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Dechert LLP

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2015



Dechert LLP

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Dechert LLP

MEMBERS AND ADVISERS

DESIGNATED MEMBERS

Abousleiman, Camille
Astleford, Peter
Black, Gus
Butwick, Jason
Croock, James
Getter, Douglas
Gonzalez, Miriam
Winokur, Barton

REGISTERED OFFICE

160 Queen Victoria Street
London EC4V 4QQ

AUDITOR

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

BANKERS

Royal Bank of Scotland
36-37 New Bridge Street
London EC4V 6BJ

NatWest
156 Fleet Street
London EC4A 2DX

HSBC
60 Queen Victoria Street
London EC4N 4TR

Dechert LLP

MEMBERS' REPORT

for the year ended 31 December 2015

The members submit their report and the audited financial statements of Dechert LLP (the Firm) for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the Firm is the provision of a full range of legal services from its office in England.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The members consider the results for the year to be satisfactory and that future results will be of a similar nature.

DESIGNATED MEMBERS

The following designated members have held office during the year:

Astleford, Peter
Butwick, Jason
Croock, James
Getter, Douglas
Martin, Stuart (resigned 1 June 2016)
O'Donnell, George Daniel (resigned 30 June 2016)
Winokur, Barton

MEMBERS' DRAWINGS, CONTRIBUTIONS AND REPAYMENTS

All members participate in the Firm's profit, share the losses and contribute to the Firm's capital. The Firm's drawings policy allows each member to draw a proportion of their profit share in twelve monthly instalments with the balance of their profits, net of foreign taxes, distributed, generally, early in the following calendar year.

An individual member's capital requirement for amounts reported as members' capital classified as equity is set at £100.

Certain members have additional capital requirements that will be returned to them upon withdrawal from the Firm. This capital is reported as members' capital classified as debt and is included in loans due to members.

AUDITOR

A resolution to reappoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Chartered Accountants, will be put to the members of the Firm.

On behalf of the members,



Jason Butwick, Designated Member
Dated: 26 September 2016

Dechert LLP

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.

Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) 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).

Under the 2008 Regulations, 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 Firm and of the profit or loss of the Firm for that period.

In preparing those financial statements, the members are required to:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Firm will continue in business.

Under the 2008 Regulations, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the Firm's transactions and disclose with reasonable accuracy at any time the financial position of the Firm and to enable them to ensure that the financial statements comply with the requirements of those Regulations. 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 designated members on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECHERT LLP

We have audited the financial statements on pages 5 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As more fully explained in the Members' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Limited Liability Partnership's affairs at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships 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 requires us to report to you if, in our opinion:

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

RSM UK Audit LLP

DAVID BLACHER (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

Date: 26 SEPTEMBER 2016

Dechert LLP

STATEMENT OF TOTAL COMPREHENSIVE INCOME for the year ended 31 December 2015

	<i>Notes</i>	2015 £	Restated 2014 £
TURNOVER	2	61,161,977	66,957,829
Operating expenses	3	(35,608,591)	(37,374,389)
OPERATING PROFIT	5	25,553,386	29,583,440
Interest receivable and similar income	6	24,040	30,129
Interest payable	7	(1,066,487)	(1,233,256)
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION & PROFIT SHARES		24,510,939	28,380,313
Members' remuneration charged as an expense	8	-	-
PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	18	24,510,939	28,380,313
OTHER COMPREHENSIVE INCOME			
Actuarial loss on defined benefit scheme	16	(557,000)	(5,637,000)
TOTAL COMPREHENSIVE INCOME		23,953,939	22,743,313

The profit for the year arises from the Firm's continuing operations.


Dechert LLP
STATEMENT OF FINANCIAL POSITION
at 31 December 2015

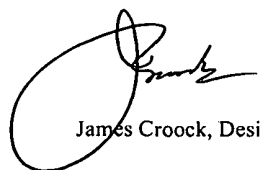
Registration No. OC306029

	Notes	2015 £	Restated 2014 £
FIXED ASSETS			
Tangible assets	10	4,689,285	580,657
CURRENT ASSETS			
Debtors	12	28,562,729	27,296,819
Cash at bank and in hand		13,568,884	15,950,343
		42,131,613	43,247,162
CREDITORS: Amounts falling due within one year	13	(31,471,304)	(29,838,100)
NET CURRENT ASSETS		10,660,309	13,409,062
TOTAL ASSETS LESS CURRENT LIABILITIES		15,349,594	13,989,719
CREDITORS: Amounts falling due after more than one year	14	(19,963,109)	(17,221,527)
Net defined benefit liability	16	(17,293,100)	(18,466,100)
NET LIABILITIES ATTRIBUTABLE TO MEMBERS		(21,906,615)	(21,697,908)
REPRESENTED BY:			
Loans and other debts due to members:			
Members' capital classified as debt	17	1,386,420	1,037,927
		1,386,420	1,037,927
Members' other interests:			
Members' capital classified as equity	17	4,100	4,300
Other reserves classified as equity	17	(23,297,135)	(22,740,135)
		(23,293,035)	(22,735,835)
TOTAL MEMBERS' INTERESTS			
Loans and other debts due to members		1,386,420	1,037,927
Members' other interests	24	(23,293,035)	(22,735,835)
		(21,906,615)	(21,697,908)

These financial statements were approved by the designated members of Dechert LLP and authorised for issue on 26 September 2016.

Signed on behalf of the members:


 Jason Butwick, Designated Member


 James Croock, Designated Member

Dechert LLP
RECONCILIATION OF MEMBERS' INTERESTS
for the year ending 31 December 2015

Registration No. OC306029

	<u>Members' other interests</u>			<u>Loans and other debts due to members</u>			<u>Total Members' Interest</u>
	Members' capital classified as equity £	Other reserves £	Profits to be divided £	Total £	Members' capital classified as debt £	Loans and other debts due to members £	Total £
At 31 December 2013	4,100	(17,103,135)	-	(17,099,035)	-	-	(17,099,035)
Profit for the financial year available for division among members	-	-	28,380,313	28,380,313	-	-	28,380,313
Members' interests after profit for the year	4,100	(17,103,135)	28,380,313	11,281,278	-	-	11,281,278
Allocated profits: To Dechert LLP members	-	-	(28,380,313)	(28,380,313)	-	28,380,313	-
Other comprehensive income	-	(5,637,000)	-	(5,637,000)	-	-	(5,637,000)
Distributions to members	-	-	-	-	-	(28,380,313)	(28,380,313)
Capital: Paid in	500	-	-	500	1,037,927	-	1,038,427
Repaid	(300)	-	-	(300)	-	-	(300)
Amounts due to members					1,037,927		
At 31 December 2014	4,300	(22,740,135)	-	(22,735,835)	1,037,927	-	(21,697,908)
Profit for the financial year available for division among members	-	-	24,510,939	24,510,939	-	-	24,510,939
Members' interests after profit for the year	4,300	(22,740,135)	24,510,939	1,775,104	1,037,927	-	2,813,031
Allocated profits: To Dechert LLP members	-	-	(24,510,939)	(24,510,939)	-	24,510,939	-
Other comprehensive income	-	(557,000)	-	(557,000)	-	-	(557,000)
Distributions to members	-	-	-	-	-	(24,510,939)	(24,510,939)
Capital: Paid in	400	-	-	400	643,474	-	643,874
Repaid	(600)	-	-	(600)	(294,981)	-	(295,581)
Amounts due to members					1,386,420		
At 31 December 2015	4,100	(23,297,135)	-	(23,293,035)	1,386,420	-	(21,906,615)

Dechert LLP
STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	<i>Notes</i>	2015 £	2014 £
OPERATING ACTIVITIES			
Transactions with non-members:			
Cash generated from operations	18	26,853,645	27,255,595
Interest received	6	24,040	30,129
Interest paid	7	(426,487)	(628,256)
Transactions with members and former members:			
Distributions to members		(24,510,939)	(28,380,313)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		<u>1,940,259</u>	<u>(1,722,845)</u>
INVESTING ACTIVITIES			
Transactions with non-members:			
Purchase of tangible fixed assets	10	(4,670,011)	(181,356)
NET CASH USED IN INVESTING ACTIVITIES		<u>(4,670,011)</u>	<u>(181,356)</u>
FINANCING ACTIVITIES			
Transactions with members and former members:			
Capital contributed by members		643,874	1,038,427
Capital repaid to members		(295,581)	(300)
NET CASH FROM FINANCING ACTIVITIES		<u>348,293</u>	<u>1,038,127</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(2,381,459)</u>	<u>(866,074)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>15,950,343</u>	<u>16,816,417</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u><u>13,568,884</u></u>	<u><u>15,950,343</u></u>

Dechert LLP

ACCOUNTING POLICIES

GENERAL INFORMATION

Dechert LLP has prepared financial statements covering the individual entity's results for the year to 31 December 2015.

Dechert LLP is a limited liability partnership and is incorporated in England and Wales. The address of the Firm's registered office is disclosed on page 1 of these financial statements under Members and Advisers. The Firm's principal activities are disclosed on page 2 under Members' Report.

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' published July 2014. These financial statements present information about Dechert LLP as an individual undertaking. Group accounts have not been prepared on the basis that the subsidiary undertakings are immaterial to Dechert LLP. Monetary amounts in these financial statements are rounded to the nearest whole £, except where otherwise indicated.

FIRST TIME ADOPTION OF STATEMENT OF RECOMMENDED PRACTICE 'ACCOUNTING BY LIMITED LIABILITY PARTNERSHIPS' PUBLISHED JULY 2014 AND FRS 102

These financial statements are the first financial statements of Dechert LLP prepared in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' published July 2014 and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The financial statements of Dechert LLP for the year ended 31 December 2014 were originally prepared in accordance with previous United Kingdom Generally Accepted Accounting Practice (UK GAAP). However, some of the accounting policy choices available to the Firm regarding recognition, measurement, presentation and disclosure requirements under the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' published July 2014 and FRS 102 differ from previous UK GAAP. As a result, the members have amended certain accounting policies to comply with the new standards. Comparative figures have been restated to reflect the adjustments made, except to the extent that the members have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in equity at the transition date. See note 24 for further details.

GOING CONCERN

At 31 December 2015, Dechert LLP had net liabilities of £21.9m. This is primarily due to the Firm's policy of distributing all profits on an annual basis. As a result, certain amounts related to the Firm's pension obligation and the adoption of UITF abstract 40 'Revenue Recognition and Service Contracts' (now reported under FRS 102 Chapter 23 'Revenue'), which were recorded as other comprehensive income and therefore did not affect distributions, remain on the Statement of Financial Position resulting in the overall net liabilities.

At 31 December 2015, Dechert LLP had cash at bank and in hand of £13.6m. The net current assets of the Firm also included amounts due to related parties of £45.2m and amounts due from related parties of £8.3m as detailed further in note 21. These amounts have no agreed repayment terms, however the majority of the balances are not anticipated to be settled within twelve months from the date of signing the accounts.

The members, after considering the Firm's profit or loss and cash flow forecasts for the year to 31 December 2016, and expected cash flow requirements and available resources for the period to 30 September 2017, have concluded that the business will have adequate financial resources to continue in operation for the foreseeable future. The members have therefore prepared these financial statements on a going concern basis.

Dechert LLP

ACCOUNTING POLICIES

FOREIGN CURRENCIES

The financial statements are presented in British pound sterling which is the currency of the primary economic environment in which the Firm operates. The British pound sterling is the Firm's functional and presentation currency. Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income. In such cases, the related translation gain or loss is also recognised in other comprehensive income.

TURNOVER

Turnover represents revenue earned, net of third party disbursements and value added tax, under a wide variety of contracts to provide professional services. Revenue is recognised at the fair value of the consideration earned when, and to the extent that, Dechert LLP obtains the right to consideration in exchange for its performance under these contracts. The fair value of consideration takes into account any settlement discounts.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts, the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed.

Revenue that has not yet been billed to clients, where it is probable that the future economic benefits will flow to the Firm, is included in debtors. Client payments on account that are in excess of the relevant amount of revenue are included in creditors.

Revenue that is contingent on events outside of Dechert LLP's control, where it is not probable that the future economic benefits will flow to the Firm, is recognised when the contingent event has occurred.

OPERATING LEASES

Lease payments under operating leases (excluding costs for services such as insurance and maintenance) are recognised as an expense on a straight line basis over the lease term. Rent-free periods or other incentives received for entering into a lease are recognised as a reduction of expense on a straight line basis over the lease term. If payments to the lessor are structured to increase in line with expected general inflation to compensate the lessor for expected inflationary cost increases, then the lease payments are recognised as an expense in accordance with the lease payment schedule.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Leasehold improvements	Over the lesser of the period of the lease or 10 years
Computer equipment	Over a period of four years
Furniture and equipment	Over a period of five years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Dechert LLP

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

The Firm has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Firm becomes a party to the contractual provisions of a financial instrument. Set-off occurs only when the Firm has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are classified into specific categories depending on the nature and purpose of the financial assets at the time of recognition. Basic financial assets, which include cash, bank balances, and trade and other receivables, are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Financial assets that are classified as financing transactions are measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets that are classified as fair value through profit or loss (FVTPL) are measured at fair value.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into.

Financial liabilities are classified into specific categories depending on the nature and purpose of the financial liabilities at the time of recognition. Basic financial liabilities are initially measured at transaction price. Financial liabilities that are classified as financing transactions are measured at the present value of the future payments discounted at a market rate of interest. Other financial liabilities that are classified as fair value through profit or loss (FVTPL) are measured at fair value.

An equity instrument is any contract that evidences a residual interest in the assets of the Firm after deducting all of its liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, and short-term liquid investments with original maturities of three months or less. Bank overdrafts are repayable on demand and are considered an integral part of the Firm's cash management. As such, bank overdrafts, if any, are included in cash and cash equivalents.

INVESTMENTS

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. See note 11 for further details.

Dechert LLP

ACCOUNTING POLICIES

PENSION AND RETIREMENT BENEFITS

Defined contribution scheme

For the Firm's defined contribution scheme, the amount charged to profit or loss as operating expense represents contributions to the scheme as they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit scheme

For the Firm's defined benefit scheme, a pension scheme asset is recognised in the Statement of Financial Position only to the extent that a surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Firm has a legal or constructive obligation to settle the liability.

The net defined benefit liability is measured as the net total of the present value of the obligation at the reporting date (i.e. its defined benefit obligation) minus the fair value of the scheme assets out of which the obligation is to be settled at the reporting date.

The defined benefit obligation is measured on a discounted present value basis. The rate used to discount the future payments is based on market yields on high quality corporate bonds at the reporting date. The projected unit credit method is used to measure the defined benefit obligation and the related expense.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate both at the start of the annual reporting period and taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Gains or losses recognised in profit or loss include:

- The change in the net defined benefit liability arising from employee services rendered.
- The net interest on the net defined benefit liability.
- The cost of scheme introductions, benefit changes, curtailments and settlements.

Gains or losses recognised in other comprehensive income include:

- Actuarial gains and losses.
- The return on scheme assets (excluding net interest on the net defined benefit liability).

The defined benefit scheme is funded with the assets held separately from the Firm in separate trustee administered funds. Full actuarial valuations by a professionally qualified actuary are obtained at least every three years. On an annual basis, the most recent valuation is updated by a professionally qualified actuary to reflect current conditions at the reporting date.

Members of Dechert LLP are at liberty to make their own provisions for retirement by contributing to personal retirement schemes. However, certain contractual arrangements exist under the terms of which certain former members are entitled to receive annuities following their retirement in respect of services rendered prior to 1996. Full provision is made for the present value of the expected liability in respect of these annuities to former members.

OTHER EMPLOYEE BENEFITS

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

CLAIMS

Provision is made on a case-by-case basis in respect of the estimated cost of defending and/or settling claims against the Firm. Separate disclosure is not made of these claims on the grounds that disclosure might seriously prejudice the outcome of the claims.

Dechert LLP

ACCOUNTING POLICIES

TAXATION

The taxation payable on profits is the personal liability of the members during the period. Consequently, neither partnership tax nor related deferred taxation arising in respect of the Firm is accounted for in the financial statements.

MEMBERS' PARTICIPATION RIGHTS

Members' participation rights are the rights of a member against the Firm that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the Firm are analysed between those that are, from the Firm's perspective, either a financial liability or equity, in accordance with FRS 102 Chapter 11 'Basic Financial Instruments' and FRS 102 Chapter 22 'Liabilities and Equity'. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the Firm.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classified as equity if the Firm has an unconditional right to refuse payment to members.

Where profits are automatically divided as they arise, so the Firm does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore recognised as an expense in the Statement of Total Comprehensive Income. To the extent that they remain unpaid at the reporting date, they are recognised as liabilities in the Statement of Financial Position.

Conversely, where profits are divided only after a decision by the Firm or its representative, so that the Firm has an unconditional or discretionary right to refuse payment, such profits are classified as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Statement of Total Comprehensive Income and are equity appropriations in the Statement of Financial Position.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits as described above, according to whether the Firm has, in each case, an unconditional or discretionary right to refuse payment.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty:

The Firm makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accrued income

Accrued income is valued at the reporting date based on chargeable hours that have not yet been billed to clients net of an estimated allowance for uncollectible amounts. The estimated allowance is calculated based on a combination of management judgement, current billing and collection data, and historical realization rates.

Trade debtors

Trade debtors is valued at the reporting date based on amounts billed to clients net of an estimated allowance for uncollectible amounts. The estimated allowance is calculated based on a combination of management judgement, current billing and collection data, and historical realization rates.

Defined benefit scheme

The net defined benefit liability is valued at the reporting date based on an actuarial valuation. The valuation inherently includes estimates and assumptions. A key assumption within the valuation is the discount rate which is used to measure the present value of the defined benefit obligation. The discount rate is determined based on management judgement with reference to market yields on high quality corporate bonds that are generally of the same currency and duration as the defined benefit obligation, where possible.

Critical areas of judgement:

Leases

In categorising leases as finance leases or operating leases, management makes judgments as to whether significant risks and rewards of ownership have transferred from the lessor to the Firm, as lessee.

Tangible fixed assets

In calculating depreciation expense, management makes judgements as to the useful economic life of the associated asset.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

2 TURNOVER

Turnover comprises amounts rendered, net of third party disbursements and value added tax, and movements in work in progress in respect of the provision of legal services. Revenue is recognised when earned.

An analysis of the geographical location of the Firm's turnover was as follows:

	2015 £	2014 £
United Kingdom	44,088,287	48,975,449
Rest of world	17,073,690	17,982,380
	<u>61,161,977</u>	<u>66,957,829</u>

3 ANALYSIS OF OPERATING EXPENSES

	2015 £	2014 £
Staff costs (note 4)	18,410,777	18,736,200
Depreciation (note 10)	547,645	681,285
Other operating charges	16,650,169	17,956,904
	<u>35,608,591</u>	<u>37,374,389</u>

4 STAFF COSTS

	2015 No.	2014 No.
The average monthly number of persons employed during the year (excluding members) was:		
Associates and counsel	69	76
Paralegals and other non-lawyers	42	40
Secretaries and word processors	49	49
Firm administration	66	60
	<u>226</u>	<u>225</u>

	2015 £	2014 £
Staff costs incurred during the year in respect of these employees were:		
Salaries	15,335,160	15,706,455
Social security costs	2,322,907	2,288,443
Pension and retirement benefits	752,710	741,302
	<u>18,410,777</u>	<u>18,736,200</u>

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

5	OPERATING PROFIT	2015 £	2014 £
	Operating profit is stated after charging:		
	Operating lease rentals for land and buildings	3,054,187	2,929,448
	Depreciation (note 10)	547,645	681,285
	Auditor's remuneration for statutory audit	27,000	26,000
	Loss on disposal of fixed assets	13,738	9,364
6	INTEREST RECEIVABLE AND SIMILAR INCOME	2015 £	2014 £
	Bank interest income	24,040	30,129
7	INTEREST PAYABLE	2015 £	2014 £
	Interest on loans with related parties (note 14)	426,487	628,256
	Net interest on the net defined benefit liability (note 16)	640,000	605,000
		1,066,487	1,233,256
8	MEMBERS' REMUNERATION CHARGED AS AN EXPENSE		
	Member remuneration arrangements and capital requirements are structured such that the Firm has no salaried members. Additionally, the partnership agreement, to which all members are party, provides for a discretionary division of profits.		
9	MEMBERS' SHARES OF PROFIT		
	Profits are shared among the members in accordance with agreed profit sharing arrangements.		
		2015 No.	2014 No.
	Average monthly number of members	41	41
	The share of profits that is attributable to the member with the largest entitlement to profit is £2,938,834 (2014: £2,687,432).		

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

10	TANGIBLE FIXED ASSETS	Leasehold improvements £	Computer equipment £	Furniture and equipment £	Total £
	Cost				
	At 1 January 2015	3,152,201	1,777,694	1,521,287	6,451,182
	Additions	2,947,439	1,108,687	613,885	4,670,011
	Disposals	(1,518,454)	(171,616)	(540,818)	(2,230,888)
	At 31 December 2015	4,581,186	2,714,765	1,594,354	8,890,305
	Depreciation				
	At 1 January 2015	3,105,727	1,416,484	1,348,314	5,870,525
	Charged in the year	164,754	314,849	68,042	547,645
	Disposals	(1,518,454)	(171,616)	(527,080)	(2,217,150)
	At 31 December 2015	1,752,027	1,559,717	889,276	4,201,020
	Net book value				
	At 31 December 2015	2,829,159	1,155,048	705,078	4,689,285
	Net book value				
	At 31 December 2014	46,474	361,210	172,973	580,657

11 INVESTMENTS

The partnership holds more than 20% of the nominal value of any class of share capital in the following undertakings.

	Class of holding	Proportion directly held %	Nature of Business
Dechert Secretaries Limited	Ordinary	100	Dormant
Dechert Nominees Limited	Ordinary	100	Dormant
Dechert Trustee Company Limited	Ordinary	100	Dormant
Dechert T&N Company	Ordinary	100	Dormant

The above entities are dormant and have no assets or liabilities other than a nominal value of share capital and a related receivable. As such, the investment value has been previously written down to zero, being the carrying value of the investment.

12	DEBTORS	2015 £	2014 £
	Trade debtors	7,953,029	8,294,111
	Amounts due from related parties (note 21)	8,289,805	7,087,998
	Other debtors	692,628	259,980
	Prepayments and accrued income	11,627,267	11,654,730
		28,562,729	27,296,819

Amounts due from related parties are unsecured, interest free and due on demand.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

13	CREDITORS: Amounts falling due within one year	2015 £	Restated 2014 £
	Trade creditors	1,177,707	795,275
	Amounts due to related parties (note 21)	28,023,875	27,291,594
	Other taxation and social security costs	321,838	562,696
	Accruals	1,892,621	1,135,904
	Post retirement payments to former members	55,263	52,631
		<u>31,471,304</u>	<u>29,838,100</u>

Amounts due to related parties are unsecured, interest free and due on demand.

14	CREDITORS: Amounts falling due after more than one year	2015 £	2014 £
	Amount due to DF Luxembourg SARL (note 21)	17,137,251	17,137,251
	Deferred rent	2,796,845	-
	Other creditors	29,013	84,276
		<u>19,963,109</u>	<u>17,221,527</u>
	Analysis of debt maturity:		
	Amounts payable within three years	<u>17,137,251</u>	<u>17,137,251</u>

The amount due to DF Luxembourg SARL represents an unsecured loan that is repayable in full by 31 October 2017 and bears a variable interest rate equal to sterling LIBOR plus 3%.

DF Luxembourg SARL is a wholly owned subsidiary of Dechert LLP, a limited liability partnership organised in Pennsylvania, USA ('Dechert LLP (US)'), and is a related party as the members of Dechert LLP are also partners of Dechert LLP (US). See note 21 for further details.

Deferred rent represents the long term portion of lease incentives related to the Firm's operating lease agreement with its landlord. Deferred rent is amortized over the term of the lease ending in 2023.

15 FINANCIAL INSTRUMENTS

At 31 December, the carrying amount of the Firm's financial instruments were:

	2015 £	2014 £
Financial assets:		
Debt instruments measured at amortised cost	<u>40,653,837</u>	<u>41,989,906</u>
	2015 £	2014 £
Financial liabilities:		
Instruments measured at amortised cost	<u>47,094,006</u>	<u>46,525,350</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

16 STAFF RETIREMENT BENEFITS

During the year, Dechert LLP operated a defined benefit scheme and a defined contribution scheme. The Final Salary Scheme is a defined benefit scheme and is closed to new entrants. The Group Personal Pension Plan is a defined contribution scheme which opened to new entrants effective 1 April 2014. In 2014, the Firm operated an additional defined contribution scheme called The Money Purchase Scheme which was wound-up effective 31 March 2014. The assets of these schemes are held separately from those of the Firm in funds administered by trustees.

The contributions paid during the year for the schemes were:

	2015 £	2014 £
Final Salary Scheme	2,608,000	2,628,000
Group Personal Pension Plan	520,171	369,170
Money Purchase Scheme	-	92,256
	<u>3,128,171</u>	<u>3,089,426</u>

Final Salary Scheme

The contributions paid by the Firm to the Final Salary Scheme were determined by actuarial valuations and consultations.

In November 2013, a new Schedule of Contributions was agreed as required by Section 227 of the Pensions Act 2004. Under the new schedule, which covers the period from 1 December, 2013 to 31 January, 2031, the rate of contribution will be at least 47.1% of Pensionable Salary, as defined, and an additional £2,350,000 per annum will be payable in respect of the shortfall in funding. The payments of £2,350,000 will be due on 31 January each year, with the final payment due on 31 January, 2031. The payments for 2015 and 2014 were paid as agreed.

In January 2015, an agreement was signed between Dechert LLP and the trustees of the scheme to provide for the possibility of a profit related contribution to the scheme in respect of the three calendar years 2013, 2014, and 2015. This contribution would be paid by Dechert LLP in the event of exceptional business performance relative to the results for 2012. The provisions of this agreement were not triggered for the years ended 2015 and 2014.

The Final Salary Scheme is currently undergoing a review of its Schedule of Contributions as required by Section 227 of the Pensions Act 2004 and, as a result, the annual payments to the Final Salary Scheme may change in 2016.

The most recent actuarial valuation report was carried out as at 1 January 2013 and updated by an actuary as at the reporting date to provide the information required by FRS 102. The principal assumptions used in the valuation were:

	2015	2014
Discount rate	3.9%	3.7%
Salary increases	0.0%	0.0%
Pension increases	5.0%	5.0%

The average life expectancy at age 65 for a pensioner currently aged 65 at the reporting date was:

	2015	2014
Males	22.7	22.6
Females	25.1	25.0

Dechert LLP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

16 STAFF RETIREMENT BENEFITS (continued)

The average life expectancy at age 65 for an employee currently aged 45 at the reporting date was:

	2015	2014
Males	24.5	24.4
Females	27.1	27.1

Amounts recognised in profit or loss in respect of the defined benefit scheme were as follows:

	2015 £000	2014 £000
Current service cost	238	213
Net interest on the net defined benefit liability	640	605
	<u>878</u>	<u>818</u>

<u>Changes in the present value of the defined benefit obligation:</u>	2015 £000
Present value of the defined benefit obligation at the beginning of the year	(57,086)
Interest cost	(2,096)
Service cost	(238)
Actuarial gain on scheme liabilities	88
Contributions by scheme participants	(27)
Benefits paid	1,150
Present value of the defined benefit obligation at the end of the year	<u>(58,209)</u>

<u>Changes in the fair value of scheme assets:</u>	2015 £000
Fair value of scheme assets at the beginning of the year	38,620
Interest income	1,456
Return on scheme assets (excluding net interest on the net defined benefit liability)	(645)
Contributions by the Firm	2,608
Contributions by scheme participants	27
Benefits paid	(1,150)
Fair value of scheme assets at the end of the year	<u>40,916</u>

The actual return on scheme assets was £811,000 (2014: £5,088,000).

Dechert LLP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

16 STAFF RETIREMENT BENEFITS (continued)

Scheme assets consisted of the following at the reporting date:

	2015 £000	2014 £000
Equities	26,917	24,931
Bonds	5,965	6,457
Newton Real Return Fund	7,621	7,213
Other	413	19
Fair value of scheme assets	<u>40,916</u>	<u>38,620</u>

17 MEMBERS' INTERESTS

Members' capital classified as equity represents capital that the Firm has an unconditional right to refuse payment to the member. No additional rights or preferences attach to the members' capital classified as equity.

Members' capital classified as debt represents capital that the Firm does not have an unconditional right to refuse payment to the member.

Loans and other debts due to members represent profits that have been approved for allocation to the members by the Firm but which have not yet been paid.

Other reserves represent the cumulative actuarial gains and losses on the defined benefit pension scheme and the one-time effect of adopting UITF abstract 40 'Revenue Recognition and Service Contracts' (now reported under FRS 102 Chapter 23 'Revenue').

Members' interests rank after unsecured creditors in the event of the winding up of the Firm. All amounts due to members relate to items falling due within one year. There are no restrictions or limitations on the ability of the members to reduce the amount of members' other interests.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

18 RECONCILIATION OF PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
Profit for the year	24,510,939	28,380,313
Adjustment for non-cash transactions:		
Depreciation (note 10)	547,645	681,285
Loss on disposal of tangible fixed assets	13,738	9,364
Adjustment for movements in working capital:		
(Increase)/decrease in trade and other debtors	(1,265,910)	1,201,570
Increase/(decrease) in trade and other creditors	4,374,786	(1,805,064)
Interest receivable (note 6)	(24,040)	(30,129)
Interest payable (note 7)	1,066,487	1,233,256
Pension contributions (note 16)	(2,608,000)	(2,628,000)
Current pension service cost (note 16)	238,000	213,000
Cash generated from operations	<u>26,853,645</u>	<u>27,255,595</u>

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December, the Firm had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £	2014 £
Amounts due:		
Within one year	2,006,197	233,625
Between one and five years	12,037,184	-
After five years	6,269,367	-

In 2015, the Firm entered into a new operating lease agreement with its landlord for office space in London. The lease terminates in 2023.

20 CONTINGENT LIABILITIES

The Firm may receive claims in the normal course of business, but it is not considered that any further provisions are required in addition to those that may already be included in these financial statements.

21 RELATED PARTY TRANSACTIONS

The members of the Firm are also partners of Dechert LLP, a limited liability partnership organised in Pennsylvania, USA ('Dechert LLP (US)'). Dechert globally is comprised of separate legal entities. The global partnership agreement, to which all partners are party, provides that each constituent entity shall remain a separate legal entity and will not have legal liability for the obligations of any other constituent entity save where exceptionally a guarantee has been given. The separate legal entities are reported as 'other related parties' in the schedule that follows.

Dechert LLP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

21 RELATED PARTY TRANSACTIONS (continued)

The Firm had the following transactions with related parties during the year and the following balances at the reporting date:

	Other related parties	
	2015	2014
	£	£
Cash transfers from related parties	11,640,787	3,541,125
Cash transfers to related parties	7,076,556	3,610,431
Corporate overhead charge	4,946,559	5,058,049
Fees billed by related parties	17,303,546	19,085,372
Fees billed on behalf of related parties	11,544,524	11,453,158
Payments made on behalf of related parties	6,628,252	10,918,832
Payments made by related parties	2,648,344	10,798,663
Amounts due from related parties at 31 December (note 12)	8,289,805	7,087,998
Amounts due to related parties at 31 December (notes 13 and 14)	45,161,126	45,141,845

The amounts outstanding are unsecured, interest free and due on demand. No guarantees have been given or received. There are no provisions for uncollectible receivables related to the amounts outstanding, and no expense has been recognised in the year (2014: £nil) in respect of bad debts from related parties.

22 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the members and managers who are considered key management personnel of the Firm was £4,584,578 (2014: £3,960,305), of which £nil (2014: £nil) has been recognised as remuneration charged as an expense and £4,584,578 (2014: £3,960,305) has been recognised as profits distributable to members.

23 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Firm is controlled by its members and as such there is no one controlling party. The results of the Firm are consolidated within a group directly and ultimately headed by Dechert LLP (US), a limited liability partnership organised in Pennsylvania, USA.

Dechert LLP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2015

24 **TRANSITION TO FRS 102**

At 1 January 2015, the Firm transitioned to FRS 102 from previously extant UK GAAP. The impact from the transition was as follows:

<u>Reconciliation of equity at 31 December 2014 and 1 January 2015:</u>		£
Equity as originally reported under previous UK GAAP	23,448,835	
Reallocation of net interest on the defined benefit liability	(713,000)	
Equity as reported under FRS 102	<u>22,735,835</u>	

<u>Reconciliation of profit or loss for the year ended 31 December 2014:</u>		£
Profit as originally reported under previous UK GAAP	29,093,313	
Reallocation of net interest on the defined benefit liability	(713,000)	
Profit as reported under FRS 102	<u>28,380,313</u>	

Changes in accounting policies arising from the transition to FRS 102:

Defined Benefit Scheme

Under FRS 102, the net interest on the net defined benefit liability is calculated using the liability discount rate as applied to both the defined benefit obligation and the scheme assets. Under previous UK GAAP, the interest income portion of the net interest amount was calculated using an expected asset return discount rate as applied to the scheme assets. Under both FRS 102 and previous UK GAAP, the net interest amount is recognised in profit or loss and the difference between the calculated interest income amount and the actual return on scheme assets is recognised in other comprehensive income. As a result, the transition to FRS 102 creates a presentation change in the allocation of the actual return on scheme assets between profit or loss and other comprehensive income.

Statement of Cash Flows

Under FRS 102, the statement of cash flows is classified by operating activities, investing activities and financing activities. Under previous UK GAAP, the cash flow statement was classified by operating activities, returns on investments and servicing of finance, capital expenditure and financial investment, and transactions with members and former members. Furthermore, under FRS 102, cash and cash equivalents includes short term investments. Under previous UK GAAP, short term investments were excluded from cash and cash equivalents. As a result, the transition to FRS 102 creates a presentation change in the reporting of cash flows.