

Limited Liability Partnership Registration No. OC311297

Baker & McKenzie LLP

Annual Report and Financial Statements

For the year ended 30 June 2017



Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2017

CONTENTS

	Page
Officers and professional advisers	1
Members' report	2
Statement of members' responsibilities	4
Independent auditor's report	5
Consolidated Statement of Comprehensive Income	8
Consolidated Balance sheet	9
Limited Liability Partnership Balance sheet	10
Consolidated Statement of Changes in Members' Interest	11
Limited Liability Partnership Statement of Changes in Members' Interest	12
Consolidated Cash flow statement	13
Notes to the financial statements	14

Baker & McKenzie LLP

**ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2017**

OFFICERS AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS

H Bradley
A Chadwick
A Poulton
M Kurnatowska

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

BANKERS

HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2017

MEMBERS' REPORT

The members are pleased to present their annual report and audited financial statements of the group for the year ended 30 June 2017.

PRINCIPAL ACTIVITY

The principal activity of Baker & McKenzie LLP is the provision of legal services in the United Kingdom to clients in the UK and overseas.

FIRM STRUCTURE

The LLP is a Limited Liability Partnership registered in the United Kingdom. No branches exist outside the UK.

DESIGNATED MEMBERS

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

H Bradley
A Chadwick (Appointed 1 October 2016)
M Kurnatowska
A Poulton
P Rawlinson (Resigned 1 October 2016)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

The LLP's consolidated profit before tax amounted to £81,353,000 (2016: £70,634,000). The consolidated profit for the year after tax on subsidiaries' profits amounted to £80,662,000 (2016: £70,008,000).

The members regard the LLP's financial position at the year end, and future prospects, to be satisfactory.

GOING CONCERN

Details regarding the adoption of the going concern basis is presented in note 1 of the accounting policies.

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

LEGAL STRUCTURE

Baker & McKenzie LLP, a limited liability partnership registered in England and Wales, was incorporated on 1 February 2005. On 1 October 2010 the employment contracts of all employees of Baker & McKenzie LLP were transferred to Baker & McKenzie Services Limited (which is wholly owned by Baker & McKenzie LLP). From that date Baker & McKenzie Services Limited has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

On 1 September 2013 the employment contracts of certain employees of Baker & McKenzie Services Limited were transferred to Baker & McKenzie Services II LLP. From that date Baker & McKenzie Services II LLP has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

On 5 April 2014 these employment contracts were transferred to Baker & McKenzie Services II. From that date Baker & McKenzie Services II has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

A list of designated members' names is available for inspection at the LLP's registered office.

Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2017

MEMBERS' REPORT (Continued)

MEMBERS' DRAWINGS AND CAPITAL POLICY

The members are remunerated out of the profits of Baker & McKenzie LLP. Allocation of profits is made on a financial statements basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members.

Baker & McKenzie LLP's policy on determining the profits to be allocated and distributed to members in respect of a year is based on a cash received and paid basis. During the year the members receive monthly drawings on account of their share of distributable profits, and further distributions are made such that the entire distributable profit is paid to partners within five months of the year end.

No retention for member's personal tax is made. Members are responsible for settling their liabilities personally.

An individual member's capital requirement is linked to the member's profit share and the number of years of service and the requirements of the business. Capital is repaid to members on resignation or retirement from Baker & McKenzie LLP.

AUDITOR

Deloitte LLP has expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual Members Meeting.

AUDIT INFORMATION

Each of the members at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Members and signed on their behalf


ALEX CHADWICK
Designated Member

27 March 2018


ANTHONY POULTON
Designated Member

27 March 2018

Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 30 June 2017

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the firm (and of the group) and of the profit or loss of the group for that period. In preparing these financial statements, the members are required to:

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

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

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

Baker & McKenzie LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Baker & McKenzie LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent limited liability partnership balance sheets;
- the consolidated and parent limited liability partnership statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Baker & McKenzie LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP

OTHER INFORMATION

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF MEMBERS

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the group's and the parent limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the group or the parent limited liability partnership or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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

Baker & McKenzie LLP

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BAKER & MCKENZIE LLP**

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the members' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent limited liability partnership and their environment obtained in the course of the audit, we have not identified any material misstatements in the members' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



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

28 March 2018

Baker & McKenzie LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2017

	Notes	2017 £000's	2016 £000's
TURNOVER	3	187,273	176,076
Administrative expenses		(108,463)	(107,485)
Other operating income		1,948	1,889
OPERATING PROFIT	4	80,758	70,480
Net interest receivable	7	595	154
PROFIT BEFORE TAXATION		81,353	70,634
Taxation	9	(691)	(626)
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		80,662	70,008

All results relate to continuing activities.

There are no items of other comprehensive income in the current or preceding year.

The limited liability partnership has taken advantage of section 408 of Companies Act 2006 not to publish a separate Income Statement and Statement of Comprehensive Income.

The notes 1 to 23 form part of these financial statements.

Baker & McKenzie LLP

CONSOLIDATED BALANCE SHEET
As at 30 June 2017

	Notes	2017 £000's	2016 £000's
FIXED ASSETS			
Tangible assets	11	4,316	4,929
Investment in subsidiary undertaking		-	-
		<u>4,316</u>	<u>4,929</u>
CURRENT ASSETS			
Debtors	12	134,720	106,100
Amounts due from members		72,411	77,674
Cash at bank and in hand		4,565	5,054
		<u>211,696</u>	<u>188,828</u>
Creditors: amounts falling due within one year	13	(29,134)	(27,297)
NET CURRENT ASSETS		<u>182,562</u>	<u>161,531</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		186,878	166,460
Provisions for liabilities	15	(35)	(35)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>186,843</u>	<u>166,425</u>
REPRESENTED BY			
Loans and other debt due to members within one year:			
Members' capital classified as a liability		19,261	17,121
Equity:			
Other reserves		167,582	149,304
MEMBERS' OTHER INTERESTS		<u>186,843</u>	<u>166,425</u>
TOTAL MEMBER INTERESTS			
Members' other interests		186,843	166,425
Amounts due from members		(72,411)	(77,674)
		<u>114,432</u>	<u>88,751</u>

These financial statements of Baker & McKenzie LLP (Registration No. OC311297) were approved by the Members on 27 March 2018.

Signed on behalf of the Members


ALEX CHADWICK
Designated Member


ANTHONY BOULTON
Designated Member

The notes 1 to 23 form part of these financial statements.

Baker & McKenzie LLP

**LIMITED LIABILITY PARTNERSHIP BALANCE SHEET
As at 30 June 2017**

	Notes	2017 £000's	2016 £000's
FIXED ASSETS			
Tangible assets	11	4,316	4,929
CURRENT ASSETS			
Debtors	12	133,836	105,287
Amounts due from members		71,882	75,486
Cash at bank and in hand		4,266	4,843
		209,984	185,616
Creditors: amounts falling due within one year	13	(34,272)	(30,665)
NET CURRENT ASSETS		175,712	154,951
TOTAL ASSETS LESS CURRENT LIABILITIES		180,028	159,880
Provisions for liabilities	15	(35)	(35)
NET ASSETS ATTRIBUTABLE TO MEMBERS		179,993	159,845
REPRESENTED BY			
Loans and other debt due to members within one year:			
Members' capital classified as a liability		19,261	17,121
Equity:			
Other reserves		160,732	142,724
MEMBERS' OTHER INTERESTS		179,993	159,845
TOTAL MEMBER INTERESTS			
Members' other interests		179,993	159,845
Amounts due from members		(71,882)	(75,486)
		108,111	84,359

The profit for the financial year attributable to the parent undertaking Baker & McKenzie LLP was £75,055,000 (2016: £67,669,000).

These financial statements of Baker & McKenzie LLP (Registration No. OC311297) were approved by the Members on 27 March 2018.

Signed on behalf of the Members


ALEX CHADWICK
Designated Member


Designated Member ANTHONY POULTON

The notes 1 to 23 form part of these financial statements.

Baker & McKenzie LLP

**CONSOLIDATED STATEMENT
OF CHANGES IN MEMBERS' INTEREST
As at 30 June 2017**

	Members' capital £'000	Other reserves £'000	Total £'000	Amounts due from members £'000	Total members' interests £'000
MEMBERS' INTEREST AT 1 JULY 2015	15,054	128,725	143,779	(77,898)	65,881
Profit for the financial year available for discretionary division among members	-	70,008	70,008	-	70,008
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	15,054	198,733	213,787	(77,898)	135,889
Currency translation difference	1,773	-	1,773	-	1,773
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	16,827	198,733	215,560	(77,898)	137,662
Allocated profits	-	(49,429)	(49,429)	49,429	-
Capital introduced	2,227	-	2,227	-	2,227
Repayment of capital	(1,322)	-	(1,322)	-	(1,322)
Capital due to former members	(611)	-	(611)	-	(611)
Loan to members	-	-	-	102	102
Drawings	-	-	-	(49,307)	(49,307)
AT 30 JUNE 2016	<u>17,121</u>	<u>149,304</u>	<u>166,425</u>	<u>(77,674)</u>	<u>88,751</u>
Profit for the financial year available for discretionary division among members	-	80,662	80,662	-	80,662
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	17,121	229,966	247,087	(77,674)	169,413
Currency translation difference	245	-	245	-	245
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	17,366	229,966	247,332	(77,674)	169,658
Allocated profits	-	(62,384)	(62,384)	62,384	-
Capital introduced	3,854	-	3,854	-	3,854
Repayment of capital	(1,879)	-	(1,879)	-	(1,879)
Capital due to former members	(80)	-	(80)	-	(80)
Loan to members	-	-	-	701	701
Drawings	-	-	-	(57,822)	(57,822)
AT 30 JUNE 2017	<u>19,261</u>	<u>167,582</u>	<u>186,843</u>	<u>(72,411)</u>	<u>114,432</u>

The notes 1 to 23 form part of these financial statements.

Baker & McKenzie LLP

**LIMITED LIABILITY PARTNERSHIP STATEMENT
OF CHANGES IN MEMBERS' INTEREST
As at 30 June 2017**

	Members' capital £'000	Other reserves £'000	Total £'000	Amounts due from members £'000	Total members' interests £'000
MEMBERS' INTEREST AT 1 JULY 2015	15,054	121,195	136,249	(75,028)	61,221
Profit for the financial year available for discretionary division among members	-	67,669	67,669	-	67,669
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	15,054	188,864	203,918	(75,028)	128,890
Currency translation difference	1,773	-	1,773	-	1,773
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	16,827	188,864	205,691	(75,028)	130,663
Allocated profits	-	(46,140)	(46,140)	46,140	-
Capital introduced	2,227	-	2,227	-	2,227
Repayment of capital	(1,322)	-	(1,322)	-	(1,322)
Capital due to former members	(611)	-	(611)	-	(611)
Loan to members	-	-	-	102	102
Drawings	-	-	-	(46,700)	(46,700)
AT 30 JUNE 2016	17,121	142,724	159,845	(75,486)	84,359
Profit for the financial year available for discretionary division among members	-	75,055	75,055	-	75,055
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	17,121	217,779	234,900	(75,486)	159,414
Currency translation difference	245	-	245	-	245
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	17,366	217,779	235,145	(75,486)	159,659
Allocated profits	-	(57,047)	(57,047)	57,047	-
Capital introduced	3,854	-	3,854	-	3,854
Repayment of capital	(1,879)	-	(1,879)	-	(1,879)
Capital due to former members	(80)	-	(80)	-	(80)
Loan to members	-	-	-	701	701
Drawings	-	-	-	(54,144)	(54,144)
AT 30 JUNE 2017	19,261	160,732	179,993	(71,882)	108,111

The notes 1 to 23 form part of these financial statements.

Baker & McKenzie LLP**CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2017**

	Notes	2017 £000's	2016 £000's
NET CASH FLOWS USED IN OPERATING ACTIVITIES	16	54,696	43,775
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of equipment		(844)	(1,803)
Interest received		640	165
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(204)</u>	<u>(1,638)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Loans to members		701	102
Payments to or on behalf of the members		(57,822)	(49,307)
Capital contributions by members		3,854	2,227
Repayments to former members		(1,959)	(1,933)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(55,226)</u>	<u>(48,911)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(734)	(6,774)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,054	10,055
Effect of foreign exchange rate changes		245	1,773
CASH AND CASH EQUIVALENTS AT END YEAR		<u>4,565</u>	<u>5,054</u>
RECONCILIATION TO CASH AT BANK AND IN HAND:			
Cash at bank and in hand		4,565	5,054
CASH AND CASH EQUIVALENTS		<u>4,565</u>	<u>5,054</u>

The notes 1 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

1. ACCOUNTING POLICIES

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

General information and basis of accounting

Baker & McKenzie LLP ("the Partnership") is incorporated in the United Kingdom under the Limited Liability Partnership Act 2000 and registered in England and Wales. The full address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Members' Report on pages 2 to 3.

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

The functional currency of the group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in pounds sterling.

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

Going concern

The members have prepared the financial statements on the going concern basis. The Partnership's principal activity and policy on members' drawings and capital is set out in the Members' Report on pages 2 to 3.

The members have reviewed the Partnership's forecast cash flow projections for a period of at least 12 months from the date of signing of the financial statements. As a consequence, the members believe that the Partnership is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The members continually review the Partnership's plans in respect of the activities and the group's financial position to ensure the Partnership is profitable, has positive net current assets, net assets and positive cash flows.

On this basis, the members are satisfied that the Partnership has adequate resources to continue in operational existence for the foreseeable future.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Baker & McKenzie LLP and all of its subsidiary undertakings, Baker & McKenzie Services Limited and Baker & McKenzie Services II, drawn up to 30 June each year.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, on each asset on a straight line basis over its expected useful life, as follows:

Leasehold improvements	shorter of 10% per annum or the length of the lease
Computer equipment	20% - 33.33% per annum
Fixtures and fittings	12.5% - 20% per annum

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

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

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

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

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

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

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

Turnover

Fee income represents amounts receivable, both billed and unbilled, for services provided in the normal course of business net of VAT and disbursements.

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income in accordance with Section 23 Revenue of Financial Reporting Standard 102. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement.

Unbilled fee income is included as amounts recoverable from clients within debtors. Amounts recoverable on contracts are stated at fair value where the right to consideration has been obtained. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the group. Contingent fee income (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

1. ACCOUNTING POLICIES (CONTINUED)

Members' interests

In accordance with Financial Reporting Standard 102: Section 22 members' interests have been presented as follows:

- classification of members' capital as a financial liability; and
- discretionary profit allocations are classified as a division of profits within members' interests.

Baker & McKenzie LLP's policy on determining the profits to be allocated and distributed to members in respect of a year is based on a cash received and paid basis.

Allocation of profits is made on a financial statement year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members.

Members' other interests rank after unsecured creditors. Loans and other debts due to members rank *pari passu* with unsecured creditors in the event of winding up.

Taxation

The taxation payable on the partnership profits is the personal liability of the members. Consequently, *neither partnership taxation nor related deferred taxation are accounted for in the financial statements.*

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

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax relating to corporate subsidiaries is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains and losses on translation are included in the profit and loss account.

Provisions

Provision is made on a case by case basis in respect of the cost of defending claims and, where appropriate, the estimated cost to Baker & McKenzie LLP of settling claims. Separate disclosure is not made of any expected insurance recoveries in respect of claims on the grounds that disclosure might seriously prejudice the position of the firm.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs

Baker & McKenzie LLP operates a defined contribution pension scheme for staff. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Members of Baker & McKenzie LLP are required to make their own provision for pensions.

Allocation of profits

A member's share in the profit or loss for the year is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

Holiday pay

The group makes provision for holiday entitlement accrued by staff but not yet taken at the balance sheet date based on the relevant salaries at that date.

Other operating income

Sundry amounts receivable from recharging costs to clients and other third parties.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Partnership's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgement, apart from those involving estimations, that the members have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements is:

Revenue recognition – accrued income

The value of accrued income is derived on the basis of estimations and assumptions regarding the fair value of unbilled time at the year-end which is then compared to post year end billing.

3. TURNOVER

Turnover represents fee income earned from the provision of legal services and is stated net of value added tax. No geographical segmental analysis has been shown as the members believe that such a disclosure would be seriously prejudicial to the business.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June 2017

4. OPERATING PROFIT

	2017 £000's	2016 £000's
Operating profit is stated after charging:		
Depreciation		
- owned assets	1,354	1,235
Rentals under operating leases		
Other operating leases	6,845	6,807
Exchange gain	(8,638)	(4,879)
Loss on disposal of fixed assets	103	-
	<u>103</u>	<u>-</u>

5. AUDITOR'S REMUNERATION

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

	2017 £'000	2016 £'000
Fees payable to the Group LLP's auditor and its associates for the audit of the Limited Liability Partnerships financial statements	57	59
Fees payable to the Group LLP's auditor and its associates for other services to the Group		
The audit of the Group LLP's subsidiaries	9	9
Total audit fees	<u>66</u>	<u>68</u>
Taxation compliance services	260	241
Other assurance services	39	38
Total non-audit fees	<u>299</u>	<u>279</u>

Fees payable to Deloitte for non-audit services to the Partnership are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

No services were provided pursuant to contingent fee arrangements.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

6. STAFF COSTS

	2017 No.	2016 No.
Average monthly number of persons employed during the year (excluding members)		
Practice	353	340
Support staff	327	308
	<u>680</u>	<u>648</u>
	2017	2016
	£000's	£000's
Employee costs during the year amounted to:		
Wages and salaries	56,950	51,023
Social security costs	7,430	6,651
Pension costs (note 20)	2,090	1,834
	<u>66,470</u>	<u>59,508</u>

There are no employees in the Limited Liability Partnership.

7. NET INTEREST RECEIVABLE

	2017 £000's	2016 £000's
Interest receivable from group undertakings	602	130
Bank interest receivable	38	35
Interest payable	(45)	(11)
	<u>595</u>	<u>154</u>

8. MEMBERS' SHARE OF PROFITS

Allocation of profits is made on a financial statement year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members. All members are required to make their own provision for pensions from their profit shares.

The profit attributable to the member with the largest entitlement was £2,577,000 (2016: £1,203,000).

	2017	2016
Average number of members during the year	<u>92</u>	<u>83</u>

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

9. TAXATION

	2017 £000's	2016 £000's
Current tax	691	626
Profit before taxation	81,353	70,634
Less amounts subject to personal tax	(80,392)	(70,957)
Dividend from group undertaking	2,450	3,400
Profits subject to taxation	3,411	3,077
UK corporation tax of 19.75% (20% to 31 March 2016)	674	615
Tax effect of		
- Expenses disallowed for tax purposes	14	8
Adjustments in respect of prior year	3	3
	691	626

The standard rate of tax applied to reported profit before taxation is 19.75% (2016: 20%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

Also under Finance Act 2015, the rate was due to reduce from 19% to 18% from 1 April 2020 but in Finance Act 2016, which was substantially enacted on 15 September 2016, the rate that will apply from 1 April 2020 was reduced from 18% to 17%. These rate reductions will reduce the future tax charge of the group.

10. PROFIT ATTRIBUTABLE TO THE LIMITED LIABILITY PARTNERSHIP

The partnership has taken advantage of Section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own statement of comprehensive income in these financial statements.

The profit attributed to the Limited Liability Partnership is disclosed in the footnote to the Limited Liability Partnership's balance sheet.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

11. TANGIBLE FIXED ASSETS - CONSOLIDATED AND LIMITED LIABILITY PARTNERSHIP

	Leasehold improvements £000's	Fixtures and fittings £000's	Computer equipment £000's	Total £000's
Cost				
At 1 July 2016	8,279	7,325	6,509	22,113
Additions	99	242	503	844
Disposals	(9)	(437)	(954)	(1,400)
	<u>8,369</u>	<u>7,130</u>	<u>6,058</u>	<u>21,557</u>
Accumulated depreciation				
At 1 July 2016	6,356	6,532	4,296	17,184
Charge for the year	365	224	765	1,354
Disposals	(8)	(381)	(908)	(1,297)
	<u>6,713</u>	<u>6,375</u>	<u>4,153</u>	<u>17,241</u>
Net book value				
At 30 June 2017	<u>1,656</u>	<u>755</u>	<u>1,905</u>	<u>4,316</u>
At 30 June 2016	<u>1,923</u>	<u>793</u>	<u>2,213</u>	<u>4,929</u>

12. DEBTORS

	Consolidated		Limited Liability Partnership	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Due within one year:				
Trade debtors	47,073	49,829	47,073	49,829
Amounts recoverable from clients in respect of unbilled work performed	23,267	18,412	23,267	18,412
Amounts due from other member firms of the Baker & McKenzie global organisation	57,046	30,818	56,946	30,639
Other debtors	3,544	3,459	3,301	3,189
VAT	-	-	37	-
Prepayments	3,790	3,582	3,212	3,218
	<u>134,720</u>	<u>106,100</u>	<u>133,836</u>	<u>105,287</u>

The amounts due from other member firms of the Baker & McKenzie global organisation are unsecured and repayable on demand. The interest rate is agreed annually with the relevant member firms that the balances are due from.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 30 June 2017

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Limited Liability Partnership	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Trade creditors	13,141	12,378	12,446	11,819
Amounts due to group undertakings	-	-	15,042	10,286
Amounts due to other member firms of the Baker & McKenzie global organisation	1,396	2,427	1,449	3,947
Corporation tax	351	316	-	-
Other taxation and social security	2,289	2,529	-	462
Sundry creditors	1,050	1,019	1,049	1,018
Accruals and deferred income	10,907	8,628	4,286	3,133
	<u>29,134</u>	<u>27,297</u>	<u>34,272</u>	<u>30,665</u>

The amounts due to group undertakings and other member firms of the Baker & McKenzie global organisation are unsecured, interest free and repayable on demand.

14. FINANCIAL INSTRUMENTS

	Consolidated		Limited Liability Partnership	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Financial assets				
Financial assets that are debt instruments measured at amortised cost	112,228	89,160	111,586	88,500
	<u>112,228</u>	<u>89,160</u>	<u>111,586</u>	<u>88,500</u>
Financial liabilities				
Financial liabilities measured at amortised cost	26,494	24,452	34,272	30,203
	<u>26,494</u>	<u>24,452</u>	<u>34,272</u>	<u>30,203</u>

Consolidated and Limited Liability Partnership

Financial assets measured at amortised cost comprise cash at bank, trade debtors, owed by other member firms of the Baker & McKenzie global organisation and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts due to group undertakings and other member firms of the Baker & McKenzie global organisation, sundry creditors and accruals.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

15. PROVISIONS FOR LIABILITIES

Consolidated and Limited Liability Partnership

	1 July 2016 £000's	Utilised in the current year £000's	Released in the current year £000's	30 June 2017 £000's
Client claim provisions	35	-	-	35

Client claim provisions are the estimated cost of defending and concluding client claims. No separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice Baker & McKenzie LLP.

16. CASH FLOW STATEMENT

Reconciliation of operating profit to net cash from operating activities:

	2017 £'000	2016 £'000
Operating profit	80,758	70,480
Adjustment for:		
Depreciation	1,354	1,235
Loss on disposal of fixed assets	103	-
Increase in debtors	(28,620)	(32,094)
Increase in creditors	1,802	4,761
Cash generated by operations	55,397	44,382
Interest paid	(45)	(11)
Income taxes paid	(656)	(596)
Net cash from operating activities	54,696	43,775

17. PRINCIPAL GROUP INVESTMENTS

Baker & McKenzie LLP has an investment in Baker & McKenzie Services Limited of 4 ordinary shares at a total value of £4 and control over its subsidiary Baker & McKenzie Services II.

	Country of incorporation	Address	Principal activity	Proportion held
Baker & McKenzie Services Limited Subsidiary undertaking	UK	100 New Bridge Street, London	Provision of support services	100%
Baker & McKenzie Services II Subsidiary undertaking	UK	100 New Bridge Street, London	Provision of support services	100%

18. RESERVES

Other reserves

Includes all current and prior year retained profits and losses, that have not been distributed to members yet.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

19. OBLIGATIONS UNDER OPERATING LEASES

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

Land and Building

	Land and Buildings 2017 £'000	Other 2017 £'000	Land and Buildings 2016 £'000	Other 2016 £'000
Consolidated				
- within one year	6,807	134	6,807	-
- between one and five years	27,228	229	27,228	-
- after five years	10,211	-	17,018	-
	<u>44,246</u>	<u>363</u>	<u>51,053</u>	<u>-</u>
Limited Liability Partnership				
- within one year	6,807	134	6,807	-
- between one and five years	27,228	229	27,228	-
- after five years	10,211	-	17,018	-
	<u>44,246</u>	<u>363</u>	<u>51,053</u>	<u>-</u>

20. PENSIONS

The group operates a defined contribution pension scheme.

The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £2,090,000 (2016: £1,834,000).

Amounts due as at 30 June 2017: £183,000 (2016: £155,000).

21. TRANSACTIONS WITH RELATED PARTIES

The total remuneration for key management personnel in the year was £6,521,000 (2016: £5,530,000).

Baker & McKenzie LLP is a member firm of Baker & McKenzie International, a Swiss Verein. In the opinion of the members Baker & McKenzie LLP is not related with any other member firm of Baker & McKenzie International as defined for the purposes of Financial Reporting Standard 102 section 33 'Related Party Disclosures'.

Baker & McKenzie LLP has relied upon the exemption given in Financial Reporting Standard 102 section 33 "Related Party Disclosures" not to disclose transactions between itself and its subsidiary undertakings.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

22. CONTINGENT LIABILITIES

Baker & McKenzie International BV ("BMIBV") is the primary financing vehicle for Baker & McKenzie International, a Swiss Verein, and its member firms, including Baker & McKenzie LLP. Each member firm of the Verein has entered into arrangements with BMIBV pursuant to which such entity may borrow funds from BMIBV.

In order to obtain the funds to make loans to the member firms, BMIBV has entered into an arrangement to obtain loans from certain banks.

As part of the arrangements between BMIBV and the banks, Baker & McKenzie LLP has entered into guarantee arrangements with the Banks pursuant to which it has guaranteed a portion of the bank loans equal to its then outstanding loans from BMIBV.

At 30 June 2017 and 30 June 2016 the obligations of Baker & McKenzie LLP under these do not exceed that amount already recognised as payable to BMIBV.

23. CONTROLLING PARTY

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