ALLEN & OVERY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2016

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MEMBERS' REPORT

THE BOARD PRESENTS ITS REPORT TO THE MEMBERS AND THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ALLEN & OVERY LLP FOR THE YEAR ENDED 30 APRIL 2016.

GROUP STRUCTURE

These financial statements consolidate the financial statements of Allen & Overy LLP and its subsidiary undertakings (the **Group**) for the year ended 30 April 2016. Allen & Overy is the collective name for an international legal practice comprising Allen & Overy LLP and its subsidiary undertakings. In this report the terms 'the Group' and 'Allen & Overy' are interchangeable.

Allen & Overy LLP (the **LLP**) is a limited liability partnership registered in England and Wales with registered number OC306763. A list of Members and of the non-Members who are designated as partners is available for inspection at One Bishops Square, London E1 6AD, United Kingdom, which is also the LLP's principal place of business and registered office. For more information visit allenovery.com.

PARTNERS/MEMBERS

The term **partner** in this annual report is used to refer to a Member of the LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of the LLP's subsidiary undertakings. The term **Member** in this annual report is used to refer only to a Member of the LLP. The term **full partner** in this document is used to refer to partners remunerated entirely by profit sharing points.

PRINCIPAL ACTIVITY

Allen & Overy's principal activity is the provision of premium legal services. All results derive from continuing activities.

OFFICES 18

1998
Milan
Rome
Bangkok

19

1999
Bratislava

OFFICES 21

2000
Amsterdam
Luxembourg

23

2001
Antwerp
Hamburg

OFFICES 24

2002
Shanghai

27

2007
Riyadh**
Düsseldorf
Abu Dhabi

OFFICES 30

2008
Bucharest*
São Paulo
Munich

STRATEGY

AT THE HEART OF OUR STRATEGY IS A CLEAR AMBITION: TO BECOME THE WORLD'S *MOST ADVANCED* LAW FIRM. THAT MEANS BEING AT THE FOREFRONT OF LEGAL THINKING AND BUILDING ON OUR REPUTATION FOR PIONEERING IDEAS ON HOW WE SERVE OUR CLIENTS AND RUN OUR BUSINESS.

ALLEN & OVERY'S STRATEGY HAS THREE KEY DIMENSIONS: GLOBAL REACH, LOCAL DEPTH; LASTING RELATIONSHIPS, MARKET LEADERSHIP; AND HIGH PERFORMANCE CULTURE.

GLOBAL REACH, LOCAL DEPTH

Our clients expect us to be able to operate internationally to high standards while, at the same time, fully understanding the local regulatory framework and how business is actually done in each market.

We believe that globalisation is irreversible and as a result, we have built a network comprising 44 offices in 31 countries. The size of our network along with our corresponding breadth of expertise is a key differentiator in the market.

We have also developed strong ties with relationship law firms in more than 100 countries where we do not have a physical presence. We combine our international resources and sector expertise to work on cross-border transactions directly in the markets and regions important to our clients.

* Associated office
** Cooperation office

LASTING RELATIONSHIPS, MARKET LEADERSHIP

Our clients are at the heart of our strategy and we aim to build long-term relationships where we are completely trusted to handle their most complex legal problems.

As well as first-rate legal knowledge and expertise, we deliver to our clients strategic and commercial insights based on a profound understanding of their business.

Our strategy is to be tier one in all practice areas in our chosen markets. Our deeply rooted sector expertise allows us to understand the broad business, not just legal, issues faced by our clients daily.

IN THE LAST FINANCIAL YEAR WE PROVIDED ADVICE TO OUR TOP 50 CLIENTS IN AN AVERAGE OF 25 OFFICES

ELEVEN PRIORITY SECTORS

HIGH PERFORMANCE CULTURE

Our clients expect the highest standards of performance, productivity and service and we have similarly high expectations of each other.

We offer our people the opportunity to develop personally and professionally and to gain experience by moving around our global network. We know that our future success depends on identifying and developing talented potential leaders, with the knowledge and skills required to flourish in a challenging business environment.

ADVANCED DELIVERY

In recent years we have directed our innovation initiatives to maximising the benefit our clients derive from our strategy. We call our response to this challenge Advanced Delivery. Through it we offer a range of high-quality resourcing, technology and expertise options which is unique in the flexibility it offers our clients. Together with our clients we design solutions which combine these capabilities with our core law firm skills.

Our Legal Services Centre in Belfast specialises in streamlining elements of complex client projects. This has continued its pattern of strong growth in financial year 2016.

Peerpoint, our flexible global resourcing business, carefully matches highly qualified legal consultants with specific client requirements. During this financial year we expanded Peerpoint operations in Asia and added capacity in Australia.

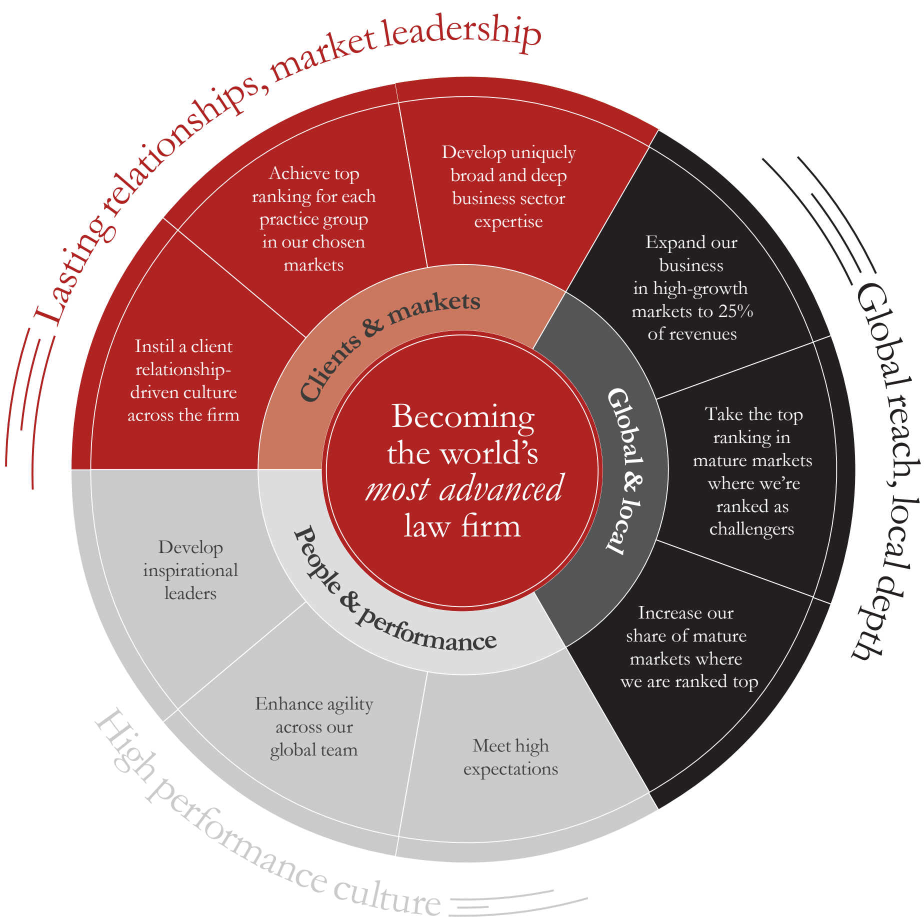
aosphere helps clients reduce legal, regulatory and operational risk through user-friendly online access to detailed, cross-border legal and compliance information. During this financial year aosphere has continued to grow, adding a significant number of clients in the funds industry.

2016 also saw rapid growth in our Project Management Office. This aims to enhance the effective delivery of complex cross-border matters by applying project management capability and tools to the largest projects.

Our intelligent use of technology combined with dedicated legal project management helps manage our clients' large scale projects efficiently and transparently.

STRATEGIC FRAMEWORK

Taken as a whole, our strategy is flexible and distinctive, and delivers greater value to our clients worldwide.



BUSINESS AND FINANCIAL PERFORMANCE

REVENUE

Our revenue grew 2.3% to £1,310 million. Our new businesses and our litigation practice grew strongly and we enjoyed good growth across most practice areas in more active markets.

We continue to see competition, and pressure from clients to manage total legal spend.

PROFIT FOR THE FINANCIAL YEAR

Profit before taxation of £562 million for the financial year 2016 fell £8 million from the 2015 result. The decline resulted from an increase in fee earner headcount during the first six months before a levelling off in client work in the second half of the financial year. The cost increases outpaced the revenue growth in financial year 2016.

Average profit per full partner based on the profits shown in these statutory accounts was £1.20 million (2015: £1.21 million).

OPERATING COSTS

Our total staff costs increased by £24 million to £457 million (2015: £433 million), reflecting the impact of headcount increases, 1 May 2015 pay awards and increases in total staff financial reward.

Other operating expenses increased by £12 million to £263 million. Half of the increase is attributable to movements in net exchange gains/losses from FY15 to FY16.

STAFF PENSIONS

2,100 of our staff are active members of the firm's UK defined contribution pension arrangements.

An actuarial funding report on the firm's defined benefit scheme, as at 1 January 2014, was completed in August 2014, showing that the funding position on the Trustee's funding basis (known as 'technical provisions') had significantly improved since the previous triennial valuation.

As a consequence, the firm agreed with the Trustees to cease contributions from 31 August 2014 until the next funding review. The next funding report is due to be carried out with an effective date of 1 January 2017.

The separate annual valuation undertaken for the purpose of these financial statements at 30 April 2016 indicates a defined benefit pension surplus of £27.4 million, compared with a surplus of £26.9 million in the prior year.

NET ASSETS AND FINANCING

Our balance sheet remains strong, with net assets of £417 million (2015: £403 million).

The Group is financed through a combination of partners' capital, partners' subordinated loans, and undistributed profits (including tax retentions). Partners' capital contributions totalling £139 million (2015: £139 million) and partners' subordinated loans totalling £53 million (2015: £56 million) are contributed by reference to the Capital Unit per profit sharing point. The Capital Unit is agreed by the Board with reference to the future working capital needs of the business. Capital and subordinated loans are provided interest free and are repayable following the partner's retirement.

The Group's borrowing facilities are held with a number of banks. Facilities expire on different dates so that renewals are spread. At 1 May 2016, the Group had unused general bank overdraft facilities of £10 million and unused committed bank facilities of £150 million (note 15).

The Board is satisfied that the available facilities are more than sufficient to meet the expected peak cash requirements of the Group over the next 12 months.

REVENUE UP 2.3% TO

£1,310 million

3.8%

revenue growth recorded 2015

PROFIT BEFORE TAXATION

£562 million

Average profit per full partner

£1.2m

TOTAL STAFF COSTS INCREASED BY

£24 million

2.5%

Increase in overall staff headcount

PARTNERS' PROFIT SHARE AND DRAWINGS

Partners are remunerated solely out of the profits of the firm after adjusting for annuity payments to certain former partners. The amount of profit to be distributed to partners is determined by the Board after the year-end.

Where a partner receives his/her remuneration as an employee or a consultant, this is shown under the heading of 'Partners' remuneration charged as an expense' in the Consolidated Income Statement.

In the Consolidated Balance Sheet, the amounts shown as 'Total partners' other interests' and 'Amounts due from partners' relate to amounts due to and from Members of Allen & Overy LLP or partners of its subsidiary undertakings. Balances due to partners remunerated as employees or consultants are shown within 'Trade and other payables'.

Full partners usually draw a proportion of their expected profit share in 12 monthly instalments during the year in which the profit is earned, with the balance of their share of allocated profits, net of a tax retention, paid in 12 equal instalments starting in August of the subsequent financial year. All payments are made subject to the cash requirements of the business.

As partners draw a proportion of their expected profit share during the year before the profits for the year have been determined, divided and allocated to them, by the year-end their personal current accounts with Allen & Overy are in deficit. The total of these accounts is shown in the Consolidated Balance Sheet within 'Amounts due from partners'. Once the profit for the year has been divided and allocated, the partners' current accounts are in surplus by the amount of their share of the year's profits not already drawn.

In the majority of territories, the tax payable on a partner's profit allocation is the personal liability of the partner. However, tax is retained from their profit entitlement which is then paid to the relevant tax authorities on their behalf, with any excess being released and any shortfall being charged to the partner as appropriate. The balance of such retentions is included in the partners' accounts, the total of which is shown within 'Amounts due from partners' in the Consolidated Balance Sheet.

TAX POLICY

The firm is committed to being a responsible and compliant taxpayer in the countries in which it operates. We engage openly with HM Revenue & Customs and other tax authorities around the world.

Responsibility for the conduct of the firm's tax affairs lies with the firm's Finance and Operations Director and is subject to scrutiny by the Board.

TAX CONTRIBUTION

Allen & Overy makes significant financial contributions to the economies of the territories in which it practises through the payment of taxes by both the firm and its partners, and also by the collection of taxes from others. The total contributions are approximately £461 million (2015: £443 million).

Allen & Overy and its partners have paid, or will pay, taxes of over £273 million in relation to the year ended 30 April 2016. Globally this amount comprises approximately £228 million of profit taxes, £34 million of employer's social security contributions, £9 million of property taxes and £2 million of other taxes.

In addition, Allen & Overy has collected approximately £188 million of taxes on behalf of governments of the territories in which we practise. £99 million was collected by way of payroll and social security deductions from remuneration paid to our staff and £89 million of VAT, GST and similar taxes was collected from clients.

POLITICAL DONATIONS

The LLP has no political affiliation. The firm does not make any cash donations to any political party or other groups with a political agenda.

TOTAL TAX CONTRIBUTIONS
£461 million

£188m
of taxes collected on behalf of governments

ALLEN & OVERY AND ITS PARTNERS HAVE PAID, OR WILL PAY, TAXES OF OVER
£273 million in relation to the year ended 30 April 2016.

£9m
of property taxes

SUPPLIER PAYMENT POLICY

Allen & Overy seeks to agree commercial payment terms with its suppliers and, provided performance is in accordance with the agreed terms, to make payment accordingly. The amount due to trade creditors at 30 April 2016 was equivalent to 61 days' purchases (2015: 48 days), based on the average daily amount invoiced by suppliers during the year.

AUDITORS

The independent auditor, PricewaterhouseCoopers LLP, has indicated its willingness to be reappointed.

GOING CONCERN

The Board has a reasonable expectation that the Group has adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

GOVERNANCE

RESPONSIBILITY FOR THE STRATEGIC DIRECTION OF ALLEN & OVERY RESTS WITH THE BOARD. THE BOARD IS ACCOUNTABLE FOR THE LONG-TERM SUCCESS OF THE FIRM AND IS THE CURATOR OF THE FIRM'S VALUES. IT SETS THE STRATEGIC INVESTMENT PRIORITIES AND HOLDS THE EXECUTIVE TO ACCOUNT.

The Board comprises the Senior and Managing Partners and six independent partner directors (**IPDs**). All of these are elected positions carrying a four-year term. An election was held on 1 May 2014 to elect new board members. For the year ended 30 April 2016, the Board comprised David Morley (then Senior Partner), Wim Dejonghe (then Managing Partner), Simon Black (IPD), Angela Clist (IPD), Ben Fox (IPD), Jack Heinberg (IPD), David Lee (IPD) and Helge Schäefer (IPD). David Morley retired from the firm on 30 April 2016. Following an election, Wim Dejonghe was elected Senior Partner and Andrew Ballheimer was elected Managing Partner with effect from 1 May 2016.

In addition to the elected members, the Board benefits from the advice of four support directors: Richard Grove (Marketing, Business Development and Communications Director), Jason Haines (Finance & Operations Director), Sasha Hardman (appointed as Human Resources Director on 1 November 2015) and Andrew Brammer (IT & Shared Services Director). The nature of our business means that we have a management matrix. The Senior and Managing Partners are supported in the execution of the firm's strategy and the day-to-day management of the business by a wider management team. This includes the heads of the core areas of our business (including banking, corporate, international capital markets, litigation, real estate and tax); heads for certain sectors in which our clients operate (such as energy, financial institutions, hotels and leisure, infrastructure, industrial and manufacturing, life sciences, mining, private equity, real estate, retail and consumer goods, and technology, media and telecoms); heads of the individual offices outside London; regional heads; and relationship partners for key clients of the firm.

DAVID MORLEY

SENIOR PARTNER, ALLEN AND OVERY
UNTIL 30 APRIL 2016

WIM DEJONGHE

MANAGING PARTNER, ALLEN & OVERY
UNTIL 30 APRIL 2016

SENIOR PARTNER, ALLEN & OVERY
FROM 1 MAY 2016

ANDREW BALLHEIMER

MANAGING PARTNER, ALLEN & OVERY
FROM 1 MAY 2016

ANGELA CLIST

PARTNER, ALLEN & OVERY

BEN FOX

PARTNER, ALLEN & OVERY

JACK L. HEINBERG

PARTNER, ALLEN & OVERY

DAVID LEE

PARTNER, ALLEN & OVERY

HELGE SCHAEFER

PARTNER, ALLEN & OVERY

SIMON BLACK

PARTNER, ALLEN & OVERY

RISK AND COMPLIANCE

ALLEN & OVERY HAS STRONG INSTITUTIONAL AND INTEGRATED RISK MANAGEMENT STRUCTURES, SYSTEMS AND PROCEDURES. THE BOARD IS ALLEN & OVERY'S OVERARCHING GOVERNING BODY AND THE PRINCIPAL FORUM FOR CONSIDERING ALL SUBSTANTIVE RISK MANAGEMENT ISSUES. ON A DAY-TO-DAY BASIS, RISK MANAGEMENT IS UNDERTAKEN BY OFFICES, PRACTICE GROUPS AND SUPPORT GROUPS AT A MANAGERIAL LEVEL SO THAT LOCAL MANAGING PARTNERS, RISK PARTNERS AND DIRECTORS AND HEADS OF THE SUPPORT DEPARTMENTS ACTIVELY MANAGE THE BUSINESS RISKS TO WHICH ALLEN & OVERY IS EXPOSED.

THE BOARD, THE PARTNERS AND THE WIDER FIRM ARE SUPPORTED IN A NUMBER OF WAYS.

BUSINESS PROTECTION AND BUSINESS ACCEPTANCE UNITS

The Business Protection Unit, overseen by Andrew Clark (General Counsel), and the Business Acceptance Unit, led by Simon Fuge, are staffed by lawyers and analysts in the UK and Singapore. Between them, they deal with business acceptance, sanctions, anti-money laundering, professional indemnity, in-house legal advice, risk management, compliance and ethical issues.

AUDIT COMMITTEE

The Audit Committee, chaired by David Lee, is responsible for reviewing the Group's financial risks. The Audit Committee is appointed by the Board and consists of five partners and one independent external member. It reviews Allen & Overy's financial statements and receives reports from the external auditors regarding the findings of the audit. It also considers the scope, results and effectiveness of internal and external audits, including reviewing the independence of external auditors and their non-audit services and fees.

RISK COMMITTEE

The Risk Committee, chaired by Andrew Clark, is appointed by the Board and consists of nine partners, the Head of Risk, the HR Director and the IT & Shared Services Director. It does not have executive powers and responsibilities but its role is to identify and assess the Group's material non-financial risks, formulate and review the Group's approach to risk, and support others with risk management responsibilities to improve the control and coordination of risk management across the Group.

RISK PARTNERS/SUPPORT

Allen & Overy has designated risk partners and risk support for each office, London practice group and support department who assist with the day-to-day supervision of risk management tasks. This includes communicating risk messages, local training, providing local perspectives on risk issues, and having oversight of the risk register in their jurisdiction/group.

IT BOARD

Given the significance of information technology in the business, an IT Board, chaired by Andrew Ballheimer, is responsible for ensuring that we receive value for our substantial investment in IT. The IT Board has responsibility for considering potential IT investments and prioritising investment decisions. It consists of 11 partners, the IT & Shared Services Director, the Finance & Operations Director and the CEO of Peerpoint.

REVIEWING RISK

While we develop our own strategies and policies based on our business circumstances, we also actively engage with the concerns and priorities of our clients, our regulators (in particular the Solicitors Regulation Authority of England and Wales), government agencies and the wider legal market. During the year, the new Chief Information Security Officer joined Allen & Overy and his areas of focus include confidentiality, information security and data protection.

The Group creates and employs a number of innovative strategies to protect and enhance the confidentiality of the information which Allen & Overy holds (including client data). We have a proactive approach to information security, robust information security processes and procedures and cutting-edge technological solutions. We also regularly liaise with external agencies and experts.

PRINCIPAL FINANCIAL RISKS AND UNCERTAINTIES

The principal risk and uncertainty affecting the financial results of the Group is the variability of the market for premium legal advice. Geo-political forces also introduce uncertainty. Management seeks to match the Group's resources to the expected demand, while expanding the Group's market share where possible and international reach where appropriate.

The Group's main financial risks relate to the non-recoverability of client receivables and foreign currency risk due to the international nature of the Group. More generally, the principal risks faced by the firm and certain ways in which management respond to them are as follows:

OUR PRINCIPAL RISKS

Risk	Response
Reputation and brand: Damage to our reputation and brand.	– Embedding Allen & Overy culture in partners and staff. – Business acceptance processes cover client engagement terms and scope. – Global risk management policies, training and awareness programmes. – Crisis management and public relations plans. – Management of PI cases/complaints.
Financial: Pressure on earnings, margins and costs.	– Annual budgets approved by the Board. – Monthly analysis of financial results by practice group and by office. – Working capital management, including monitoring exposure to clients. – Fee management committee oversight of pricing. – People/resource planning to monitor headcount. – Cost optimisation programmes.

Risk	Response
Evolving Markets: Impact of changes in legal markets and client requirements and of political, regulatory and security risks in emerging markets.	– Diverse practice in terms of legal services offered and geographical spread. – Alternative business models offered including subscription services and legal process offshoring. – Efficient systems and procedures for service delivery. – Assessment and monitoring of risks posed by new and changing markets. – Secondment of partners to key management roles in client organisations. – Business continuity plans for offices which take account of security and political risks and a travel security policy. – Engagement with local regulatory authorities and lawyers to ensure compliance.
Service: Delivery of service which does not meet the high quality required.	– Planning and staffing of assignments, including innovative project management office. – Supervision of associates by partners. – Innovative delivery methods, eg Peerpoint, aosphere and Collaborate. – ISO 22301 certification in the UK for business continuity management. – Scope of work and terms of business agreed. – Institutionalising client relationships.
People and talent: Inability to recruit, retain and develop the best people.	– Recruitment strategies to identify and attract talent. – Appraisal, training and development programmes. – Promotion of diversity, equal opportunities and flexible working. – Investment in professional support to capture and embed knowledge and know-how.
Cyber and information security: Loss of confidential data or of the firm's IT systems.	– Information security management system is ISO/IEC 27001:2013 compliant. – IT technical solutions covering encryption, event monitoring and incident management, including expert internal resource to support agility and responsiveness to threats. – Physical security controls covering premises. – Personnel security and vetting controls. – Global information security training and awareness programmes. – Chief Information Security Officer oversight.
Brexit: Possible adverse impact on transactional practices.	– Review of the potential implications of Brexit on clients and the firm itself both in terms of the risks and opportunities these could present. – It is difficult to predict how or when Brexit will be achieved and it could be years before the longer term commercial implications are known.

PEOPLE AND PERFORMANCE

Throughout our 86-year history, it is the talent, experience and commitment of our people that have helped us to shape the future of law and of our business.

Our approach to attracting and retaining the best people in their fields is to give them the freedom to be ambitious and to work in ways that are right for them. The fact that, in 2015, UK graduates voted us Employer of Choice in the law category for the tenth year running suggests our approach is working.

To ensure that we continue to create an environment where people can thrive, in 2015 we assembled our People and Performance Board. The Board is made up of 12 partners and senior support representatives from across the firm who focus on our people at a strategic level. The Board is also supported by a Global People and Performance Forum made up of 25 individuals who reflect the full spectrum of roles and regions across Allen & Overy, and who ensure that our strategy resonates at a global and local level.

A COMPELLING PROMISE TO OUR PEOPLE

One of the key priorities for the People and Performance Board this year has been to articulate and reinforce the promise that we, as a firm, make to our people. We know our high performance culture means that we ask a lot, so we must be clear about what we offer in return.

Our People Promise comprises three key themes:

– Recognising that together we are a truly global team working as one, collaborating across 31 countries and putting relationships at the heart of everything we do.

– Being fearless in our ambitions, unafraid to challenge each other and the status quo in our pursuit of excellence.

– Equipping individuals with the skills and experience that set them up for the future, both theirs and ours. By being forward-looking and offering varied opportunities to grow, we invest in our people, keeping them close no matter what they decide to do.

EQUIPPING OUR PEOPLE FOR TODAY AND TOMORROW

The Allen & Overy Business School and Support Academy are just two examples of our commitment to providing the highest quality training and development. In our 2015 global staff survey – MySay – our people gave us a 98% satisfaction score for‘having opportunities to grow and develop my skills’ and 96% for ‘being challenged intellectually’. That’s because we want them to become more than just specialists in their field – we want them to understand commercial challenges, develop a keen eye for new business opportunities and think entrepreneurially for our clients and for the firm.

We also continue to focus on developing leaders. We work closely with our partners to define and foster leadership at Allen & Overy, with an emphasis on identifying and developing emerging leaders early on, both lawyers and support staff. Sponsorship and coaching from across the network will increasingly play a key role, in addition to training.

PROGRESS TOWARDS OUR 20:20 GOAL

A key aim of developing emerging leaders is to help deliver Allen & Overy's target of having 20% female partners by 2020. We are making good progress towards this goal, with almost 30% of partners promoted this year being women. This takes us to 20% female partners in the UK and 18% internationally.

Over the past year we have been working to ensure the 'talent pipeline' and candidate pool for partnership has a greater proportion of women, with a wider range of role models across the business that are visible, attainable and influential. We have also set the target of having at least 30% of leadership positions at Allen & Overy filled by women and are providing more comprehensive support for women on maternity leave, as well as through our women's networks. However, we know there is more to be done.

STRENGTHENING OUR COMMUNITY FURTHER

This year, we re-launched Allen & Overy's LGBT network with a global brand voted for by staff. A&Out has a new strategy with a number of global imperatives and support for offices to build their local networks and activity. With explicit support from Allen & Overy's management team, we are working on promoting visible role models and inclusive policies across the international network.

A&Out ally programme, signed up to by 300 people within a week of launching, strengthens the message that LGBT networks are open to, and benefit from, the support of all individuals within a business – LGBT or not. The programme opened with a keynote speech from Ben Cohen, former England rugby union player, about his motivations for starting The Ben Cohen StandUp Foundation and the importance of uniting against bullying.

A DIVERSE WORKFORCE FOR A DIVERSE CLIENT BASE

Clearly the 20:20 target and renewed focus on our LGBT network are just two elements of a wider objective to ensure we have a diverse and inclusive workforce across Allen & Overy. There's a very powerful business case that is driving us to achieve this:

Engagement: We want our people to give the best of themselves to their careers.

Innovation: Giving diverse perspectives a voice leads to innovation.

Risk: Research shows balanced teams lead to more balanced decisions.

Clients: Clients are working hard to become more diverse and want their law firms to reflect their people and values.

Financial success: Research shows more gender balance in the boardroom leads to more financial success.

Bottom line: If we lose our best people, our business suffers.

Allen & Overy received 1st place for the Graduate Employer of Choice award for law for the 10th year running – UK Targetjobs Awards 2015.

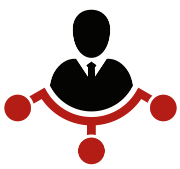
In our 2015 global staff survey – MySay – our people gave us:

– 98% satisfaction score for 'having opportunities to grow and develop my skills' and 96% for 'being challenged intellectually'.

– 90% for having choice, autonomy and control over work. 85% for flexible working.

120 of our senior associates annually attend our Emerging Leaders programme.

155 fee earners had the opportunity to go on secondment to a client in FY15/16.



We offer alternative resourcing options such as Peerpoint, aosphere and Legal Services Centre, and we are expanding iFlex across the network – our programme to enable staff to work from home more easily.

PRO BONO AND COMMUNITY INVESTMENT

ALLEN & OVERY'S PRO BONO AND COMMUNITY INVESTMENT WORK CONCENTRATES ON TWO KEY THEMES GLOBALLY: ACCESS TO JUSTICE AND ACCESS TO EDUCATION AND EMPLOYMENT. A SELECTION OF OUR WORK FROM THE PAST YEAR IS BELOW.

In the coming year, we will also focus on the issue of displaced people. With nearly 60 million forcibly displaced people around the world – for reasons of natural and humanitarian disasters, as well as conflict – this is an issue we strongly felt we should address. We have experience across our network of supporting displaced people and our aim is to use this to build a programme of support for groups of people at any point in their journey, including working in countries where refugees and asylum seekers have settled. We have also made this the theme of our next Global Charity Partnership, which launches in November 2016.

AMREF – A RECORD-BREAKING GLOBAL CHARITY PARTNERSHIP

Allen & Overy's Global Charity Partnership with Amref Health Africa concludes in October this year and we have already broken our target of £1 million, contributing:

£900,000 in fundraising and donations

£687,000 worth of pro bono volunteering support

over £5,000 of in-kind support (for example designing and printing Amref UK's Annual Report)

We have succeeded in our aim of fully funding two key Amref projects in the Meatu and Handeni regions of Tanzania. Through the projects we are supporting, Amref is targeting 130,000 young people to improve their knowledge about sexual and reproductive health, thereby reducing adolescent pregnancy rates and keeping thousands more young people in education

Amref is also working to influence cultural practices around issues such as Female Genital Mutilation and violence against women, which are also major barriers to education and development.

As part of our support for this work, Allen & Overy has delivered a key pro bono project to build Amref's advocacy capabilities so that it can work from community level up to government to achieve lasting change in sexual and reproductive health across Tanzania. A team of 23 lawyers led out of the U.S. and Amsterdam, as well as a team of seven professional support staff led out of London, have delivered a comprehensive training programme and toolkit to Amref staff in Tanzania over the past year. With over 760 hours of volunteering, this is the largest pro bono project that Allen & Overy has worked on for a global charity partner.

THE FIRST CHILDREN'S PRO BONO LEGAL SERVICE IN THE UK

Tens of thousands of children in the UK have a right in law to citizenship but, without legal help, do not have the means to achieve it. These are some of the most marginalised children in the country who face barriers throughout their lives. citizenship allows them to obtain a passport and gain full access to healthcare, higher education and the right to vote.

In 2015, Allen & Overy and Coram Children's Legal Centre, with support from DLA Piper, launched the first Children's Pro Bono Legal Service using volunteer lawyers to provide end-to-end representation for these children (rather than just one-off initial advice).

So far, 35 lawyers from Allen & Overy have been trained in this complex area. The clinic started in February 2015 and has since taken on 48 cases. Allen & Overy lawyers have assisted eight children to gain British citizenship, with further applications under consideration by the Home Office. Achieving citizenship is genuinely life-changing for these children and something they, and their children after them, will benefit from throughout their entire lives. The Service recently won the Legal Week Innovation Award for CSR Innovation.

TAKING AN AWARD-WINNING WORK EXPERIENCE SCHEME TO INDIA

Allen & Overy's work experience scheme for non-privileged young people, Smart Start, launched this year in India.

Smart Start has been running in Allen & Overy's London office for eight years and has supported over 1,100 students with high quality work experience and skills development. In 2014, it became the first programme in the UK legal sector to be accredited by City & Guilds, the internationally recognised vocational education business.

Allen & Overy has launched the scheme in India with the Increasing Diversity by Increasing Access (IDIA) project. IDIA identifies candidates with potential from marginalised and under-represented backgrounds and introduces them to law as a career option. Promising students are taken on as IDIA scholars, trained by volunteers for the Common Law Admission Test and mentored throughout law school.

Allen & Overy's first Smart Start scheme in India was hosted by the National Law University in Delhi and was attended by 16 IDIA scholars. The students spent two days with Allen & Overy lawyers, local university professors and IDIA volunteers refining business and other skills, such as presentation techniques, interview style and persuasive writing.

High quality work experience is a vital first step on the career ladder, particularly for young people from marginalised and under-privileged backgrounds who often do not have access to it. Building on the success of our Smart Start scheme in the UK, we are aiming to extend this to other parts of the world and have plans in place to launch the scheme in Johannesburg later this year.

PREVENTING CHILD TRAFFICKING

A team of Allen & Overy lawyers from Hong Kong, Bangkok, the U.S., Australia and London has been working on a pro bono basis with Hong Kong-based charity, Liberty Asia, on 'Project Safe', an initiative focusing on child trafficking in Thailand.

Liberty Asia, whose work is also being supported by a grant from the Allen & Overy Global Foundation, focuses on preventing human trafficking through a combination of legal advocacy, technological interventions and strategic collaborations in Asia.

Allen & Overy has researched child protection mechanisms across the UK, Australia and the U.S., as well as supporting the charity in gathering evidence on the ground in an effort to improve the treatment of child victims in Thailand, most of whom are from the surrounding Mekong countries. So far, Project Safe has also provided individual practical support to 20 trafficked children.

ENVIRONMENT

Building on progress since our first environmental audit in 2008, Allen & Overy last year launched an environmental management strategyfor 2015-2017, focused on four key themes:

1) Reducing energy consumption, primarily by focusing on reducing business flights and increasing use of video conferencing.
2) Managing environmental risk to mitigate the impacts of global climate change and local circumstances.
3) Supporting business efficiency initiatives to reduce costs.
4) Enhancing internal and external awareness of environmental impacts and management.

As a result of a number of initiatives across our network, Allen & Overy's global electricity-related carbon footprint has reduced by 4.8% from 21,003 tCO2 to 19,987 tCO2.

1 Reducing energy consumption, primarily by focusing on reducing business flights and increasing use of video conferencing.

3 Supporting business efficiency initiatives to reduce costs.

2 Managing environmental risk to mitigate the impacts of global climate change and local circumstances.

4 Enhancing internal and external awareness of environmental impacts and management.

ENVIRONMENTAL PERFORMANCE FOR CALENDAR YEAR 2015

Allen & Overy's global carbon footprint has decreased slightly from35,988 tCO2 in calendar year 2014 to 35,959 tCO2 in calendar year 2015. This small decrease of 0.1% is within the context of increases in employee numbers and occupied office floor space(up by 6%) globally.

Our carbon footprint has therefore decreased on a per capita and per unit area basis.

The firm has continued to expand during financial year 2016, with a number of newly opened or expanded offices. There has been an increase in emissions from long-haul flights but a reduction in emissions from building energy and fuel use in offices.

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

THE MEMBERS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

Company Law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the **Regulations**) requires the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements for the LLP and the Group in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union. 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 the LLP, and of the profit or loss of the Group for that period. In preparing these financial statements, the Members are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and accounting estimates that are reasonable and prudent;

– state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on a going concern basis unless it is inappropriate to presume that the LLP and Group will continue in business.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the LLP and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members are responsible for the maintenance and integrity of 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.

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

In so far as the Members are aware:

– there is no relevant audit information of which the LLP's auditors are unaware; and

– the Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the partners and signed on their behalf on 2 September 2016 by

Wim Dejonghe
Managing Partner

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLEN & OVERY LLP

Report on the financial statements

Our opinion

- Allen & Overy LLP's group financial statements and limited liability partnership financial statements (the "financial statements") give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 30 April 2016 and of the group's profit and the group's and the limited liability partnership's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the limited liability partnership financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated and limited liability partnership balance sheets as at 30 April 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated and limited liability partnership statement of cash flows for the year then ended;
- the consolidated and limited liability partnership statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the limited liability partnership financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Members

As explained more fully in the Statement of Members' responsibilities in respect of the financial statements set out on page 25, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

– whether the accounting policies are appropriate to the group's and the 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.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 2 September 2016


LONDON BRIDGE HOSPITAL

ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT – YEAR ENDED 30 APRIL 2016

	Notes	2016 £m	2015 £m
Turnover		1,293.7	1,263.8
Other income		16.5	17.4
Revenue		1,310.2	1,281.2
Operating costs			
Staff costs	5	(457.0)	(433.0)
Depreciation, amortisation and impairment		(27.6)	(27.1)
Other operating expenses		(262.7)	(250.7)
Operating profit		562.9	570.4
Finance income	6	2.0	2.3
Finance costs	6	(2.7)	(2.7)
Profit before taxation		562.2	570.0
Taxation	7	(22.5)	(16.1)
Profit before partners' remuneration and profit shares		539.7	553.9
Partners' remuneration charged as an expense		(150.2)	(152.5)
Profit for the financial year available for division among partners		389.5	401.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – YEAR ENDED 30 APRIL 2016

	Notes	2016 £m	2015 £m
Profit for the financial year available for division among partners		389.5	401.4
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		15.5	(11.4)
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension scheme	21	(0.5)	(3.5)
Other comprehensive income/(loss) for the year		15.0	(14.9)
Total comprehensive income for the year	22	404.5	386.5

CONSOLIDATED BALANCE SHEET – AT 30 APRIL 2016

	Notes	At 30 April 2016 £m	At 30 April 2015 £m
Assets			
Non-current assets			
Intangible assets	9	–	–
Property, plant and equipment	10	81.6	87.9
Investments	12	0.1	0.1
Retirement benefit surplus	21	27.4	26.9
		109.1	114.9
Current assets			
Client and other receivables	13	662.5	610.6
Amounts due from partners	22	85.3	95.4
Cash and cash equivalents	14	113.7	117.2
		861.5	823.2
Total assets		970.6	938.1
Liabilities			
Current liabilities			
Trade and other payables	15	(239.4)	(215.1)
Current tax liabilities		(2.3)	(0.4)
Provisions	16	(9.9)	(10.5)
Partners' capital	22	(2.9)	(6.6)
		(254.5)	(232.6)
Non-current liabilities			
Trade and other payables	15	(81.0)	(82.7)
Provisions	16	(82.3)	(87.3)
Partners' capital	22	(136.0)	(132.5)
		(299.3)	(302.5)
Total liabilities		(553.8)	(535.1)
Net assets		416.8	403.0
Equity			
Partners' other reserves		401.4	403.1
Translation reserve		15.4	(0.1)
		416.8	403.0
Total partners' interests			
Amounts due from partners	22	(85.3)	(95.4)
Partners' capital classed as a liability	22	138.9	139.1
Total partners' other interests	22	416.8	403.0
		470.4	446.7

The financial statements on pages 29 to 66 were authorised for issue by the partners and signed on their behalf on 2 September 2016 by:

Wim Dejonghe
Senior Partner
Allen & Overy LLP
Registered no. OC306763

Andrew Ballheimer
Managing Partner

Jason Haines
Finance and Operations Director

LIMITED LIABILITY PARTNERSHIP BALANCE SHEET – AT 30 APRIL 2016

	Notes	At 30 April 2016 £m	At 30 April 2015 £m
Assets			
Non-current assets			
Intangible assets	9	–	–
Property, plant and equipment	11	65.1	75.5
Investments	12	9.7	0.6
Retirement benefit surplus	21	27.4	26.9
		102.2	103.0
Current assets			
Client and other receivables	13	687.9	619.0
Amounts due from Members	22	50.8	69.7
Cash and cash equivalents	14	65.5	82.4
		804.2	771.1
Total assets		906.4	874.1
Liabilities			
Current liabilities			
Trade and other payables	15	(272.7)	(231.7)
Current tax liabilities		(1.5)	–
Provisions	16	(9.0)	(9.4)
Members' capital	22	(2.8)	(6.4)
		(286.0)	(247.5)
Non-current liabilities			
Trade and other payables	15	(57.5)	(53.0)
Provisions	16	(76.9)	(81.5)
Members' capital	22	(128.8)	(123.6)
		(263.2)	(258.1)
Total liabilities		(549.2)	(505.6)
Net assets		357.2	368.5
Equity			
Members' other reserves		347.2	367.0
Translation reserve		10.0	1.5
		357.2	368.5
Total partners interests			
Amounts due from Members	22	(50.8)	(69.7)
Members' capital classed as a liability	22	131.6	130.0
Total Members' other interests	22	357.2	368.5
		438.0	428.8

The financial statements on pages 29 to 66 were authorised for issue by the Members and signed on their behalf on 2 September 2016 by:

Wim Dejonghe
Senior Partner
Allen & Overy LLP
Registered no. OC306763

Andrew Ballheimer
Managing Partner

Jason Haines
Finance and Operations Director

CONSOLIDATED CASH FLOW STATEMENT – YEAR ENDED 30 APRIL 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	19	577.5	574.6
Tax paid		(20.5)	(18.5)
Net cash inflow from operating activities		557.0	529.1
Cash flows from investing activities			
Purchase of property, plant and equipment		(19.1)	(16.6)
Interest received		1.0	1.0
Proceeds on disposal of property, plant and equipment		0.1	0.3
Net cash used in investing activities		(18.0)	(15.3)
Cash flows from financing activities			
Partners' capital introduced	22	13.1	16.2
Capital repayments to partners	22	(13.5)	(22.7)
Payments to and on behalf of partners		(530.4)	(510.9)
Retirement benefits paid to former partners		(8.5)	(6.4)
Interest paid		(1.0)	(1.5)
Net cash used in financing activities		(540.3)	(525.3)
Net decrease in cash and cash equivalents		(1.3)	(11.5)
Cash and cash equivalents at beginning of year		117.2	124.1
Effects of foreign exchange rate changes		(2.2)	4.6
Cash and cash equivalents at end of year	14	113.7	117.2

LIMITED LIABILITY PARTNERSHIP CASH FLOW STATEMENT – YEAR ENDED 30 APRIL 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	20	447.5	417.1
Tax paid		(16.4)	(15.1)
Net cash inflow from operating activities		431.1	402.0
Cash flows from investing activities			
Purchase of property, plant and equipment		(10.6)	(12.7)
Interest received		0.8	0.8
Net cash used in investing activities		(9.8)	(11.9)
Cash flows from financing activities			
Partners' capital introduced	22	11.7	17.5
Capital repayments to Members	22	(10.3)	(10.4)
Payments to and on behalf of Members		(427.2)	(395.5)
Retirement benefits paid to former Members		(7.6)	(6.4)
Interest paid		(0.9)	(1.3)
Net cash used in financing activities		(434.3)	(396.1)
Net decrease in cash and cash equivalents		(13.0)	(6.0)
Cash and cash equivalents at beginning of year		82.4	88.2
Effects of foreign exchange rate changes		(3.9)	0.2
Cash and cash equivalents at end of year	14	65.5	82.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2016

	Equity 2016			Equity 2015		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	403.1	(0.1)	403.0	366.2	11.3	377.5
Profit for the financial year attributable to partners	389.5	–	389.5	401.4	–	401.4
Differences on translation of foreign operations	–	15.5	15.5	–	(11.4)	(11.4)
Actuarial gain/(loss) on pension scheme	(0.5)	–	(0.5)	(3.5)	–	(3.5)
Total comprehensive income for the year	389.0	15.5	404.5	397.9	(11.4)	386.5
Profit allocated to partners	(390.7)	–	(390.7)	(361.0)	–	(361.0)
Total transactions with partners recognised directly in equity	(390.7)	–	(390.7)	(361.0)	–	(361.0)
Equity at 30 April	401.4	15.4	416.8	403.1	(0.1)	403.0

LIMITED LIABILITY PARTNERSHIP STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 30 APRIL 2016

	Equity 2016			Equity 2015		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	367.0	1.5	368.5	309.7	11.6	321.3
Profit for the financial year attributable to Members	335.7	–	335.7	365.6	–	365.6
Differences on translation of foreign operations	–	8.5	8.5	–	(10.1)	(10.1)
Actuarial gain/ (loss) on pension scheme	(0.5)	–	(0.5)	(3.8)	–	(3.8)
Total comprehensive income for the year	335.2	8.5	343.7	361.8	(10.1)	351.7
Profit allocated to Members	(355.0)	–	(355.0)	(304.5)	–	(304.5)
Total transactions with Members recognised directly in equity	(355.0)	–	(355.0)	(304.5)	–	(304.5)
Equity at 30 April	347.2	10.0	357.2	367.0	1.5	368.5

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2016

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards **(IFRS)** and International Financial Reporting Interpretation Committee **(IFRIC)** interpretations adopted for use in the European Union and issued and effective as at 30 April 2016, and with those parts of the Companies Act 2006 applicable to limited liability partnerships reporting under IFRS. The financial statements have been prepared on the historical cost basis. 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.

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ADOPTED IN THE YEAR ENDED 30 APRIL 2016

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 May 2015 that had a material impact on the Group.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 May 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group or the LLP.

BASIS OF PREPARATION

These financial statements consolidate the financial statements of Allen & Overy LLP (the **LLP**) and its subsidiary undertakings (the **Group**) for the year ended 30 April 2016. Allen & Overy is the collective name for an international legal practice comprising the LLP and its subsidiary undertakings. In these financial statements the terms 'the Group' and 'Allen & Overy' are interchangeable.

The term **partner** in these financial statements refers to a Member of the LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of the LLP's subsidiary undertakings. The term **Member** refers only to a Member of the LLP. The term **full partner** refers to partners remunerated entirely by profit sharing points.

Where a partner receives his/her remuneration as an employee or a consultant, this is shown under the heading 'Partners' remuneration charged as an expense' in the Consolidated income statement.

No individual income statement is presented for the LLP as permitted by section 408 of the Companies Act 2006 as applied to limited liability partnerships. The profit for the financial year available for division among Members within the financial statements of the parent undertaking, the LLP, was £335.7 million (2015: £365.6 million).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the LLP and its subsidiary undertakings. Subsidiary undertakings are those entities controlled by the LLP, which may be partnerships or separate corporate entities. Control exists when the LLP has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions are eliminated in the consolidated financial statements.

TURNOVER

Turnover represents amounts chargeable to clients for professional services provided during the year including expenses (excluding sales tax), and subscriptions to information solutions provided through electronic formats to the over-the-counter derivatives market industry. The Group only recognises turnover once services have been provided.

Services provided to clients which at the balance sheet date have not been billed have been recognised as turnover. Turnover recognised in this manner is based on an assessment of the fair value of services provided by the balance sheet date. Where the right to receive payment is contingent on factors outside the control of Allen & Overy, turnover is only recognised (over and above any agreed minimum fee) when the contingent event occurs. Unbilled revenue is included in client and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as other payables held within trade and other payables.

OTHER INCOME

Other income comprises operating lease rental income received from the sub-lease of surplus office space.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost (original purchase price and construction costs), net of depreciation and any provision for impairment.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised as income.

Depreciation is provided to write off the cost less the estimated residual value, of the relevant assets by equal instalments over their estimated useful economic lives, which are as follows:

Leasehold improvements	The shorter of the period of the lease, the expected use of the property, and ten years
Furniture, fixtures and fittings	The shorter of five years and the expected use of the asset
Computer equipment	Two to five years
Motor vehicles	Five years

The assets' residual values and useful economic lives are reviewed, and if necessary adjusted, at each balance sheet date.

INTERNALLY GENERATED INTANGIBLE ASSETS

An internally generated intangible asset is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives, which are as follows:

Computer software	The shorter of five years and the expected use of the asset

Computer software under development is not amortised. Amortisation starts from the date on which the software is available for use. If a decision is made to halt development then the cost is immediately expensed.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Costs associated with maintaining computer software programs are recognised as an expense when incurred.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss recognised as an expense immediately.

INVESTMENTS

Investments are stated at cost less provision for impairment. Investments are considered to be impaired when their carrying value is greater than their estimated recoverable amount. Quoted and unquoted shares classified as held for trading are measured at fair value through the income statement.

CLIENT AND OTHER RECEIVABLES

Client and other receivables are initially recognised at fair value, and are subsequently reduced for estimated irrecoverable amounts. A provision for impairment of trade receivables 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. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the client receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within 'Other operating expenses'.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand or demand deposits and other short-term highly liquid investments.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently reduced for discounts given by suppliers.

TAXATION

In most locations, including the UK, the taxation payable on the profits of limited liability partnerships is the personal liability of the equity partners and hence is not shown in these financial statements. A retention from profit distributions is made to fund the taxation payments on behalf of equity partners. These retentions are included within 'Amounts due from partners'.

The tax expense in the Consolidated income statement represents the sum of the current and deferred tax relating to the corporate subsidiaries and branches that are subject to tax based on their profits.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date in the relevant country. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

FOREIGN CURRENCIES

The individual financial statements of each of the Group's operations are presented in the currency of the primary economic environment in which it operates (its functional currency).

Transactions denominated in currencies other than the functional currency of the operation are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency at the balance sheet date are translated at the rates ruling at that date. Translation differences to functional currencies are dealt with in the income statement.

For the purpose of the consolidated financial statements the results and financial position of each operation are expressed in Sterling, which is the functional currency of the largest branch of the LLP, and the presentation currency for the consolidated financial statements.

The results of operations where the functional currency is not Sterling are translated at the average rates of exchange for the period, and their balance sheets at the rates ruling at the balance sheet date. Differences arising on translation of the opening net assets and results of such operations are reported in the Consolidated statement of comprehensive income. Partners' capital denominated in currencies other than Sterling is translated at the rates ruling on the balance sheet date. Any translation differences are reported in the Consolidated income statement.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

All other leases are classified as operating leases.

GROUP AS LESSEE

Operating lease rentals are charged to the income statement in equal amounts over the lease term from the date on which the asset becomes available for use.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

GROUP AS LESSOR

The Group sublets certain parts of its office premises. Rental income from these operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease and any benefits payable as an incentive to enter into the operating lease are also spread on a straight line basis over the lease term. The rental income is included within other income.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. The increase during the year in the discounted amount arising from the passage of time and the effect of any change in the discount rate is charged to the income statement as a finance cost.

RETIREMENT BENEFIT OBLIGATIONS

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan sets out an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that are denominated in the currency in which benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

For defined contribution plans the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

PARTNERS' AND MEMBERS' CAPITAL AND RESERVES

Partners are required to contribute capital or make subordinated loans in proportion to the number of profit sharing points allocated to them and by reference to the Capital Unit per profit sharing point. The value of the Capital Unit is assessed annually, with any changes becoming effective on 1 May. Capital or subordinated loans are repaid to partners following their retirement from Allen & Overy.

In the event of the LLP going into administration or being wound up, partner capital and subordinated loans within Allen & Overy LLP generally rank after debts due to unsecured creditors who are not Members.

Amounts due to partners whose remuneration is charged as an expense are included in 'Trade and other payables'.

The translation reserve comprises all foreign exchange translation differences arising on the results and financial position of subsidiaries and overseas branches which do not report in the Group's reporting currency.

Other reserves comprise principally undistributed profits arising in the current and previous periods available for distribution in the future.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future actual outcomes could differ from those estimates.

The key estimates and assumptions relate to the actuarial assumptions used in calculating the retirement benefit obligations, in particular relating to discount rate, inflation rate and mortality, provisions in respect of client claims, onerous property costs and debt impairment, and the fair value of unbilled revenue on client assignments. Further details are set out in each of the relevant accounting policies and the notes to the financial statements. Management will continue to review the assumptions used against actual experience and market data and adjustments will be made in future periods where appropriate.

3 PROFIT BEFORE TAXATION

	2016 £m	2015 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	27.6	27.1
Loss on sale of property, plant and equipment	0.1	0.1
Net foreign exchange loss/(gain)	1.9	(3.9)
Restructuring costs – staff	–	0.7

4 AUDITORS' REMUNERATION

Fees payable to PricewaterhouseCoopers LLP and their associates are shown below:

	2016 £m	2015 £m
Fees payable to the LLP's auditors for the audit of the LLP's and the Group's consolidated financial statements	0.4	0.3
Fees payable to the LLP's auditors and its associates for other services:		
– The audit of the LLP's subsidiary undertakings pursuant to legislation	0.2	0.2
– Other services pursuant to legislation	0.1	0.1
– Taxation compliance services	1.5	1.2
– Taxation advisory services	0.2	0.2
– All other services	0.5	0.6
	2.9	2.6

5 STAFF AND STAFF COSTS

	Consolidated 2016 No.	Consolidated 2015 No.
The average number of people employed during the year (excluding partners) was:		
Lawyers and other fee earners	2,327	2,220
Support staff	2,205	2,202
	4,532	4,422

	2016 £m	2015 £m
Staff costs incurred during the year were:		
Salaries (including staff bonus)	356.8	333.2
Social security costs	33.2	31.5
Pension costs	15.6	14.7
Restructuring costs	–	0.7
Other costs (such as staff development, recruitment, medical expenses, and the cost of temporary staff)	51.4	52.9
	457.0	433.0

6 FINANCE INCOME AND COSTS

	2016 £m	2015 £m
Finance income		
Interest receivable on bank deposits	1.0	1.0
Net finance income on retirement benefits plan (note 21)	1.0	1.3
	2.0	2.3
Finance costs		
Interest payable on bank loans and overdrafts	(1.0)	(1.5)
Unwinding of and change in discount on provisions (note 16)	(1.7)	(1.2)
	(2.7)	(2.7)

7 TAXATION

	2016 £m	2015 £m
Current tax on profits for the year	23.0	21.1
Adjustments in respect of prior years	(0.5)	(5.0)
Total current tax	22.5	16.1

In most locations, including the UK, income tax payable on the profits allocated to partners is the personal liability of the partners and hence is not shown in these financial statements.

In some other locations the income tax payable on the allocation of profits to partners is the personal liability of the partners resident in that location but the element payable by the partners not resident in that location is the liability of the LLP. Only the latter amounts are reflected in these financial statements.

	2016 £m	2015 £m
Profit before taxation	562.2	570.0
Less: Amounts subject to personal tax	(498.0)	(508.9)
Profits subject to taxation	64.2	61.1

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average UK corporation tax rate applicable to profits of the Group as follows:

	2016 £m	2015 £m
Profits subject to tax	64.2	61.1
At UK corporation tax of 20% (2015: 21%)	12.8	12.8
Tax effects of:		
Different tax rates and bases in other jurisdictions	8.5	7.1
Unrelieved losses	1.7	1.2
Adjustment in respect of prior years	(0.5)	(5.0)
Current year charge for the year	22.5	16.1

8 PARTNERS' SHARE OF PROFITS

The Board determines the amount of profits to be distributed after the financial statements have been finalised and approved by the partners. These distributable profits are then divided among the partners in accordance with agreed profit sharing arrangements.

On promotion to partnership, remuneration is initially a fixed prior share of profits plus a profit related bonus. Thereafter partners are promoted to full partners. Most partners, referred to as full partners, receive 20 profit sharing points, rising by two points every year to a maximum of 50 points. This is referred to as a lock step system. The Allen & Overy lock step system also allows for discretionary points' awards but profits continue to be shared amongst partners from a single global profit pool. The underlying lock step system remains the basis for the vast majority of partner compensation while providing the flexibility to remain competitive in the global market for partner compensation.

For most partners the profit distribution ranges from £745k for a partner with 20 profit sharing points to £1,862k for a partner with 50 profit sharing points (2015: £712k to £1,780k). The highest paid partner will receive £2,808k (2015: £2,885k). The total profit payable to any partner in a particular year can be substantially above that of a partner with 50 profit sharing points because of compensation costs such as tax equalisation and expatriate benefits payable to partners seconded to jurisdictions outside their home office, or because of joining or retirement payments.

Profits payable to partners as employees or consultants, and amounts agreed between Allen & Overy and leaving partners, are charged as an expense to the income statement.

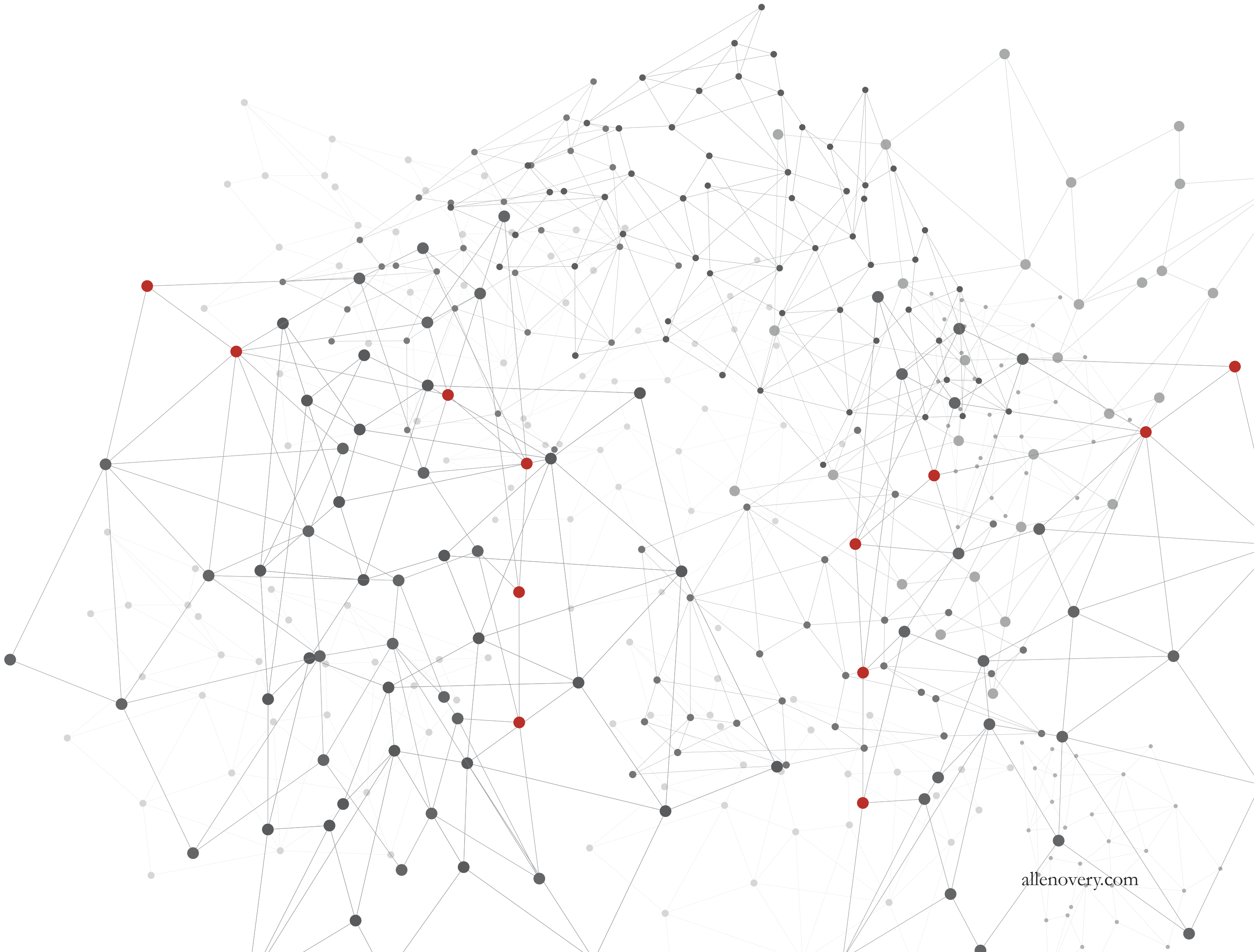
Profits are allocated on a gross basis before income tax charges, which are mainly the personal liability of the individual partners. Partners do not receive any interest on their capital contributions or subordinated loans, or any remuneration other than their share of the profits.

	2016 No.	2015 No.
Average number of partners	523	527
Average number of full partners	434	440

	2016 £m	2015 £m
Profit before taxation	562.2	570.0
Profits allocated to partners who are not full partners	(42.1)	(39.5)
Profits for division amongst full partners	520.1	530.5
Average profit per full partner	1.20	1.21

9 INTANGIBLE ASSETS

	Consolidated and Limited Liability Partnership	
	2016 £m	2015 £m
Internally generated IT software		
Cost		
At 1 May	18.9	18.9
At 30 April	18.9	18.9
Accumulated Amortisation		
At 1 May	18.9	18.9
At 30 April	18.9	18.9
Net book value		
At 30 April	–	–



10 PROPERTY, PLANT AND EQUIPMENT – CONSOLIDATED

	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 May 2014	219.5	59.4	76.5	0.4	355.8
Currency translation adjustments	(4.2)	(3.1)	(1.1)	–	(8.4)
Additions	9.4	4.0	3.2	–	16.6
Disposals	(0.3)	(0.4)	(0.4)	–	(1.1)
At 1 May 2015	224.4	59.9	78.2	0.4	362.9
Currency translation adjustments	6.0	2.5	2.0	–	10.5
Additions	9.2	4.2	5.7	–	19.1
Disposals	(14.9)	(8.6)	(11.8)	–	(35.3)
At 30 April 2016	224.7	58.0	74.1	0.4	357.2
Accumulated Depreciation					
At 1 May 2014	135.0	47.5	71.2	0.2	253.9
Currency translation adjustments	(1.7)	(2.5)	(1.1)	–	(5.3)
Charge for year	18.8	3.9	4.4	–	27.1
Disposals	–	(0.3)	(0.4)	–	(0.7)
At 1 May 2015	152.1	48.6	74.1	0.2	275.0
Currency translation adjustments	4.0	2.2	2.0	–	8.2
Charge for year	19.3	4.5	3.8	–	27.6
Disposals	(14.9)	(8.5)	(11.8)	–	(35.2)
At 30 April 2016	160.5	46.8	68.1	0.2	275.6
Net Book Value					
At 30 April 2016	64.2	11.2	6.0	0.2	81.6
At 30 April 2015	72.3	11.3	4.1	0.2	87.9

Fixtures and fittings includes the following amounts where the Group is a lessee under finance leases:

	2016 £m	2015 £m
Cost – capitalised finance leases	0.6	0.2
Accumulated depreciation	(0.2)	(0.1)
Net Book Value	0.4	0.1

Computer equipment includes the following amounts where the Group is a lessee under finance leases:

	2016 £m	2015 £m
Cost – capitalised finance leases	0.2	0.1
Accumulated depreciation	(0.2)	(0.1)
Net Book Value	–	–

11 PROPERTY, PLANT AND EQUIPMENT – LIMITED LIABILITY PARTNERSHIP

	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 May 2014	196.0	43.9	61.7	0.1	301.7
Currency translation adjustments	(3.4)	(1.9)	(0.9)	–	(6.2)
Additions	7.3	2.7	2.7	–	12.7
Disposals	–	(0.2)	(0.1)	–	(0.3)
At 1 May 2015	199.9	44.5	63.4	0.1	307.9
Currency translation adjustments	5.0	2.0	1.4	–	8.4
Additions	3.6	2.9	4.1	–	10.6
Disposals	(10.9)	(6.5)	(6.6)	–	(24.0)
At 30 April 2016	197.6	42.9	62.3	0.1	302.9
Accumulated depreciation					
At 1 May 2014	118.9	36.0	57.8	0.1	212.8
Currency translation adjustments	(1.1)	(1.6)	(0.9)	–	(3.6)
Charge for year	17.1	2.9	3.5	–	23.5
Disposals	–	(0.2)	(0.1)	–	(0.3)
At 1 May 2015	134.9	37.1	60.3	0.1	232.4
Currency translation adjustments	3.0	1.6	1.3	–	5.9
Charge for year	17.2	3.3	3.0	–	23.5
Disposals	(10.9)	(6.5)	(6.6)	–	(24.0)
At 30 April 2016	144.2	35.5	58.0	0.1	237.8
Net Book Value					
At 30 April 2016	53.4	7.4	4.3	–	65.1
At 30 April 2015	65.0	7.4	3.1	–	75.5

Fixtures and fittings includes the following amounts where the LLP is a lessee under finance leases:

	2016 £m	2015 £m
Cost – capitalised finance leases	0.6	0.2
Accumulated depreciation	(0.2)	(0.1)
Net Book Value	0.4	0.1

Computer equipment includes the following amounts where the LLP is a lessee under finance leases:

	2016 £m	2015 £m
Cost – capitalised finance leases	0.2	0.1
Accumulated depreciation	(0.2)	(0.1)
Net Book Value	–	–

12 INVESTMENTS

The LLP has investments in the following entities:

Name of entity	Country of incorporation/ registration	Activity	Proportion of ordinary shares or ownership
Allen & Overy (Asia) Pte. Limited	Singapore	Supply of legal services	100%
Allen & Overy (Hong Kong) Limited	Hong Kong	Service company	100%
Allen & Overy Legal Services	England & Wales	Supply of legal services in Russia	100%
Allen & Overy Service Company Limited	England & Wales	Service company	100%
Allen & Overy Services Italy srl	Italy	Service company	100%
Allen & Overy Serviços de Consultoria Limitada	Brazil	Service company	100%
Allen & Overy (SSF) Limited	England & Wales	Service company	100%
Allen & Overy (Holdings) Limited	England & Wales	Supply of legal services	100%
Cong Ty Luat Trach Nhiemhuu Han Allen & Overy	Vietnam	Supply of legal services	100%
A.O. Services	England & Wales	Trustee company	100%
First Combined Trust	England & Wales	Dormant	100%
Allen & Overy (Trustee) Limited	England & Wales	Trustee company	100%
Allen & Overy (London) Limited	England & Wales	Dormant	100%
Fleetside Legal Representative Services Limited	England & Wales	Process agent services	100%
Allen & Overy Pension Trustee Limited	England & Wales	Trustee company	100%
Alnery Incorporations No. 1 Limited	England & Wales	Dormant	100%
Alnery Incorporations No. 2 Limited	England & Wales	Dormant	100%
Allen & Overy (Asia) Limited	England & Wales	Dormant	100%
Alnery Nominees (Hong Kong) Limited	Hong Kong	Company secretarial services	100%
Allen & Overy (Legal Advisers) Limited	England & Wales	Holding company	100%
A&O (Legal Advisers) Limited	England & Wales	Dormant	100%
Newchange Limited	England & Wales	Dormant	100%
Alnery Secretarial (Hong Kong) Limited	Hong Kong	Company secretarial services	100%
Allen & Overy Holdings (Thailand) Limited	Thailand	Holding company	47%
Allen & Overy (IHQ) Limited	Thailand	Service company	100%
Allen & Overy Limited	Myanmar	Supply of legal services	49%
Allen & Overy (Australia) (Pty) Limited	Australia	Trustee company	100%
Allen & Overy Africa – Sarl AU	Morocco	Dormant	100%
AO Büro Destek Hizmetleri Limited Şirketi	Turkey	Service company	100%
Allen & Overy (Africa) (Pty) Limited	South Africa	Dormant	100%
Allen & Overy (South Africa) Inc.	South Africa	Dormant	100%
Allen & Overy (Pty) Limited	South Africa	Dormant	100%

The LLP has the power to exercise, or actually exercises, dominant influence or control over a number of other entities and undertakings, these are set out below:

Name of entity	Country of incorporation/ registration	Activity	Proportion of ordinary shares or ownership
Allen & Overy	England & Wales	Supply of legal services in Australia	–
Allen & Overy	England & Wales	Supply of legal services in Hong Kong	–
Allen & Overy	England & Wales	Supply of legal services in Spain	–
Allen & Overy, A. Pedzich sp.k.	Poland	Supply of legal services	–
Allen & Overy Bratislava s.r.o	Slovak Republic	Supply of legal services	–
Allen & Overy LLP – Consultores em Direito Estrangeiro / Direito Norte-Americano	Brazil	Supply of legal services	–
Allen & Overy (Czech Republic) LLP	England & Wales	Supply of legal services	–
Allen & Overy Danişmanlik Hizmetleri Avukatlik Ortakliği	Turkey	Supply of legal services	–
Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho	Japan	Supply of legal services	–
Allen & Overy, société en commandite simple	Luxembourg	Supply of legal services	–
Allen & Overy (South Africa) LLP	England & Wales	Supply of legal services in South Africa	–
Allen & Overy (Thailand) Co. Limited	Thailand	Supply of legal services	49%
aosphere LLP	England & Wales	Development and marketing of legal software	–
Lengyel Allen & Overy Ügyvédi Iroda	Hungary	Supply of legal services	–
Naciri & Associés Allen & Overy	Morocco	Supply of legal services	–
Studio Legale Associato	Italy	Supply of legal services	–
Spitalfields Projects LLP	England & Wales	Supply of legal services	–
Allen & Overy (Greece) LLP	England & Wales	Supply of legal services in Greece	–
Allen & Overy (Canada) LLP	Canada	Supply of legal services	–
Shawe & Botha	South Africa	Supply of legal services in South Africa	–

The LLP has branches in Belgium, the People's Republic of China, France, Germany, Japan, South Korea, the Netherlands, Qatar, Singapore, the United Arab Emirates, the UK, and the United States of America.

The LLP has also entered into association agreements with Ginting & Reksodiputro, an Indonesian law firm, and Gedik & Eraksoy, a Turkish Attorney Partnership, pursuant to which legal services are provided in relation to Indonesian law and Turkish law respectively.

In addition, the LLP has entered into a cooperation arrangement with Khoshaim & Associates (the law office of Zeyad S. Khoshaim, a sole proprietorship licensed to practice in Saudi Arabia) by means of which legal services are provided in the Kingdom of Saudi Arabia.

	Consolidated	Limited Liability Partnership		
	Other Investments £m	Group Interests £m	Other Investments £m	Total £m
Cost				
At 1 May 2014	0.3	0.5	–	0.5
Additions	–	0.1	–	0.1
Disposals	(0.2)	–	–	-
At 1 May 2015	0.1	0.6	–	0.6
Additions	–	9.1	–	9.1
Provision for impairment	–	–	–	-
At 30 April 2016	0.1	9.7	–	9.7
Carrying amount at 30 April 2016	0.1	9.7	–	9.7
Carrying amount at 30 April 2015	0.1	0.6	–	0.6

Other investments include quoted and unquoted shares which are classified as held for trading and are measured at fair value through the income statement. All other investments are stated at cost less provision for impairment.

The new investment in group interests in 2016 represents the conversion of an inter-company loan to share capital in Cong Ty Luat Trach Nhiemhuu Han Allen & Overy (subsidiary in Vietnam).

13 CLIENT AND OTHER RECEIVABLES

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
Client receivables	501.7	473.5	395.4	370.0
Allowance for doubtful receivables	(22.1)	(18.1)	(15.2)	(11.6)
	479.6	455.4	380.2	358.4
Unbilled revenue	125.5	110.2	95.5	83.4
Amounts due from other Group undertakings	–	–	169.1	147.4
Other receivables	21.3	17.6	13.7	7.2
Prepayments	36.1	27.4	29.4	22.6
	662.5	610.6	687.9	619.0

There is no difference between the carrying value of the consolidated or limited liability partnership's client and other receivables and their fair value.

At 30 April 2016 there are £8.6 million of unsecured interest-bearing loans due from group undertakings which are repayable within 12 months. Interest is charged based on LIBOR plus a margin ranging between 1% and 3%. The remaining amounts are unsecured, interest free and repayable on demand.

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES:

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
At 1 May	(18.1)	(16.9)	(11.6)	(10.5)
Currency translation adjustment	(0.6)	0.1	(0.4)	(0.1)
Provision utilised	4.5	5.2	2.4	3.0
	(14.2)	(11.6)	(9.6)	(7.6)
Charged to the income statement	(12.0)	(9.5)	(8.4)	(5.7)
Provision released	4.1	3.0	2.8	1.7
At 30 April	(22.1)	(18.1)	(15.2)	(11.6)

THE AGEING OF CLIENT RECEIVABLES AT THE REPORTING DATE WAS:

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
Not past due	254.4	176.4	219.8	156.5
Past due 0-30 days	69.8	113.4	45.3	79.7
Past due 31-120 days	94.2	100.2	69.9	74.9
Past due greater than 120 days	61.2	65.4	45.2	47.3
	479.6	455.4	380.2	358.4

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Group's maximum exposure to credit risk. Financial assets include client and other receivables and cash. The Group does not hold collateral over these balances.

14 CASH AND CASH EQUIVALENTS

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash and cash equivalents	113.7	117.2	65.5	82.4

Cleared funds are monitored on a daily basis and surplus funds are placed on short-term deposit or invested in the money market.

There is no material difference between the book value of cash and cash equivalents and their fair values.

15 TRADE AND OTHER PAYABLES

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
Trade payables	42.4	32.1	31.0	23.9
Amounts due to other Group undertakings	–	–	74.9	50.8
Employment and sales taxes	27.7	26.5	26.2	24.9
Other payables	15.4	13.0	27.7	28.6
Partners' subordinated loans	53.0	55.8	34.0	33.0
Other amounts due to partners remunerated as employees or consultants	76.5	66.8	49.4	38.4
Accruals	78.2	75.3	63.2	59.9
Deferred rent	27.2	28.3	23.8	25.2
	320.4	297.8	330.2	284.7

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
Included in current liabilities	239.4	215.1	272.7	231.7
Included in non-current liabilities	81.0	82.7	57.5	53.0
	320.4	297.8	330.2	284.7

There is no difference between the carrying value of the consolidated or limited liability partnership's trade and other payables and their fair values.

At 30 April 2016 there are £5.5 million of unsecured interest bearing loans due to group undertakings. Of this balance £3.4 million is repayable within 12 months and the remainder over a term exceeding 12 months. Interest is charged based on LIBOR plus a margin of 2% for the loans repayable within 12 months and 1.76% on the balance due beyond 12 months. The remaining amounts are unsecured, interest free and repayable on demand.

Included within 'Other payables' are gross finance lease liabilities of £0.1 million (2015: £0.1 million).

Allen & Overy is financed through a combination of partners' capital, subordinated loans, undistributed profits and tax retentions. The Board reviews the projected financing requirements annually when agreeing the Group's budget and based on this review sets the value of the Capital Unit. The cash flow forecast for the entire Group is updated regularly and compared to the budget with any significant variance being reported to the Board.

The borrowing facilities arranged vary from overdraft facilities to cover short-term fluctuations in timing of payments and receipts to loan facilities spanning several years. All borrowing facilities are arranged through the LLP. It is the Group's policy to have in place short-term borrowing facilities that comfortably exceed forecast borrowing requirements for the following 12 months.

At 30 April 2016, the LLP had a bank overdraft facility of £10 million and committed bank loan facilities of £150 million (2015: £150 million). At the balance sheet date, no amounts were outstanding.

	£m
The committed facilities expire as follows:	
Between two and three years	100.0
Between three and five years	50.0
	150.0

The overdraft facility is repayable on demand.

Interest on short-term borrowings would be payable at floating rates linked to the base rate and its currency equivalent while any amounts drawn down in respect of the longer-term borrowing facilities would incur interest at floating rates linked to LIBOR.

The financial liabilities of the Group which correspond to trade payables, employment and sales taxes, other payables and accruals as at 30 April 2016 amounted to £293.2 million (2015: £269.5 million).

16 PROVISIONS

PROVISION FOR ANNUITIES:

The LLP has conditional commitments to pay annuities to certain individuals who are either former partners of Allen & Overy or widows of those partners. The annuities are payable only out of future profits of the LLP on which they constitute a first allocation of profits. Further entitlement to these arrangements was withdrawn in 1994. An actuarial valuation of the net present value of the expected liability for the future payments to these individuals is obtained at each year-end and any change to the provision necessary is recorded in the income statement.

The provision for annuities is subject to actuarial adjustments and utilised over the life of the annuitants.

The assumptions used by the actuaries in the calculation of the provision are the same as those used in the valuation of the defined benefit pension scheme, as set out in note 21.

PROVISION FOR EARLY RETIREMENT OF PARTNERS/FORMER PARTNERS

Partners satisfying certain conditions may elect to take early retirement in exchange for future payments, normally spread over five years. These payments are determined by the profits of future years. The present value of the best estimate of the expected liabilities for future payments under this scheme is provided in full in the year in which a partner elects to take early retirement, the charge being included in 'Partners' remuneration charged as an 'expense' in the Consolidated income statement. Any subsequent changes in the provision for liabilities under this scheme arising from changes in financial estimates while the person is still a partner in Allen & Overy are charged or credited under this heading. Once the partner retires any changes are recorded in 'Other operating expenses' in the income statement.

The provision for partners'/former partners' payments has been made using an estimated level of profit for future years, based on current best estimates. This provision has been discounted to the present value using a 2% discount factor. It is expected that the early retirement provision will be paid over the next nine years.

PROVISION FOR ONEROUS LEASES AND DILAPIDATIONS

For leases on properties that have been vacated and are considered surplus, a provision has been recognised to the extent that the continuing rental obligations are not expected to be recovered through subletting. The leases to which this provision relates all expire by 2023.

The provision for dilapidations is in respect of property leases which contain a requirement for the premises to be returned to their original state prior to the conclusion of the lease term. The leases to which this provision relates all expire by the end of 2027.

These provisions have been discounted to the present value using 4%.

	Consolidated					
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for restructuring £m	Provision for onerous leases and dilapidations £m	Total 2016 £m	Total 2015 £m
At 1 May	21.2	32.8	0.7	43.1	97.8	92.8
Currency translation adjustments	–	–	–	0.3	0.3	(0.1)
Provision utilised	(2.1)	(8.2)	(0.7)	(2.9)	(13.9)	(11.1)
	19.1	24.6	–	40.5	84.2	81.6
Charged to the income statement	–	–	–	2.0	2.0	5.7
Charge for the year:						
– former partners	–	0.9	–	–	0.9	1.4
– current partners	–	2.8	–	–	2.8	10.3
Unwind of discount on provision	–	0.3	–	1.4	1.7	1.2
Actuarial adjustment	0.9	–	–	–	0.9	(1.6)
Provision released:						
– former partners	–	–	–	–	–	–
– current partners	–	(1.3)	–	–	(1.3)	(0.8)
Charged to fixed assets	–	–	–	1.0	1.0	–
	0.9	2.7	–	4.4	8.0	16.2
At 30 April	20.0	27.3	–	44.9	92.2	97.8

	2016 £m	2015 £m
Included in current liabilities	9.9	10.5
Included in non-current liabilities	82.3	87.3
	92.2	97.8

	Limited Liability Partnership					
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for restructuring £m	Provision for onerous leases and dilapidations £m	Total 2016 £m	Total 2015 £m
At 1 May	21.2	32.8	0.7	36.2	90.9	90.6
Currency translation adjustments	–	–	–	0.2	0.2	(0.1)
Provision utilised	(2.1)	(8.2)	(0.7)	(1.9)	(12.9)	(11.1)
	19.1	24.6	–	34.5	78.2	79.4
Charged to the income statement	–	–	–	2.6	2.6	1.0
Charge for the year:						
– former partners	–	0.9	–	–	0.9	1.4
– current partners	–	2.8	–	–	2.8	10.3
Unwind of discount on provision	–	0.3	–	1.3	1.6	1.1
Actuarial adjustment	0.9	–	–	–	0.9	(1.6)
Provision released:						
– former partners	–	–	–	–	–	–
– current partners	–	(1.3)	–	–	(1.3)	(0.8)
Charged to fixed assets	–	–	–	0.2	0.2	0.1
	0.9	2.7	–	4.1	7.7	11.5
At 30 April	20.0	27.3	–	38.6	85.9	90.9

	2016 £m	2015 £m
Included in current liabilities	9.0	9.4
Included in non-current liabilities	76.9	81.5
	85.9	90.9

17 CAPITAL COMMITMENTS

The following amounts have been contracted for but not provided in the financial statements:

	2016 £m	2015 £m
Property fit-out costs	1.7	5.1
Computer, telecommunications and other equipment	0.1	–
	1.8	5.1

18 OPERATING LEASE COMMITMENTS

	Consolidated	
	2016 £m	2015 £m
Lease payments under operating leases recognised as an expense in the Income Statement for the year	92.5	89.3
Rent receivable from subleases recognised as Other Income in the Income Statement for the year	16.4	15.6

At 30 April 2016, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2016 £m	2015 £m	2016 £m	2015 £m
Within one year	94.8	89.3	1.0	0.7
Within two to five years	346.1	340.7	2.2	1.5
In more than five years	312.9	371.6	0.2	–
	753.8	801.6	3.4	2.2

At 30 April 2016, the Group had the following minimum amounts to be received under non-cancellable subleases for land and buildings, which fall due as follows:

	Land & Buildings	
	2016 £m	2015 £m
Within one year	12.1	10.5
Within two to five years	36.6	21.0
In more than five years	30.7	9.8
	79.4	41.3

19 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2016 £m	2015 £m
Profit before taxation	562.2	570.0
Adjustments for:		
Depreciation of property, plant and equipment	27.5	27.1
Impairment of investments	–	0.2
Net finance costs	0.7	0.4
Loss on disposal of property, plant and equipment	0.1	0.1
Operating cash flows before movement in working capital	590.5	597.8
Increase in provisions	1.3	8.6
Increase in receivables	(31.4)	(80.7)
Increase in payables	17.1	21.9
Cash generated by operations	577.5	547.6

20 RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Limited Liability Partnership	
	2016 £m	2015 £m
Profit before taxation	445.0	469.8
Adjustments for:		
Depreciation of property, plant and equipment	23.5	23.5
Net finance costs	0.7	0.4
Operating cash flows before movement in working capital	469.2	493.7
Increase in provisions	0.9	3.9
Increase in receivables	(64.0)	(61.8)
Increase/(decrease) in payables	41.4	(18.7)
Cash generated by operations	447.5	417.1

21 RETIREMENT BENEFIT OBLIGATIONS

The LLP operates a pension scheme which includes a defined benefit section and a defined contribution section for its UK based staff. The defined benefit section was closed to new entrants in 1998 and closed to future year accruals in 2007. The assets of the pension scheme are held separately from those of the LLP.

Employees in territories outside the United Kingdom are usually members of insured schemes into which Allen & Overy pays contributions. These are included in amounts shown under the 'Defined contribution section and schemes' heading below.

DEFINED CONTRIBUTION SECTION AND SCHEMES

The cost of contributions to the defined contribution section of the UK pension scheme plus contributions to non-UK pension schemes included in the income statement for the year was £14.2 million (2015: £13.6 million). The cost charged represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

DEFINED BENEFIT SECTION

The LLP sponsors a funded defined benefit pension scheme (the **Scheme**) for qualifying UK employees. The Scheme is administered by a separate board of Trustees which is legally separate from the LLP. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

Under the plan, employees are entitled to annual pensions in retirement based on their salary and service. Benefits are also payable on death and following other events such as withdrawing from active service.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 22 years.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 January 2014 and showed a surplus of £4 million. Prior to completing the 2014 valuation, the LLP paid pre-agreed deficit contributions of £416,666 per month up to 31 August 2014. The next funding valuation is due as at 1 January 2017.

The Scheme exposes the LLP to a number of risks, the most significant of which are:

Asset volatility: The liabilities under IAS19 (revised) are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will worsen the IAS19 (revised) funding position with all else equal. The Scheme holds a large proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bond returns in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields: A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk: The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will reduce the funding position with all else equal.

Life expectancy: The majority of the Scheme's obligations are to provide benefits for the life of the member and their dependants, so increases in life expectancy will result in an increase in liabilities.

The LLP and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy and liability driven investments which aim to reduce the volatility of the funding level of the pension plan. The Trustees insure certain benefits payable on death before retirement.

All assets are stated at their fair value at 30 April 2016. The bid value of assets has been used to determine fair value. The liabilities have been updated from the most recent actuarial valuation, as at 1 January 2014, by an independent qualified actuary from Lane Clark & Peacock LLP.

The principal assumptions used for valuing the liabilities were as follows:

	2016 %	2015 %
Discount Rate	3.5	3.5
RPI inflation	3.0	3.2
CPI inflation	2.0	2.2
Salary increases	3.0	3.2
Pension increase in deferment	2.0	2.2
Pension increases in payment	2.0	2.2

The post-retirement mortality assumptions are based on standard mortality tables which allow for future improvements in life expectancy resulting in the following life expectancies:

	2016 Years	2015 Years
Current pensioners at age 65 – Male	23.3	23.2
Current pensioners at age 65 – Female	24.8	24.7
Future pensioners at age 65 – Male	26.6	26.5
Future pensioners at age 65 – Female	28.3	28.2

The allocation and market value of the Scheme assets at the balance sheet date was as follows:

	2016 £m	2015 £m
Equities	82.3	84.8
Bonds	59.7	67.7
Property	9.4	8.7
Other	20.3	16.5
Present value of defined benefit assets at end of the year	171.7	177.7

The Scheme does not invest directly in property occupied by the firm or in financial securities issued by the firm.

The amounts recognised in the balance sheet are as follows:

	2016 £m	2015 £m
Fair value of scheme assets	171.7	177.7
Present value of defined benefit obligations	(144.3)	(150.8)
Retirement benefit surplus	27.4	26.9

No adjustment has been made to restrict the surplus recognised, since under the Scheme rules the general assets of the Scheme can be used to credit employer contributions in the Defined contribution section.

The amounts recognised in the income statement are as follows:

	2016 £m	2015 £m
Finance Credit:		
Interest on pension scheme assets	6.2	6.9
Finance cost:		
Interest on pension scheme defined benefit obligations	(5.2)	(5.6)
Net finance income for the year	1.0	1.3

The amounts recognised in the statement of comprehensive income are as follows:

	2016 £m	2015 £m
Return on plan assets (in excess of)/below that recognised in net interest	9.7	(12.4)
Actuarial losses/(gains) due to changes in financial assumptions	(6.4)	19.7
Actuarial losses/(gains) due to changes in demographic assumptions	–	0.4
Actuarial (gains)/losses due to liability experience	(2.8)	(4.2)
	0.5	3.5

Changes in the fair value of plan assets are as follows:

	2016 £m	2015 £m
Opening fair value of scheme assets	177.7	159.6
Interest income on scheme assets	6.2	6.9
Remeasurement (losses)/gains on scheme assets	(9.7)	12.4
Contributions by employer	–	1.7
Benefits paid	(2.5)	(2.9)
Closing fair value of scheme assets	171.7	177.7

Changes in the present value of the defined benefit obligations are as follows:

	2016 £m	2015 £m
Opening defined benefit obligation	(150.8)	(131.9)
Interest cost	(5.2)	(5.6)
(Loss)/gain from change in demographic assumptions	–	(0.4)
(Loss)/gain from change in financial assumptions	6.4	(20.0)
Experiences gains/(losses)	2.8	4.2
Benefits paid	2.5	2.9
Closing defined benefit obligation	(144.3)	(150.8)

The actual return on the Scheme assets during the period was a £3.5 million loss (2015: £19.3 million gain).

SENSITIVITY ANALYSIS

The principal actuarial assumptions all have an effect on the IAS 19 (revised) accounting valuations. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

	Defined benefit obligation increase £m
0.25% decrease in the assumed discount rate	8.2
0.25% increase in the expected rate of increase in salaries	0.3
0.25% increase in the assumed rate of inflation	7.9
One-year increase in average life expectancy	4.1

FUTURE CASH FUNDING

The most recent full actuarial valuation was as at 1 January 2014 and was completed in April 2014 using the Projected Unit method. The valuation revealed a surplus at the valuation date. Accordingly, the expected contributions by the firm to the DB section of the Scheme over the next 12 months are nil. However, the triennial funding valuation is due to take place as at 1 January 2017 and may result in a requirement to make contributions.

22 TOTAL PARTNERS'/MEMBERS' INTERESTS

	Consolidated				
	Amounts due from partners £m	Capital classified as a liability £m	Equity £m	Total 2016 £m	Total 2015 £m
Total partners' interests at 1 May	(95.4)	139.1	403.0	446.7	426.6
Total comprehensive income for the year	–	–	404.5	404.5	386.5
Profit allocated to partners	390.7	–	(390.7)	–	–
Drawings and distributions	(380.6)	–	–	(380.6)	(359.5)
Foreign currency capital revaluation	–	0.2	–	0.2	–
Capital introduced	–	13.1	–	13.1	16.2
Capital repaid	–	(13.5)	–	(13.5)	(23.1)
	(85.3)	138.9	416.8	470.4	446.7

	Limited Liability Partnership				
	Amounts due from Members £m	Capital classified as a liability £m	Equity £m	Total 2016 £m	Total 2015 £m
Total partners' interests at 1 May	(69.7)	130.0	368.5	428.8	375.7
Total comprehensive income for the year	–	–	343.7	343.7	351.7
Profit allocated to Members	355.0	–	(355.0)	–	–
Drawings and distributions	(336.1)	–	–	(336.1)	(305.4)
Foreign currency capital revaluation	–	0.2	–	0.2	–
Capital introduced	–	11.7	–	11.7	17.5
Capital repaid	–	(10.3)	–	(10.3)	(10.7)
	(50.8)	131.6	357.2	438.0	428.8

Capital due to partners/Members retiring within one year is shown as current, as it will be repaid within 12 months of the reporting date. Total partners'/Members' capital analysed by repayable dates is as follows:

	Consolidated		Limited Liability Partnership	
	2016 £m	2015 £m	2016 £m	2015 £m
Included in current liabilities	2.9	6.6	2.8	6.4
Included in non-current liabilities	136.0	132.5	128.8	123.6
	138.9	139.1	131.6	130.0

The carrying value of partners' and Members' capital is consistent with fair value in the current and prior year.

23 RELATED PARTY TRANSACTIONS

The key management personnel comprise the Senior Partner and Managing Partner, the heads of the main global practice groups and the support directors. The majority of partners in key management positions maintain significant client responsibilities. The share of the profit and the salaries awarded to these key management personnel for the year ended 30 April 2016 will amount to £13.6 million (2015: £12.7 million).

The Group and the LLP are related parties because they are both controlled by the Board. Related party transactions between the Group and the LLP are disclosed below.

SERVICES IN RESPECT OF CLIENT ENGAGEMENTS

Arrangements are in place for the LLP to supply services to other Group undertakings in connection with client assignments and vice versa. For the year ended 30 April 2016, there was a net provision of services to the LLP from other Group undertakings to the value of £7.8 million (2015: £5.8 million).

ADMINISTRATIVE SUPPORT PROVIDED WITHIN THE GROUP

Global and regional management charges are levied across the Group for the cost of services provided to the global network by central support functions. The staff that perform global and regional roles are located in a number of locations as determined by the directors responsible for the global support functions. For the year ended 30 April 2016, there was a net provision of administrative support to the LLP from other Group entities to the value of £5.8 million (2015: £4.5 million).

BALANCES OUTSTANDING

The balances outstanding between the LLP and other Group undertakings are disclosed as 'Amounts due from other Group undertakings' under note 13 and as 'Amounts due to other Group undertakings' under note 15.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management's objective in managing financial risk is to ensure the long term sustainability of the Group.

As the Group's principal financial instruments comprise cash, client receivables and unbilled revenue, and other payables and accruals that arise directly from operations, the main risks are those that relate to credit in regard to receivables, the Group's liquidity in relation to the payables, and foreign currency risk.

CREDIT RISK

Cash deposits with banks and financial institutions give rise to counterparty risk. The Group manages this counterparty risk by reviewing the credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the year was BBB+.

Although the Group has a policy of performing credit checks on all new clients, its main protection against a significant charge to its income statement for non-recoverability of a client receivable is its wide client base. The Group's large client base of reputable corporations and entities is both geographically diverse and spread across different industry sectors. This ensures that no one client accounts for a significant element of the combined client receivables and unbilled revenue balance. Management regularly reviews the concentration of specific clients to assess whether the level of credit risk is acceptable.

GROUP FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Assets	2016 £m	2016 £m
Net client receivables	479.6	455.4
Unbilled revenue	125.5	110.2
Other receivables	21.3	17.6
Cash	113.7	117.2
	740.1	700.4

The carrying amounts of financial assets are denominated in the following currencies:

	2016 £m	2015 £m
Euro	218.0	208.8
Sterling	260.9	261.9
US Dollar (or currencies linked to US Dollar)	201.5	182.1
Other currencies	59.7	47.6
	740.1	700.4

Liabilities	2016 £m	2015 £m
Trade payables	42.4	32.1
Employment and sales taxes	27.7	26.5
Other payables	15.4	13.0
Partners' subordinated loans	53.0	55.8
Other amounts due to partners remunerated as employees or consultants	76.5	66.8
Accruals	78.2	75.3
	293.2	269.5

The carrying amounts of financial liabilities are denominated in the following currencies:

	2016 £m	2015 £m
Euro	60.5	53.1
Sterling	172.3	163.0
US Dollar (or currencies linked to US Dollar)	55.4	53.1
Other currencies	5.0	0.3
	293.2	269.5

LIQUIDITY RISK

In terms of ability to meet obligations, whether trade creditors, other payables or accruals, the Group carefully monitors its cash flow against its projections. It has a policy of setting its capital and drawings policy to enable the Group's cash funds to be sufficient to meet the Group's obligations. The Group also maintains borrowing facilities to cover any unforeseen cash demands.

FOREIGN CURRENCY RISK

The presentational currency of the Group is Sterling. However, with offices in many different countries, the Group's operations are conducted in many different currencies. In addition, the Group is willing, at a client's request, to invoice in a currency other than the functional currency of the location from which the bill is sent. The principal currencies, other than Sterling, to which the Group is exposed are the Euro and the US Dollar, and other currencies that are linked to the US Dollar.

The effect of foreign currency fluctuations having a material impact on each entity's results is mitigated by the costs incurred by that entity being principally in the functional currency of the location. The Group does not hedge or enter into forward derivative transactions because of the cost of these instruments. However, it does retain currency cash balances which it monitors closely to ensure that the balances in each currency match the currency of the expected future payments.

If the Euro and US Dollar (including currencies linked to the US Dollar) had weakened against all other currencies, the impact on profit before tax and net assets as a result of retranslating financial assets and liabilities would have been as set out below:

	2016		2015	
	Profit £m	Net assets £m	Profit £m	Net assets £m
Euro 5% weaker	(0.9)	8.4	(1.2)	8.0
US Dollar (including linked currencies) 5% weaker	(2.7)	8.2	(2.5)	7.4

The effect of foreign currency fluctuations on the conversion of the entities' results into Sterling is borne by the partners as the profit for the year is determined in Sterling.

Partners based outside London receive their profit shares in Sterling, converted at their request into local currency with an internal protection mechanism equivalent to a collar.

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