Allen & Overy LLP

Annual Report and Financial Statements for the year ended 30 April 2011

Report to the Members

The Board presents its report to the Members and the audited consolidated financial statements of Allen & Overy LLP for the year ended 30 April 2011.

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 2011. Allen & Overy is the collective name for an international legal practice comprising Allen & Overy LLP and its subsidiary undertakings.

Allen & Overy LLP (the **LLP**) is a limited liability partnership registered in England and Wales with registered number OC306763. A list of Members' names 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 Allen & Overy LLP's principal place of business and registered office. For more information visit our website at www.allenovery.com.

Partners/Members

The term **partner** in this document is used to refer to a Member of Allen & Overy LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of Allen & Overy LLP's subsidiary undertakings. The term **Member** in this document is used to refer only to a Member of Allen & Overy LLP.

Principal activity

Allen & Overy's principal activity is the provision of legal services from offices in the Asia Pacific Region, Europe, the Middle East and the Americas. All results derive from continuing activities.

Business review

The results of the year ended 30 April 2011 reflect the Group's continued emphasis on providing the best legal services to meet current and future client needs. We have invested in partner numbers, by both internal promotions and lateral hires, expanded our global reach and have taken action to reduce our cost base.

The average number of full partners increased by 12% during the year, which includes 34 lateral hires. The most significant investments were in the Asia Pacific region, France, Germany and New York. Within the year the Group's presence within the Asia Pacific region increased from 48 to 70 partners, which has enabled the turnover in this region to increase by 46%. The offices opened in the previous fiscal year, in Sydney and Perth in Australia and Doha in Qatar, were all expanded and we entered into an exclusive association agreement with an Indonesian law firm.

The benefits of our global reach were demonstrated by 69% of the Group's turnover being generated by assignments that involved lawyers in two or more countries. 47% of the Group's turnover was generated by assignments that involved lawyers in three or more countries.

Turnover rose by 7% to £1,120 million reflecting the Group's recent investments in emerging and high growth markets.

The recent recession is still impacting some of our offices. However, we have been encouraged by recent trends in activity levels in these markets.

We carefully reviewed our cost structure this year, resulting in a decision to relocate some administrative support services from London to Belfast. The decision was subject to a staff consultation process which was completed before the year end. The effect of this decision on the Group's results for the year ended 30 April 2011 was a cost of £4 million, which included a provision of £3 million for redundancies which will happen during the next 12 months.

To further reduce costs we elected to move out of our Canary Wharf office and locate all the lawyers in London in Bishops Square. This will improve the collaboration between teams in London and eliminates some duplication of overhead costs. The accounting standards require that the entire cost of this decision, including the cost of the space being empty for a period in the future, has to be recognised in this year's results. However, the Board has decided that as a matter of equity between partners the cost will be recognised for partner distributions during the life of the lease.

The Group continued to improve and expand its offices and invest in IT to enhance efficiencies and improve services. During the year plans were implemented to move offices in five locations and to completely refit one office. Our business management system, 3E, implemented last year, became fully operational and a new business development tool, EPIC, went live.

Overall continuing costs rose by 6% to £675 million while one off costs amounted to £29 million. The profit before taxation remained broadly flat at £431 million.

Despite the continuing pressure on price and the lack of market growth in some economies, the Board is confident that investing now for the future is the best way to advance the strategy agreed by the partners.

Management

The development and implementation of policies and strategy and the co-ordination of management and overall direction of the Group are the responsibility of the Board. The Board comprises the following members:

David Morley	Senior Partner	(Designated Member)
Wim Dejonghe	Managing Partner	(Designated Member)
Cathy Bell-Walker		(Designated Member)
Tim House		(Designated Member)
Alan Paul		(Designated Member)
Helge Schaefer		(Designated Member)
Jane Townsend		(Designated Member)
Boyan Wells		(Designated Member)

Report to the Members – continued

The Senior and Managing Partners and six independent partners are all elected by the partners for a period of four years. Further individuals may be co-opted onto the Board for a period of two years. The Board indirectly controls the subsidiary undertakings; however, some may have separate management structures which may include representatives of the Board. The Board meets several times a year and varies the location of Board meetings between offices around the world.

Overall responsibility for the key support functions rests with the directors: At 30 April 2011 the directors were:

Richard Grove	Marketing and Business Development Director
Jason Haines	Finance (from 1 August 2010), and Information Technology Director
Gill Smith	Business Improvement and Business Services Director (from 1 August 2010)
Genevieve Tennant	Human Resources Director

Practice Protection Group

The Board, the partners and the directors are also served by the Practice Protection Group comprising of the Partnership Office led by the Head of Risk and Compliance, Heather McCallum, the Business Acceptance Unit led by Simon Fuge, and Andrew Clark, the General Counsel. Between them they deal with client acceptance, partnership affairs and day-to-day risk management and compliance issues.

IT Board

Given the significance of information technology (IT) in the business, an IT Board, made up of partners and others drawn from across Allen & Overy, is responsible for ensuring that we receive value for our substantial investment in IT. The IT Board has ultimate responsibility for considering potential IT investments and prioritising investment decisions.

Audit Committee

The Audit Committee is appointed by the Board and consists of five partners and one independent external member. The Audit Committee is responsible for reviewing the Group's financial risk. It reviews Allen & Overy's financial statements and receives reports from the external auditors regarding the findings of the audit. It considers the scope, results and effectiveness of internal and external audits, including the review of the independence of the external auditors and their non-audit services and fees. It met five times in the year ended 30 April 2011.

Risk Committee

The newly formed Risk Committee consists of eight partners, is appointed by the Board and met twice during the year. In future it will meet three times each year. The Risk Committee's role is to identify and assess the firm's material risks, formulate and review the firm's approach to risk, and to support others with risk management responsibilities to improve control and the co-ordination of risk management across the firm. The Risk Committee liaises with other managers of legal and non-legal departments, and with relevant committees and groups within the firm.

Principal risks and uncertainties

The principal risk and uncertainty that affects the financial results of the Group is the variability of the market for premium legal advice. Management seeks to match the Group's resources to the expected demand while taking up opportunities to expand the Group's market share and international reach.

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. These risks are discussed in note 24.

Partners' profit share, drawings and the subscription and repayment of partners' capital

Where a partner receives his/her remuneration as a director of a company, 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 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 directors, employees or consultants are shown in "other payables".

Partners subscribe the entire capital of Allen & Overy, which they provide interest free. Therefore a proportion of the share of profits each partner receives can be considered as a return on capital employed. The amount of capital per profit sharing point is agreed by the partners following a recommendation by the Board with reference to the expected future cash flows of the business. Capital is repaid to partners after they cease to be partners of Allen & Overy.

The amount of profit to be distributed to partners is determined by the Board after the year end.

Partners usually draw a proportion of their expected profit share in 12 monthly instalments during the year in which the profit is made, 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 amounts retained to settle their tax liabilities and 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.

Report to the Members – continued

Staff

Allen & Overy is committed to equal opportunities. Its people are diverse and are chosen for their experience, potential and personal attributes regardless of gender, sexual orientation, marital status, age, race, colour, nationality, ethnic origin, religion or disability. With regard to individuals who become disabled, the policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment wherever practicable.

Allen & Overy places considerable value on the views of its staff and has continued to keep them informed on matters affecting them and on the performance of Allen & Overy. This is achieved through daily updates on our intranet and a weekly newsletter emailed to everyone at the firm. There is also a quarterly magazine Articles & Opinions, regular webcasts and briefings by the global Senior and Managing Partners, as well as regular office and practice group meetings. Allen & Overy encourages the involvement of staff in its performance through a variety of bonus scheme arrangements, the values of which are linked to the profitability of the Group.

Staff representatives are consulted regularly on a wide range of matters affecting their current and future interests, and an associate and counsel representative are invited to attend management meetings.

Environment

Allen & Overy is improving upon its historic environmental performance. Detailed data analysis has enabled us to develop a portfolio of projects across all areas of impact including our carbon footprint and our waste, procurement and resource management. This continuing analysis and planning is now being applied across all of our international offices to empower our internal communities to make environmentally considerate choices, and to support external charities, clients and community.

This improvement is underpinned in our continuing Environmental Management System certification under ISO 14001 and under the Carbon Trust Standard for carbon footprint management. Allen & Overy participated in leading the Legal Sector Alliance to address climate change and other environmental issues, and supports the Alliance's expansion in Australia and North America.

Pro Bono and Community Affairs

As a law firm, we are interested in fairness – 'justice around the world' is the theme we have adopted to express our commitment to behaving responsibly. This reflects our belief that everyone deserves fair treatment and we have put this at the heart of our global corporate responsibility programme.

We implement this in the way that we think about and work with our people, the environment, the marketplace and the community around us. We integrate our programmes into the way we do business and the relationships we build with our clients.

As part of this wider commitment, we continue to deliver a very extensive global pro bono and community affairs programme, which is an important part of who we are and the values on which we build our business. As a leading global law firm, with broad international coverage and deep local roots, Allen & Overy is in a unique position to have a positive impact on the communities in which we live and work and to help those in need in the wider world.

We seek innovative opportunities to make best use of our skills, resources, time and energy. We encourage all to become involved in our programmes and believe that being involved offers our people a valuable opportunity for personal and professional development.

Our programmes are structured around themes relevant to our business:

- Global Firm, Global Responses – seeking out opportunities to use the firm's global presence to target those who will benefit most;
- Access to Justice – using the firm's legal skills in a variety of contexts to bring access to justice for people and organisations who may be denied it;
- Access to Education & Employment – raising the aspirations and achievements of young people and encouraging them to fulfil their potential;
- Helping our Local Communities – helping the vulnerable and underserved in the communities around us.

Over the last financial year our lawyers recorded in excess of 41,500 hours of pro bono activity. This figure does not reflect the significant contribution and hours spent by support staff, who do not currently record their time.

In addition to donating time, Allen & Overy provides financial support to a wide range of organisations. The firm manages its charitable giving as a firm through the Allen & Overy Global Foundation, which is funded by all of our partners globally.

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. Trade creditors of Allen & Overy at 30 April 2011 were equivalent to 32 days' purchases (2010 – 33 days), based on the average daily amount invoiced by suppliers during the year.

Financing

Allen & Overy is financed through a combination of partners' capital, undistributed profits (including tax retentions) and borrowing facilities arranged with a number of banks. As shown in note 22, total partners' capital within Allen & Overy has increased during the year by £12.7 million to £139.7 million.

At 1 May 2011 the Group had unused general bank overdraft facilities of £10.0 million and unused committed bank facilities of £122.5 million (note 16).

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.

Report to the Members – continued

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.

Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the **Regulations**) require 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 (**IFRSs**) 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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.

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

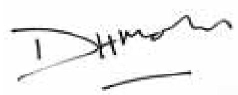
Statement on disclosure of information to auditors

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.

Approval

Approved by the partners and signed on their behalf on 22 July 2011 by



David Morley
Senior Partner

Independent auditors' report to the Members of Allen & Overy LLP

We have audited the financial statements of Allen & Overy LLP (the **LLP**) and the financial statements of the LLP and its subsidiaries (together the **Group**) for the year ended 30 April 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Limited Liability Partnership balance sheets, the Consolidated cash flow statement, the Consolidated and Limited Liability Partnership statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (**IFRSs**) as adopted by the European Union.

Respective responsibilities of members and auditors

As explained more fully in the Statement of Members' Responsibilities set out on page 4, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the members of the LLP 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 these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the LLP's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Members or management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements of the Group and LLP:

- give a true and fair view of the state of the Group's and the LLP's affairs as at 30 April 2011 and of the Group's and the LLP's profit and Group's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 requires us to report to you if, in our opinion:

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

Alistair Rose
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

22 July 2011

Consolidated income statement

Year ended 30 April 2011

	Notes	2011 £m	2010 £m
Turnover		1,119.6	1,050.1
Other income		16.3	16.5
Revenue		1,135.9	1,066.6
Operating costs			
Staff costs	5	(417.0)	(383.9)
Depreciation, amortisation and impairment		(32.7)	(33.1)
London property re-organisation	6	(24.6)	–
Other operating expenses		(229.8)	(216.6)
Operating profit		431.8	433.0
Finance income	7	1.8	0.2
Finance cost	7	(2.4)	(4.4)
Profit before taxation		431.2	428.8
Taxation	8	(26.6)	(24.4)
Profit before partners' remuneration and profit shares		404.6	404.4
Partners' remuneration charged as an expense		(106.6)	(75.8)
Profit for the financial year available for division among partners		298.0	328.6

Consolidated statement of comprehensive income

Year ended 30 April 2011

	Notes	2011 £m	2010 £m
Profit for the financial year available for division among partners		298.0	328.6
Other comprehensive income:			
Exchange differences on translation of foreign operations		(3.4)	(4.3)
Actuarial gain on defined benefit pension scheme	21	14.8	1.5
Other comprehensive income/(loss) for the year		11.4	(2.8)
Total comprehensive income for the year	22	309.4	325.8

Consolidated balance sheet

At 30 April 2011

	Notes	As at 30 April 2011 £m	As at 30 April 2010 £m
Assets			
Non-current assets			
Intangible assets	10	6.8	8.5
Property, plant and equipment	11	110.3	124.3
Investments	13	0.3	0.2
Retirement benefit surplus	21	11.4	–
		128.8	133.0
Current assets			
Client and other receivables	14	502.0	447.0
Amounts due from partners	22	83.9	103.5
Cash and cash equivalents	15	106.6	91.0
		692.5	641.5
Total assets		821.3	774.5
Liabilities			
Current liabilities			
Trade and other payables	16	(228.4)	(210.3)
Current tax liabilities		(14.5)	(11.4)
Provisions	17	(18.9)	(6.3)
		(261.8)	(228.0)
Non-current liabilities			
Trade and other payables	16	(17.9)	(15.4)
Provisions	17	(77.3)	(65.2)
Retirement benefit obligations	21	–	(8.5)
Partners' capital	22	(139.7)	(127.0)
		(234.9)	(216.1)
Total liabilities		(496.7)	(444.1)
Net assets		324.6	330.4
Equity			
Partners' other reserves		288.0	290.4
Translation reserve		36.6	40.0
		324.6	330.4
Total partners' interests			
Amounts due from partners	22	(83.9)	(103.5)
Partners' capital classed as a liability	22	139.7	127.0
Total partners' other interests	22	324.6	330.4
	22	380.4	353.9

These financial statements on pages 6 to 30 were approved by the partners and signed on their behalf on 22 July 2011 by:

David Morley
Senior Partner

Wim Dejonghe
Managing Partner

Jason Haines
Finance Director

Allen & Overy LLP
Registered no. OC306763

Limited Liability Partnership balance sheet

At 30 April 2011

	Notes	As at 30 April 2011 £m	As at 30 April 2010 £m
Assets			
Non-current assets			
Intangible assets	10	6.8	8.5
Property, plant and equipment	12	101.1	115.3
Investments	13	0.3	0.2
Retirement benefit surplus	21	11.4	–
		119.6	124.0
Current assets			
Client and other receivables	14	469.5	425.7
Amounts due from Members	22	58.5	97.1
Cash and cash equivalents	15	84.6	75.1
		612.6	597.9
Total assets		732.2	721.9
Liabilities			
Current liabilities			
Trade and other payables	16	(229.5)	(263.9)
Current tax liabilities		(13.7)	(6.2)
Provisions	17	(18.9)	(6.3)
		(262.1)	(276.4)
Non-current liabilities			
Trade and other payables	16	(17.4)	(15.4)
Provisions	17	(77.3)	(65.2)
Retirement benefit obligations	21	–	(8.5)
Members' capital	22	(102.2)	(114.9)
		(196.9)	(204.0)
Total liabilities		(459.0)	(480.4)
Net assets		273.2	241.5
Equity			
Members' other reserves		238.2	257.9
Translation reserve		35.0	(16.4)
		273.2	241.5
Total Members' interests			
Amounts due from Members	22	(58.5)	(97.1)
Partners' capital classed as a liability	22	102.2	114.9
Total Members' other interests	22	273.2	241.5
	22	316.9	259.3

These financial statements on pages 6 to 30 were approved by the members and signed on their behalf on 22 July 2011 by:

David Morley
Senior Partner

Wim Dejonghe
Managing Partner

Jason Haines
Finance Director

Allen & Overy LLP
Registered no. OC306763

Consolidated cash flow statement

Year ended 30 April 2011

	Notes	2011 £m	2010 £m
Cash flows from operating activities			
Cash generated from operations	20	462.4	471.3
Tax paid		(23.3)	(20.0)
Net cash inflow from operating activities		439.1	451.3
Cash flows from investing activities			
Purchase of property, plant and equipment		(21.9)	(12.4)
Purchase of intangible assets		(0.6)	(3.2)
Purchase of investments		(0.1)	–
Interest received		0.6	0.2
Proceeds on disposal of property, plant and equipment		–	0.7
Proceeds on disposal of investments		–	1.6
Net cash used in investing activities		(22.0)	(13.1)
Cash flows from financing activities			
Partners' capital introduced		21.2	21.6
Capital repayments to partners		(8.5)	(21.1)
Payments to and on behalf of partners		(401.9)	(361.0)
Retirement benefits paid to former partners		(9.9)	(35.8)
Interest paid		(0.6)	(1.5)
Net cash used in financing activities		(399.7)	(397.8)
Net increase/(decrease) in cash and cash equivalents		17.4	40.4
Cash and cash equivalents at beginning of year		91.0	52.5
Effects of foreign exchange rate changes		(1.8)	(1.9)
Cash and cash equivalents at end of year		106.6	91.0

Consolidated statement of changes in equity

Year ended 30 April 2011

	Equity 2011			Equity 2010			
	Other reserves £m	Translation reserve £m	Total £m	Partners' capital £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	290.4	40.0	330.4	35.0	214.9	44.3	294.2
Profit for the financial year attributable to partners	298.0	–	298.0	–	328.6	–	328.6
Differences on translation of foreign operations	–	(3.4)	(3.4)	–	–	(4.3)	(4.3)
Actuarial gain on pension scheme	14.8	–	14.8	–	1.5	–	1.5
Total comprehensive income for the year	312.8	(3.4)	309.4	–	330.1	(4.3)	325.8
Reclassification to liabilities	–	–	–	(35.0)	–	–	(35.0)
Profit allocated to partners	(315.2)	–	(315.2)	–	(254.6)	–	(254.6)
Equity at 30 April	288.0	36.6	324.6	–	290.4	40.0	330.4

Limited Liability Partnership statement of changes in equity

Year ended 30 April 2011

	Equity 2011			Equity 2010			
	Other reserves £m	Translation reserve £m	Total £m	Members' capital £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	257.9	(16.4)	241.5	35.0	174.2	(4.1)	205.1
Profit for the financial year attributable to Members	248.1	–	248.1	–	296.0	–	296.0
Differences on translation of foreign operations	–	51.4	51.4	–	–	(12.3)	(12.3)
Actuarial gain on pension scheme	14.8	–	14.8	–	1.5	–	1.5
Total comprehensive income for the year	262.9	51.4	314.3	–	297.5	(12.3)	285.2
Reclassification to liabilities	–	–	–	(35.0)	–	–	(35.0)
Profit allocated to Members	(282.6)	–	(282.6)	–	(213.8)	–	(213.8)
Equity at 30 April	238.2	35.0	273.2	–	257.9	(16.4)	241.5

Notes to the financial statements

Year ended 30 April 2011

1. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared on a going concern basis in accordance with the 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 2011, and with those parts of the Companies Act 2006 applicable to limited liability partnerships reporting under IFRSs. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted, and an explanation of any changes to those policies, are set out below.

Accounting standards, interpretations and amendments to published standards adopted in the year ended 30 April 2011

The following new, revised and amended standards and interpretations were adopted in the year ended 30 April 2011. They have had no significant impact on the Group's financial position or results of operations for the current or prior years but may impact the accounting for future transactions or arrangements.

IFRS 3 (Revised) 'Business Combinations'. The revised standard continues to apply the acquisition method to business combinations but with some significant changes to the accounting treatment of the consideration and the related costs in respect of acquisitions.

IAS 27 (Revised) 'Consolidated and Separate Financial Statements'. This standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control.

IFRIC 16 'Hedges of a net investment in a foreign operation'. This interpretation clarifies that net investment hedging relates to differences in functional currency, not presentational currency and applies IAS 21 (Effects of changes in foreign exchange rates) to the hedged item.

IFRIC 17 'Distributions of Non-cash Assets to Owners'. This interpretation clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners.

IFRIC 18 'Transfers of assets from customers'. This interpretation clarifies the accounting for arrangements where an item of property, plant and equipment that is provided by the customer is used to provide an ongoing service.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement: Eligible Hedged items'. This amendment relates to hedging fixed-rate debt and options.

Amendment to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues'. This amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

A number of new amendments and interpretations have been endorsed by the EU as part of adopted IFRS, but are not yet effective. None of these amendments are expected to have a significant impact on the Group's financial statements.

Basis of preparation

These financial statements consolidate the financial statements of Allen & Overy LLP and its subsidiary undertakings (the **Group**) for the year ended 30 April 2011. Allen & Overy is the collective name for an international legal practice comprising Allen & Overy LLP and its subsidiary undertakings.

The term **partner** in this document is used to refer to a Member of Allen & Overy LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of Allen & Overy LLP's subsidiary undertakings. The term **Member** in these financial statements is used to refer only to a Member of Allen & Overy LLP.

Where a partner receives his/her remuneration as a director of a company, 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 Allen & Overy LLP as permitted by section 408 of the Companies Act 2006. The profit for the financial year dealt with in the financial statements of the parent undertaking, Allen & Overy LLP, was £248.1 million (2010 – £296.0 million).

Turnover

Turnover represents amounts chargeable to clients for professional services provided during the year including expenses but excluding sales tax. 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 as a proportion of the total value of the engagement. 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.

Notes to the financial statements (continued)

Year ended 30 April 2011

1. ACCOUNTING POLICIES (continued)

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 in 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 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 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.

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 'depreciation, amortisation and impairment'. When a client receivable is written off, a credit note is issued which reduces turnover and the related provision is reversed. Subsequent recoveries of amounts previously written off are credited to turnover in the income statement.

Notes to the financial statements (continued)

Year ended 30 April 2011

1. ACCOUNTING POLICIES (continued)

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

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). 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 Allen & Overy 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 statement of comprehensive income.

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. 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.

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.

Notes to the financial statements (continued)

Year ended 30 April 2011

1. ACCOUNTING POLICIES (continued)

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

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is measured on an actuarial basis using the projected unit credit method, carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur in the Consolidated statement of comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined obligation as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme and disclosed as the retirement benefit surplus.

Partners' and Members' capital and reserves

Partners are required to provide capital in proportion to the number of profit sharing points allocated to them. The value of the Capital Unit is assessed annually, with any changes becoming effective on 1 May.

Capital is repaid to partners after they cease to be partners of Allen & Overy. In the event of Allen & Overy LLP going into administration or being wound up, the partners' capital within Allen & Overy LLP ranks after unsecured creditors who are not Members of Allen & Overy LLP.

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

The translation reserve comprises all foreign exchange 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

	2011 £m	2010 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	30.4	30.6
Loss/(Profit) on sale of property, plant and equipment	5.7	(0.4)
Amortisation of intangible assets	2.3	2.5
Net foreign exchange loss	4.0	4.3
Restructuring costs – staff	3.3	–

Notes to the financial statements (continued)

Year ended 30 April 2011

4. AUDITORS' REMUNERATION

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

	2011 £m	2010 £m
Fees payable to the LLP's auditors for the audit of the LLP's and the Group's consolidated financial statements	0.3	0.3
Fees payable to the LLP's auditors and its associates for other services:		
• The audit of the LLP's subsidiaries pursuant to legislation	0.1	0.1
• services pursuant to legislation	0.1	0.2
• Taxation services	1.1	1.5
• All other services	0.4	0.3
	2.0	2.4

5. STAFF AND STAFF COSTS

	Consolidated	
	2011 No.	2010 No.
The average number of people employed during the year (excluding partners) was:		
Lawyers	2,152	2,092
Support staff	2,137	2,065
	4,289	4,157

	Consolidated	
	2011 £m	2010 £m
Staff costs incurred during the year were:		
Salaries (including staff bonus)	326.0	306.8
Social security costs	27.8	25.0
Pension costs	13.0	12.2
Restructuring costs	3.3	–
Other costs (such as: staff development, recruitment, medical expenses, temporary)	46.9	39.9
	417.0	383.9

Restructuring Costs

A decision was taken during the year to restructure some of the support services provided from London and to relocate some roles to a new office in Belfast. The Board made and communicated the decision before the year end, so the cost of redundancy packages was provided for during the year. The cost of incentive payments offered to the affected staff to remain at Allen & Overy until their proposed redundancy dates is contingent on the staff remaining employed until the mutually agreed dates and therefore has not been provided for this year.

6. LONDON PROPERTY REORGANISATION

During the year the Board made the decision to relocate everyone working in the London satellite office in Canary Wharf to the main London office at Bishops Square. This enabled partners and associates within the same practice specialism to sit together, increasing collaboration and morale. The decision will reduce duplicated costs and the dedicated transport between the two sites has been discontinued. However, vacating the property whilst in the middle of the lease contract term has crystallised a one-off charge to the income statement of £24.6 million. This charge represents the write-off of all assets within the office, the rent payable during an estimated period while the office is empty and an estimate of the loss on subletting the property for the remainder of the lease. Advice was obtained from surveyors to assist in the calculation of the charge, but ultimately a number of estimates had to be made. The most significant estimate was the number of years the property would remain empty. The cost of an additional year of vacancy would amount to £3.4 million.

Notes to the financial statements (continued)

Year ended 30 April 2011

7. FINANCE INCOME AND COST

	2011 £m	2010 £m
Finance income		
Interest receivable on bank deposits	0.6	0.2
Net finance income on retirement benefits plan (note 21)	1.2	–
	1.8	0.2
Finance cost		
Interest payable on bank loans and overdrafts	(0.7)	(1.5)
Unwinding of discount on provisions (note 17)	(1.7)	(1.6)
Net finance expense on retirement benefits plan (note 21)	–	(1.3)
	(2.4)	(4.4)

8. TAXATION

	2011 £m	2010 £m
Current tax	26.6	24.4

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 Allen & Overy LLP. Only the latter amounts are reflected in these financial statements.

	2011 £m	2010 £m
Profit before taxation	431.2	428.8
Less: Amounts subject to personal tax	(366.6)	(369.1)
Profits subject to taxation	64.6	59.7

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

	2011 £m	2010 £m
Profits subject to tax	64.6	59.7
At UK corporation tax of 28% (2010 – 28%)	18.0	16.7
Tax effects of:		
Different tax rates and bases in other jurisdictions	4.2	4.7
Unrelieved losses	4.4	3.0
Current year charge for the year	26.6	24.4

Notes to the financial statements (continued)

Year ended 30 April 2011

9. 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 becoming partner, initially remuneration is predominantly a fixed prior share of profits. Thereafter most partners, referred to as full partners, receive 20 profit sharing points, rising by two points every year to a maximum of 50 points. The profit distribution will range from £642,000 for a partner with 20 profit sharing points to £1,604,000 for a partner with 50 profit sharing points (2010 – £661,000 to £1,652,000). The highest paid partner, excluding retirement payments, payments for tax equalisation and expatriate arrangements, will receive £1,604,000 (2010 – £1,652,000).

Profits payable to partners as directors of companies, 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 any remuneration other than their share of the profits.

The Board decided that as the cost of exiting the Canary Wharf office is only payable in the future and benefits the partners in the future, for the purposes of determining the distributable profit for the current year the charge would not be taken into account.

	2011 No.	2010 No.
Average number of partners	487	451
Average number of full partners	398	355

	2011 £m	2010 £m
Profit before taxation	431.2	428.8
Cost of London property reorganisation	24.6	–
Profit before property reorganisation and taxation	455.8	428.8
Profits allocated to partners who are not full partners	(35.4)	(40.7)
	420.4	388.1
Average profit per full partner	1.1	1.1

10. INTANGIBLE ASSETS

	Consolidated and Limited Liability Partnership	
	2011 £m	2010 £m
Internally generated IT software		
Cost		
At 1 May	18.3	16.3
Additions	0.6	2.0
Disposals	–	–
At 30 April	18.9	18.3
Accumulated Amortisation		
At 1 May	9.8	7.3
Charge for year	2.3	2.5
Disposals	–	–
	12.1	9.8
Net book value		
At 30 April	6.8	8.5

Included in additions are software development costs that will be amortised from the date of completion of the relevant software.

Notes to the financial statements (continued)

Year ended 30 April 2011

11. 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 2009	184.4	49.8	60.8	0.3	295.3
Currency translation adjustments	(1.5)	(0.8)	(0.7)	–	(3.0)
Additions	7.2	1.2	4.2	–	12.6
Disposals	(0.6)	(0.8)	(1.4)	–	(2.8)
At 1 May 2010	189.5	49.4	62.9	0.3	302.1
Currency translation adjustments	(0.5)	0.2	–	–	(0.3)
Additions	13.6	3.4	5.5	–	22.5
Disposals	(13.3)	(3.9)	(1.2)	–	(18.4)
At 30 April 2011	189.3	49.1	67.2	0.3	305.9
Accumulated Depreciation					
At 1 May 2009	70.0	34.1	47.5	0.2	151.8
Currency translation adjustments	(1.0)	(0.6)	(0.5)	–	(2.1)
Charge for year	17.2	5.4	7.9	0.1	30.6
Disposals	(0.3)	(0.8)	(1.4)	–	(2.5)
At 1 May 2010	85.9	38.1	53.5	0.3	177.8
Currency translation adjustments	(0.2)	0.2	–	–	–
Charge for year	17.7	5.7	7.0	–	30.4
Disposals	(7.5)	(3.9)	(1.2)	–	(12.6)
At 30 April 2011	95.9	40.1	59.3	0.3	195.6
Net Book Value					
At 30 April 2011	93.4	9.0	7.9	–	110.3
At 30 April 2010	103.6	11.3	9.4	–	124.3

Computer equipment and fixtures and fittings includes the following amounts where the Group is a lessee under a finance lease:

	2011 £m	2010 £m
Cost – capitalised finance leases	0.9	0.7
Accumulated depreciation	(0.6)	(0.3)
Net Book Value	0.3	0.4

Notes to the financial statements (continued)

Year ended 30 April 2011

12. 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 2009	166.5	37.1	49.8	0.1	253.5
Currency translation adjustments	(1.0)	(0.5)	(0.5)	–	(2.0)
Additions	6.1	0.9	3.3	–	10.3
Disposals	(0.4)	(0.5)	(1.0)	–	(1.9)
At 1 May 2010	171.2	37.0	51.6	0.1	259.9
Currency translation adjustments	(0.6)	0.1	0.1	–	(0.4)
Additions	11.9	2.6	4.1	–	18.6
Disposals	(12.5)	(3.4)	(0.9)	–	(16.8)
At 30 April 2011	170.0	36.3	54.9	0.1	261.3
Depreciation					
At 1 May 2009	57.2	25.4	37.6	0.1	120.3
Currency translation adjustments	(0.7)	(0.4)	(0.3)	–	(1.4)
Charge for year	15.9	4.4	7.0	–	27.3
Disposals	(0.1)	(0.5)	(1.0)	–	(1.6)
At 1 May 2010	72.3	28.9	43.3	0.1	144.6
Currency translation adjustments	(0.4)	0.1	0.1	–	(0.2)
Charge for year	16.3	4.6	6.0	–	26.9
Disposals	(6.8)	(3.4)	(0.9)	–	(11.1)
At 30 April 2011	81.4	30.2	48.5	0.1	160.2
Net Book Value					
At 30 April 2011	88.6	6.1	6.4	–	101.1
At 30 April 2010	98.9	8.1	8.3	–	115.3

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

	2011 £m	2010 £m
Cost – capitalised finance leases	0.9	0.7
Accumulated depreciation	(0.6)	(0.3)
Net Book Value	0.3	0.4

Notes to the financial statements (continued)

Year ended 30 April 2011

13. INVESTMENTS

Allen & Overy LLP has significant investments in the following entities:

	Country of incorporation/ registration	Activity	Proportion of ordinary shares or ownership
Allen & Overy (Asia) Pte Ltd	Singapore	Supply of legal services	100%
Allen & Overy (Hong Kong) Ltd	Hong Kong	Service company	100%
Allen & Overy Asian Shared Services (Pte) Ltd	Singapore	Service company	100%
Allen & Overy Legal Services	England & Wales	Supply of legal services	100%
Allen & Overy Service Company Ltd	England & Wales	Service company	100%
Allen & Overy Services Italy s.r.l.	Italy	Service company	100%
Allen & Overy Servicos de Consultoria Limitada	Brazil	Service company	100%

The LLP has taken advantage of the exemption in S408 of the Companies Act 2006 to disclose a list consisting solely of the principal subsidiaries. A full list of subsidiaries will be sent to Companies House with the next annual return.

Allen & Overy LLP has the power to exercise, or actually exercises, dominant influence or control over a number of other entities and undertakings, the most significant of which are:

	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 Luxembourg and Spain	–
Allen & Overy, A. Pędzich Sp.k.	Poland	Supply of legal services	–
Allen & Overy Bratislava, s.r.o.	Slovak Republic	Supply of legal services	–
Allen & Overy (Czech Republic) LLP	England & Wales	Supply of legal services	–
Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho	Japan	Supply of legal services	–
Allen & Overy (Thailand) Co Ltd	Thailand	Supply of legal services	49%
Derivative Services LLP	England & Wales	Development and marketing of legal software	–
Morley Allen & Overy Iroda	Hungary	Supply of legal services	–
Spitalfields Projects LLP	England & Wales	Development and marketing of software	–
Studio Legale Associato	Italy	Supply of legal services	–

	Consolidated	Limited Liability Partnership		
	Other Investments £m	Group Interests £m	Other Investments £m	Total £m
Cost				
At 1 May 2009	0.8	0.2	0.3	0.5
Additions	–	–	–	–
Disposals	(0.6)	–	(0.3)	(0.3)
At 1 May 2010	0.2	0.2	–	0.2
Additions	0.1	–	0.1	0.1
At 30 April 2011	0.3	0.2	0.1	0.3
Carrying amount at 30 April 2011	0.3	0.2	0.1	0.3
Carrying amount at 30 April 2010	0.2	0.2	–	0.2

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.

Notes to the financial statements (continued)

Year ended 30 April 2011

14. CLIENT AND OTHER RECEIVABLES

	Consolidated		Limited Liability Partnership	
	2011 £m	2010 £m	2011 £m	2010 £m
Client receivables	378.7	334.9	302.9	274.2
Allowance for doubtful receivables	(18.2)	(22.5)	(10.2)	(12.6)
	360.5	312.4	292.7	261.6
Unbilled revenue	93.4	83.3	71.0	65.5
Amounts due from other Group undertakings	–	–	81.2	62.4
Other receivables	23.8	24.4	3.7	12.5
Prepayments	24.3	26.9	20.9	23.7
	502.0	447.0	469.5	425.7

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

Movement in the allowance for doubtful receivables

	Consolidated		Limited Liability Partnership	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 May	(22.5)	(20.7)	(12.6)	(11.6)
Currency translation adjustment	0.2	(0.6)	0.3	(0.7)
Provision utilised	7.2	6.5	5.0	3.9
	(15.1)	(14.8)	(7.3)	(8.4)
Charged to the income statement	(11.2)	(16.5)	(6.6)	(8.5)
Provision released	8.1	8.8	3.7	4.3
At 30 April	(18.2)	(22.5)	(10.2)	(12.6)

The ageing of client receivables at the reporting date was:

	Consolidated		Limited Liability Partnership	
	2011 £m	2010 £m	2011 £m	2010 £m
Not past due	140.4	130.6	119.7	115.0
Past due 0-30 days	105.0	83.6	81.9	68.8
Past due 31-120 days	76.2	66.1	58.6	53.4
Past due greater than 120 days	38.9	32.1	32.5	24.4
	360.5	312.4	292.7	261.6

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 receivables and Other receivables and Cash. The Group does not hold collateral over these balances.

Notes to the financial statements (continued)

Year ended 30 April 2011

15. CASH AND CASH EQUIVALENTS

	Consolidated		Limited Liability Partnership	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash and cash equivalents	106.6	91.0	84.6	75.1

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.

16. TRADE AND OTHER PAYABLES

	Consolidated		Limited Liability Partnership	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade payables	19.8	15.9	13.5	12.7
Amounts due to other Group undertakings	–	–	32.4	71.7
Employment and sales taxes	22.0	20.9	16.1	14.9
Other payables	117.0	109.3	110.3	110.1
Accruals	71.3	63.3	58.7	53.7
Deferred rent	16.2	16.3	15.9	16.2
	246.3	225.7	246.9	279.3

	Consolidated		Limited Liability Partnership	
	2011 £m	2010 £m	2011 £m	2010 £m
Included in current liabilities	228.4	210.3	229.5	263.9
Included in non-current liabilities	17.9	15.4	17.4	15.4
	246.3	225.7	246.9	279.3

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

Included within Other payables are gross finance lease liabilities of £0.3 million (2010 – £0.4 million).

Allen & Overy is financed through a combination of partners' capital, undistributed profits and borrowing facilities arranged with a number of banks. 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 monthly and compared to the budget with any 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 Allen & Overy 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 2011, Allen & Overy LLP had bank overdraft facilities of £10 million and committed bank loan facilities of £130 million (2010 – £137.5 million). At the balance sheet date no amounts were outstanding.

The committed facilities expire as follows:

	£m
Within one year (expired 1 May 2011)	7.5
Between one and four years	122.5
	130.0

Notes to the financial statements (continued)

Year ended 30 April 2011

16. TRADE AND OTHER PAYABLES (continued)

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 whilst any amounts drawn down in respect of the longer-term borrowing facilities would incur interest at floating rates linked to LIBOR and the currency equivalent.

The financial liabilities of the Group which correspond to trade payables, employment and sales taxes, other payables and accruals as at 30 April 2011 amounted to £230.1 million (2010 – £209.4 million).

17. PROVISIONS

Provision for annuities

Allen & Overy 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 Allen & Overy LLP on which they constitute a first allocation of profits. The 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 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, and 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 a rolling average of the last three years. This provision has been discounted to the present value using a 4% discount factor. It is expected that the early retirement provision will be paid over the next eight years.

Notes to the financial statements (continued)

Year ended 30 April 2011

17. PROVISIONS (continued)

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 sub-letting. 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 also been discounted to the present value using 4%.

	Consolidated and 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 2011 £m	Total 2010 £m
At 1 May	27.5	18.4	–	25.6	71.5	118.3
Currency translation adjustments	–	–	–	0.1	0.1	(0.1)
Provision utilised	(1.9)	(4.3)	–	(4.9)	(11.1)	(53.3)
	25.6	14.1	–	20.8	60.5	64.9
Charged to the income statement	–	–	3.3	26.4	29.7	1.5
Charge for the year						
• former partners	–	–	–	–	–	0.2
• current partners	–	3.5	–	–	3.5	3.3
Unwind of discount on provision	–	0.6	–	1.1	1.7	1.6
Actuarial adjustment	0.8	–	–	–	0.8	0.9
Provision released						
• former partners	–	(0.2)	–	–	(0.2)	–
• current partners	–	(0.3)	–	–	(0.3)	(1.8)
Charged to fixed assets	–	–	–	0.5	0.5	0.9
	0.8	3.6	3.3	28.0	35.7	6.6
At 30 April	26.4	17.7	3.3	48.8	96.2	71.5

	2011 £m	2010 £m
Included in current liabilities	18.9	6.3
Included in non-current liabilities	77.3	65.2
	96.2	71.5

18. CAPITAL COMMITMENTS

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

	2011 £m	2010 £m
Property fit-out costs	23.4	2.3
Computer, telecommunications and other equipment	0.3	1.5
	23.7	3.8

Notes to the financial statements (continued)

Year ended 30 April 2011

19. OPERATING LEASE COMMITMENTS

	Consolidated 2011 £m	Consolidated 2010 £m
Lease payments under operating leases recognised as an expense in the Income Statement for the year	80.9	82.2
Rent receivable from sub-leases recognised as Other Income in the Income Statement for the year	12.3	12.5

At 30 April 2011, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2011 £m	2010 £m	2011 £m	2010 £m
Within one year	80.4	72.5	1.3	0.6
Within two to five years	329.0	265.8	2.3	0.9
In more than five years	605.9	518.5	–	–
	1,015.3	856.8	3.6	1.5

Subsequent to the balance sheet date a new non-cancellable operating lease for office space was entered into. Future minimum lease payments due under this contract are: within one year – £0.4 million; between two to five years – £1.0 million.

At 30 April 2011, the Group had the following minimum amounts to be received under non-cancellable sub-leases for land and buildings, which fall due as follows:

	Land & Buildings 2011 £m	Land & Buildings 2010 £m
Within one year	12.0	1.0
Within two to five years	24.2	21.7
In more than five years	0.9	24.8
	37.1	47.5

20. RECONCILIATION OF PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 2011 £m	Consolidated 2010 £m
Profit before taxation	431.2	428.8
Adjustments for:		
Depreciation of property, plant and equipment	30.4	30.6
Amortisation of intangible assets	2.3	2.5
Net finance costs	0.6	4.2
Loss/(profit) on disposal of property, plant and equipment	5.7	(1.4)
Increase/(decrease) in provisions	27.8	(18.0)
Operating cash flows before movement in working capital	498.0	446.7
(Increase) in receivables	(55.9)	(1.7)
Increase in payables	20.3	26.3
Cash generated by operations	462.4	471.3

Notes to the financial statements (continued)

Year ended 30 April 2011

21. RETIREMENT BENEFIT OBLIGATIONS

Allen & Overy 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 Allen & Overy 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 £12.2 million (2010 – £11.3 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

All assets are stated at their fair value at 30 April 2011. The liabilities have been updated from the most recent actuarial valuation, as at 1 January 2010, by an independent qualified actuary from Hewitt Associates Limited.

The principal assumptions used were as follows:

	2011 %	2010 %
Discount Rate	5.4	5.5
Inflation	3.4	3.6
Expected rate of increase in salaries	4.4	4.6
Expected rate of increases in pensions in payment	3.4	3.6
Expected return on equity assets	8.1	8.4
Expected return on fixed interest assets	4.2	4.5
Expected return on property assets	7.8	8.9
Expected return on other assets	4.3	4.4
Overall expected return on assets	6.4	6.7

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

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:

	2011	2010
Current pensioners at age 65 – Male	23.1	23.0
Current pensioners at age 65 – Female	25.1	25.0
Future pensioners at age 65 – Male	25.6	25.4
Future pensioners at age 65 – Female	27.5	27.3

The amounts recognised in the balance sheets are as follows:

	2011 £m	2010 £m
Fair value of scheme assets	124.1	111.8
Present value of defined benefit obligations	(112.7)	(120.3)
Retirement benefit surplus/(obligations)	11.4	(8.5)

Notes to the financial statements (continued)

Year ended 30 April 2011

21. RETIREMENT BENEFIT OBLIGATIONS (continued)

The amounts recognised in the income statement are as follows:

	2011 £m	2010 £m
Investment income:		
Expected return on pension scheme assets	7.5	5.0
Finance cost:		
Interest on pension scheme defined benefit obligations	(6.6)	(6.3)
Curtailment	0.3	–
Net income/(expenses) for the year	1.2	(1.3)

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

	2011 £m	2010 £m
Fair value of scheme assets at start of the year	111.8	89.0
Expected return on scheme assets	7.5	5.0
Actuarial gain on assets	2.4	15.5
Contributions by employer	3.9	3.9
Benefits paid	(1.5)	(1.6)
Fair value of scheme assets at end of the year	124.1	111.8

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

	2011 £m	2010 £m
Present value of defined benefit obligations at start of the year	(120.3)	(101.6)
Interest cost	(6.6)	(6.3)
Changes in actuarial assumptions underlying the present value of the scheme liabilities	12.4	(14.0)
Benefits paid	1.5	1.6
Curtailments	0.3	–
Present value of defined benefit obligations at end of the year	(112.7)	(120.3)

The expected rate of return on each asset class is as follows:

	2011	2010	2009
Equities	8.1%	8.4%	8.1%
Bonds	4.2%	4.5%	4.2%
Property	7.8%	8.9%	–
Other	4.3%	4.4%	4.2%

The expected return on assets is based on a projection of long-term investment returns for each asset class. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets. The expected return is stated net of the levy payable to the Pension Protection Fund.

The actual return on the scheme's assets during the period was £9.9 million gain (2010 – £20.5 million gain).

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

	2011 £m	2010 £m
Equities	59.3	55.7
Bonds	44.5	47.6
Property	12.6	5.9
Other	7.7	2.6
Present value of defined benefit assets at end of the year	124.1	111.8

Notes to the financial statements (continued)

Year ended 30 April 2011

21. RETIREMENT BENEFIT OBLIGATIONS (continued)

The analysis of the actuarial gains and losses recognised in the Consolidated statement of comprehensive income is as follows:

	2011 £m	2010 £m
Actuarial gains on scheme assets	2.4	15.5
Actuarial gains/(losses) on scheme liabilities	12.4	(14.0)
Total actuarial gains	14.8	1.5
Cumulative amount of actuarial gains/(losses) recognised in the Consolidated statement of comprehensive income	8.0	(6.8)

The five-year history of experience adjustments is as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	124.1	111.8	89.0	92.1	85.9
Present value of defined benefit obligation	(112.7)	(120.3)	(101.6)	(88.7)	(96.0)
Surplus/(deficit)	11.4	(8.5)	(12.6)	3.4	(10.1)
Experience gains/(losses) on assets	2.4	15.5	(11.5)	(2.6)	(0.1)
Experience gains/(losses) arising on the scheme liabilities	0.8	5.0	1.3	–	(2.8)

Sensitivity analysis

The principal actuarial assumptions all have an effect on the IAS 19 accounting valuations. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions:

	Defined benefit obligation (increase) £m
0.25% decrease in the assumed discount rate	(6.8)
0.25% increase in expected rate of increase in salaries	(0.6)
0.25% increase in the assumed rate of inflation	(7.0)
1 year's increase in average life expectancy	(2.8)

Future cash funding

The most recent full actuarial valuation was as at 1 January 2010 and was completed on 16 May 2011 using the Projected Unit method by actuaries Hewitt Associates Limited. The expected contributions by the employer over the next 12 months amount to £3.9 million.

Notes to the financial statements (continued)

Year ended 30 April 2011

22. TOTAL PARTNERS'/MEMBERS' INTERESTS (continued)

	Consolidated				
	Amounts due from partners £m	Capital classified as a liability £m	Equity £m	Total 2011 £m	Total 2010 £m
Total partners' interest at 1 May	(103.5)	127.0	330.4	353.9	310.0
Total comprehensive income for the year	–	–	309.4	309.4	325.8
Profit allocated to partners	315.2	–	(315.2)	–	–
Drawings and distributions	(295.6)	–	–	(295.6)	(282.4)
Capital introduced	–	21.2	–	21.2	21.6
Capital repaid	–	(8.5)	–	(8.5)	(21.1)
	(83.9)	139.7	324.6	380.4	353.9

	Limited Liability Partnership				
	Amounts due from Members £m	Capital classified as a liability £m	Equity £m	Total 2011 £m	Total 2010 £m
Total Members' interest at 1 May	(97.1)	114.9	241.5	259.3	188.5
Total comprehensive income for the year	–	–	314.3	314.3	285.2
Profit allocated to partners	282.6	–	(282.6)	–	–
Drawings and distributions	(244.0)	–	–	(244.0)	(231.5)
Capital introduced	–	11.3	–	11.3	34.9
Capital repaid	–	(24.0)	–	(24.0)	(17.8)
	(58.5)	102.2	273.2	316.9	259.3

23. RELATED PARTY TRANSACTIONS

The key management personnel comprise the senior and managing partners, 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 2011 will amount to £10.2 million (2010 – £14.2 million).

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management's objective in managing financial risks 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 and the Group's liquidity in relation to the payables and foreign currency risk.

Credit risk

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 on specific clients to assess whether the level of credit risk is acceptable.

	2011 £m	2010 £m
Net client receivables	360.5	312.4
Unbilled revenue	93.4	83.3
Other receivables	23.8	24.4
Cash	106.6	91.0
	584.3	511.1

Notes to the financial statements (continued)

Year ended 30 April 2011

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 one 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 currency of the location. The Group does not hedge or enter into forward derivative transactions due to 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.

The Group had the following net currency denominated financial instruments at 30 April:

	2011 £m	2010 £m
Australian Dollar	9.1	0.7
Euro	142.3	127.1
Sterling	79.3	65.7
US Dollar (or currencies correlated to US Dollars)	102.1	91.2
Other	21.4	17.0
Balance sheet exposure	354.2	301.7

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.