
Pinsent Masons Germany LLP	England & Wales	Legal services
Pinsent Masons France LLP	England & Wales	Legal services
Pinsent Masons International LLP	England & Wales	Dormant
Pinsent Masons Pacific LLP	England & Wales	Dormant
Pinsent Masons Australia	Australia	Legal services
Pinsent Masons Foreign Attorney	Turkey	Dormant
Pinsent Masons Belfast LLP	Northern Ireland	Legal services
McGrigors LLP	Scotland	Dormant
Pinsent Masons Hong Kong	Hong Kong	Legal services
Pinsent Masons MPillay LLP	Singapore	Legal services

The above subsidiary partnerships are wholly owned by Pinsent Masons LLP, members of the LLP, or those of equivalent status.

##### Subsidiary companies

	Country of incorporation or business address	Principal activity	Holding	% Interest
Pinsent Masons Services Ltd	England & Wales	Management services	100 Ordinary Shares	100
Trustee Solutions Ltd	England & Wales	Pension trustee	4 Ordinary Shares	100
Alpha & Omega Trust Ltd	England & Wales	Dormant	100 Ordinary Shares	100
Aylesbury Street Services Ltd	England & Wales	Dormant	100 Ordinary Share	100
Innstep (Nominees) Ltd	England & Wales	Dormant	2 Ordinary Shares	100
Hedgehog (1) Ltd	England & Wales	Management Services	1 Ordinary Share	100
Masons Ltd	England & Wales	Dormant	2 Ordinary Shares	100
McGrigors Ltd	England & Wales	Dormant	2 Ordinary Shares	100
Park Square (Leeds) Nominees Ltd	England & Wales	Dormant	60 Ordinary Shares	100
Pinsent Masons Secretarial Ltd	England & Wales	Dormant	3 Ordinary Shares	100
Pinsent Masons Director Ltd	England & Wales	Dormant	3 Ordinary Shares	100
Pinsents.com Ltd	England & Wales	Dormant	1 Ordinary Share	100
Pinsentmasons.com Ltd	England & Wales	Dormant	1 Ordinary Share	100
Pinsents Ltd	England & Wales	Dormant	1 Ordinary Share	100
Pinsent Masons Office Management and Services Ltd	Turkey	Management services	100 Ordinary Shares	100

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 13. Investments (continued)

	Country of incorporation or business address	Principal activity	Holding	% Interest
Pinsent Masons Australia Services Pty Ltd	Australia	Management services	10 Ordinary Shares	100
Pinsent Masons Belfast Nominees Ltd	Northern Ireland	Dormant	2 Ordinary Shares	100
Pinsent Masons Belfast Secretarial Ltd	Northern Ireland	Dormant	2 Ordinary Shares	100
McGrigors Pension Trustees Ltd	Scotland	Pension trustee	2 Ordinary Shares	100
Caledonian Pacific Trustees Ltd	Scotland	Dormant	2 Ordinary Shares	100
McGrigor Donald Property Trustees Ltd	Scotland	Dormant	Limited by Guarantee	100
MD Directors Ltd	Scotland	Dormant	2 Ordinary Shares	100
MD Secretaries Ltd	Scotland	Dormant	2 Ordinary Shares	100
MGD Property Company Ltd	Scotland	Dormant	Limited by Guarantee	100
Pinsent Masons Secretaries (Edinburgh) Ltd	Scotland	Dormant	2 Ordinary Shares	100
Complete Electronic Risk Compliance Ltd	Scotland	Business services	88,091 A Ordinary shares	63.8*
Pinsent Masons Management Ltd	Hong Kong	Management services	2 Ordinary Shares	100
Grace Sun Ltd	Hong Kong	Management services	1 Share	100
Grace Step Ltd	Hong Kong	Management services	1 Share	100
Caxton Secretaries Ltd	Hong Kong	Management services	2 Shares	100
Chinalane Ltd	Hong Kong	Dormant	2 Shares	100
Chinawood Ltd	Hong Kong	Dormant	2 Shares	100
Fleet Ltd	Hong Kong	Dormant	2 Shares	100
Tarrimott Ltd	Hong Kong	Dormant	2 Shares	100
Pinsent Masons Nominee Company (Falklands) Ltd	Falkland Islands	Dormant	1 Ordinary Share	100

\*63.8% ownership in Complete Electronic Risk Compliance Ltd is achieved through shares held by both Pinsent Masons Services Ltd and Pinsent Masons LLP.

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 14. Debtors

	Group		LLP	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	106,905	103,304	96,084	94,449
Amounts recoverable on contracts	25,686	25,538	22,590	23,044
Amounts due from group undertakings	-	-	14,101	5,486
Deferred tax asset	88	93	-	-
Prepayments and accrued income	21,072	18,012	18,120	15,347
	<u>153,751</u>	<u>146,947</u>	<u>150,895</u>	<u>138,326</u>

Amounts owed from group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

#### 15. Creditors: amounts falling due within one year

	Group		LLP	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Lease purchase creditor	-	469	-	469
Trade creditors	21,055	20,573	19,931	19,043
Amounts due to group undertakings	-	-	9,908	13,726
Other creditors inc. taxation and social security	12,439	12,141	7,461	7,652
Accruals and deferred income	27,241	23,060	19,736	15,323
	<u>60,735</u>	<u>56,243</u>	<u>57,036</u>	<u>56,213</u>

A five year lease purchase agreement was entered into on 31 March 2011 with an interest rate of 4.8% pa. The arrangement came to an end during the year ending 30 April 2016.

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

#### 16. Creditors: amounts falling due after more than one year

	Group		LLP	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Operating lease incentive creditor	18,581	19,851	18,238	19,481
Other creditors	76	-	-	-
	<u>18,657</u>	<u>19,851</u>	<u>18,238</u>	<u>19,481</u>

In connection with the LLP's relocation to new London premises, certain cash financial incentives were received. In accordance with generally accepted accounting practice these incentives will be recognised over the life of the new lease. Therefore a creditor of £18,238,000 (2015: £19,481,000) has been recognised. This balance will be released to the profit and loss account over the life of the new lease reducing the annual rent and other property costs charged.

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 17. Provisions for liabilities

Group	1 May 2015 £'000	Charge for the year £'000	Released/ Utilised in year £'000	30 April 2016 £'000
Professional indemnity claims	1,540	2,598	(945)	3,193
Property provisions	3,102	631	(634)	3,099
Former member and employee annuities	1,125	-	(174)	951
	<u>5,767</u>	<u>3,229</u>	<u>(1,753)</u>	<u>7,243</u>

  

LLP	1 May 2015 £'000	Charge for the year £'000	Released/ Utilised in year £'000	30 April 2016 £'000
Professional indemnity claims	1,540	2,598	(945)	3,193
Property provisions	2,902	631	(434)	3,099
Former member and employee annuities	1,125	-	(174)	951
	<u>5,567</u>	<u>3,229</u>	<u>(1,553)</u>	<u>7,243</u>

The provision for professional indemnity claims represents the estimated cost to the Group of defending and settling claims where a liability is considered by the members to be probable, after allowing for recoveries under insurance policies. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Property provisions represent expected losses from onerous contracts in respect of surplus property. This is calculated as the present value of future lease payments for surplus property after allowance for anticipated income from subtenants. It is expected that the majority of this expenditure will be incurred within three years of the balance sheet date. The provision also includes allowances for dilapidation costs.

The provision for former member and employee annuities represents the cost of providing annuities to certain former members and employees. The principal actuarial assumptions used, after the application of mortality rates, in assessing the provision are:

	30 April 2016	30 April 2015
Discount rate	3.3%	3.3%
Pension increases	3.2%	3.4%
Post retirement mortality	S1PA Tables CMI_2015 1% projections	S1PA Tables CMI_2013 1% projections

The discount rate of 3.3% (2015: 3.3%) is based on the yield available on AA corporate bonds.

## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 18. Reconciliation of operating profit to net cash flows from operating activities

	2016 £'000	2015 £'000
Operating profit	118,578	113,210
Depreciation and amortisation	6,842	6,374
Increase in debtors	(6,804)	(12,103)
Increase in creditors	3,298	10,445
Increase / (decrease) in provisions and other balances	1,930	(869)
Net cash inflows from operating activities	<u>123,844</u>	<u>117,057</u>

#### 19. Financial commitments

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

	2016		2015	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
<b>Group</b>				
- within one year	28,278	-	24,006	-
- between one and five years	85,280	-	68,539	-
- after five years	138,864	-	113,496	-
	<u>252,422</u>	<u>-</u>	<u>206,041</u>	<u>-</u>
<b>LLP</b>				
- within one year	24,066	-	20,964	-
- between one and five years	73,797	-	63,328	-
- after five years	133,115	-	109,645	-
	<u>230,978</u>	<u>-</u>	<u>193,937</u>	<u>-</u>

As a consequence of adopting FRS 102 financial commitments reflect the cumulative value of future minimum commitments, rather than twelve month commitments under the previous United Kingdom Generally Accepted Accounting Practice.

#### 20. Contingent liabilities

In the normal course of business, the Group may receive claims for alleged negligence. The Group maintains an appropriate level of professional indemnity insurance cover which is reviewed annually. Where appropriate, provision is made for the costs arising from such claims net of the related insurance receivable. Claims notified are not expected to give rise to any material unprovided liability.

#### 21. Controlling party

The LLP is controlled by its members and as such there is no one controlling party.



## Pinsent Masons LLP

### Notes to the Financial Statements (continued) For the year ended 30 April 2016

#### 22. Explanation of transition to FRS 102

This is the first year that the Group and LLP have presented their 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 prior year financial statements for the year ended 30 April 2015 were prepared under previous United Kingdom Generally Accepted Accounting Practice (GAAP), with the date of transition to FRS 102 1 May 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with the new standard.

Management have reviewed the Group's accounting policies under FRS102 and consider that the only adjustment necessary relates to the requirement for unused holiday to be accrued for in the accounts:

#### 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
Equity reported under previous UK GAAP	121,252	155,417	110,674	138,165
<b>Adjustments to equity on transition to FRS 102</b>				
Holiday pay accrual	(2,098)	-	(1,908)	-
<b>Equity reported under FRS 102</b>	<u>119,154</u>	<u>155,417</u>	<u>108,766</u>	<u>138,165</u>

#### Reconciliation of profit for the year ended 30 April 2015

	Group £'000	LLP £'000
Profit for the financial year under previous UK GAAP	109,408	100,113
<b>Adjustments to profit on transition to FRS 102</b>		
Holiday pay accrual	2,098	1,908
<b>Profit for the financial year under FRS 102</b>	<u>111,506</u>	<u>102,021</u>

#### Holiday pay accrual

FRS102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. Previously a holiday pay accrual had been recognised for the first time at 30 April 2015 (Group: £2,198,000; LLP: £1,992,000). Following transition to FRS 102, this has been restated to be shown as if it existed at 1 May 2014. This results in an increase in profit for the year ended 30 April 2015 of £2,098,000 (LLP: £1,908,000) with a corresponding restatement of the opening balance sheet at 1 May 2014 decreasing members' reserves.