

Limited Liability Partnership Registration number: OC309059

Fasken Martineau LLP

Members' Report and Financial Statements for the 12 month period ended 31 January 2016

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Fasken Martineau LLP

Members' Report and Financial Statements for the 12 month period ended 31 January 2016

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Fasken Martineau LLP

Designated members, officers and professional advisers

Designated members

A Akinjide
A Gourley

Registered office

125 Old Broad Street
London EC2N 1AR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Paul's Place
121 Norfolk Street
Sheffield S1 2LE

Registration number

OC309059

Bankers

Barclays Bank Plc.
1 Churchill Place
London E14 5HP

Royal Bank of Scotland Plc.
28 Cavendish Square
London W1G 0DB

Fasken Martineau LLP

Designated members' report

The designated members submit their report and the audited financial statements of Fasken Martineau LLP ("FM LLP" or the "Firm") for the year ended 31 January 2016.

Principal activity

The principal activity of FM LLP is the provision of legal services from offices in London, England as part of the Fasken Martineau brand. Fasken Martineau DuMoulin LLP ("FMD"), considered to be the ultimate controlling interest of FM LLP, is an international law firm, with the majority of its lawyers based in Canada.

Review of business

The current financial statements are prepared for the year ended 31 January 2016. Effective January 31, 2015, FM LLP changed its year from 30 April to 31 January so as to be coterminous with the year-end of FMD. Accordingly, the comparative figures presented in these financial statements represent the nine month period from 1 May 2014 to 31 January 2015.

FM LLP reported a profit before members' remuneration and profit shares of £3,045,941 for the year ended 31 January 2016 (9 months 2015: £2,588,433). Turnover was £6,285,108 (9 months 2015: £9,423,641).

FM LLP has experienced declining turnover for the past several years and in the face of increasing competition amongst law firms, both in domestic market and on a global basis, a detailed review of the Firm's business strategy and options for the future was undertaken. This resulted in the decision to downsize and restructure the scope of the Firm's operations. Staff decreased from 23 members, 35 associates and 38 support staff at 31 January 2015 to 5 members, 4 associates and 17 support staff at 31 January 2016. The Firm also moved to smaller offices after the downsizing of staff.

Future outlook

The business environment for law firms is expected to remain very competitive in 2016/2017. Consolidation amongst law firms, pressure from clients on fees and the trend in the demand for professional services are the key challenges facing FM LLP. It is expected that the Firm will continue to require financial support from FMD.

Principal risks and uncertainties

Management of the business and the execution of FM LLP's strategy are subject to a number of risks. The key business risks affecting FM LLP are considered to relate to competition from similar sized firms of lawyers, key employee retention, and the risk of downturns in financial markets.

Fasken Martineau LLP

Designated members' report (continued)

Key performance indicators (KPIs)

Given the straightforward nature of the business, FM LLP's members are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Designated members

The members of FM LLP who were in office during the past fiscal year and up to the date of signing the financial statements, unless otherwise indicated, were:

G R Howes (resigned 31 January 2016)
N R Gordon (resigned 31 December 2015)
A Akinjide (appointed 25th February 2015)
A Gourley (appointed 3 March 2016)

Members' profit shares

All members participate fully in FM LLP's profit, share the risks and contribute to the Firm's capital. Certain members also participate in the earnings of FMD depending on the operating results of FM LLP.

Members' capital

The balance of members' capital was reduced during the year as members left the Firm in connection with the downsizing and restricting of operations. All members maintained their capital to a level that satisfies HMRC rules concerning members' capital in limited liability partnerships.

Members' drawings

FM LLP's policy for drawings allows each equity partner to draw a proportion of their profit share in twelve monthly instalments, with any balance of their profits, net of a tax reserve, usually distributed in the following financial year, subject to cash flows.

Regular partners draw their budgeted compensation in equal monthly instalments.

Any excess distribution of profits during the year is repayable to FM LLP by members.

Fasken Martineau 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.

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law, the members have prepared the limited liability partnership's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, as applied to limited liability partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership 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 UK Accounting Standards, including FRS 102, 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 partnership will continue in business; and
- notify its members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements.

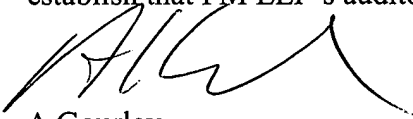
The members are responsible for keeping adequate accounting records that are sufficient to show and explain FM LLP's transactions and to disclose with reasonable accuracy at any time the financial position of FM LLP and enable them to ensure that the financial statements comply with the Companies Act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

Fasken Martineau LLP

Statement of members' responsibilities in respect of the Financial Statements (continued)

Disclosure of information for auditors

So far as each Designated Member is aware, there is no relevant information of which FM LLP's auditors are unaware. Relevant information is defined as information needed by FM LLP's auditors in connection with preparing their report. Each Designated Member has taken all the steps (such as making inquiries of other members of FM LLP and the auditors and any other steps required by their duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a member in order to make himself aware of any relevant audit information and to establish that FM LLP's auditors are aware of that information.



A Gourley
Designated Member
27 October 2016

Fasken Martineau LLP

Independent auditors' report to the members of Fasken Martineau LLP

Report on the financial statements

Our opinion

In our opinion, Fasken Martineau LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 January 2016 and of its result and cash flows 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.

What we have audited

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

- the Balance sheet as at 31 January 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Fasken Martineau LLP

Independent auditors' report to the members of Fasken Martineau LLP (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the members

As explained more fully in the Statement of members' responsibilities set out on page 6, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Fasken Martineau LLP

Independent auditors' report to the members of Fasken Martineau LLP (continued)

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the members; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



David Thurkettle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

31  October 2016

Fasken Martineau LLP

Statement of comprehensive income For the year ended 31 January 2016

	<i>Note</i>	For the 12 month period ended 31 January 2016	For the 9 month period ended 31 January 2015 restated
		£	£
Turnover	2	6,285,108	9,423,641
Other operating income	5	9,336,935	3,889,171
Operating expenses	3	<u>(12,464,994)</u>	<u>(10,548,856)</u>
Operating profit	5	3,157,049	2,763,956
Interest receivable and similar charges	6	9,093	11,846
Interest payable and similar charges	7	<u>(120,201)</u>	<u>(187,369)</u>
Profit for the financial period before members' remuneration and profit shares		3,045,941	2,588,433
Members' remuneration charged as an expense	15	<u>(3,045,941)</u>	<u>(2,588,433)</u>
Result for the financial period available for discretionary division among members		<u>-</u>	<u>-</u>

The result for the year arises from FM LLP's continuing operations.

No separate statement of total recognized gains and losses has been presented as all such gains and losses have been dealt with in the Statement of comprehensive income.

There is no material difference between the result for the financial period as stated above and its historical cost equivalent.

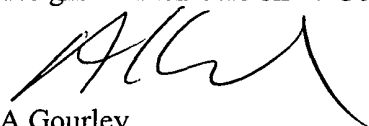
Fasken Martineau LLP

Balance sheet

As at 31 January 2016

	Note	As at 31 January 2016 £	As at 31 January 2015 restated £
Fixed assets			
Tangible assets	9	15,711	917,368
Current assets			
Debtors		3,744,516	7,429,460
Investments	11	4,388	199,158
Cash at bank and in hand	10	185,462	355,975
		3,934,366	7,984,593
Creditors: amounts falling due within one year	12	(1,890,872)	(6,210,244)
Net current assets		2,043,494	1,774,349
Total assets less current liabilities		2,059,205	2,691,717
Creditors: amounts falling due after more than one year	13	-	(166,667)
Provisions for liabilities	14	(703,592)	(730,866)
Net assets attributable to members of the LLP		1,355,613	1,794,184
Represented by:			
Members' capital classified as a liability under FRS 102	15	1,579,054	2,331,139
Other reserves	15	(320,074)	(536,955)
Amounts due to members		96,633	-
Members' interests	15	1,355,613	1,794,184
Total Members' interests			
Members' capital classified as a liability under FRS 102	15	1,579,054	2,331,139
Other reserves	15	(320,074)	(536,955)
Amounts due to (from) Members	15	96,633	(453,502)
		1,355,613	1,340,682

The financial statements on pages 11 to 32 were approved and authorized for issue by the designated members on 27 October 2016 and signed on their behalf by:


A Gourley
Designated member

Limited Liability Partnership Registration number: OC309059

Fasken Martineau LLP

Statement of cash flows

For the year ended 31 January 2016

	<i>Note</i>	For the 12 month period ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Net cash inflow from operating activities	16	<u>3,353,041</u>	<u>3,593,396</u>
Returns on investments and servicing of finance			
Interest received and other income		9,093	11,846
Interest on bank loans and overdraft		(7,121)	(8,740)
Interest paid to clients			(24,251)
Interest on intercompany accounts		<u>(113,080)</u>	<u>(154,378)</u>
Net cash outflow from return on investments and servicing of finance		<u>(111,108)</u>	<u>(175,523)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(11,111)	(9,519)
Payments to acquire investments		-	(150,000)
Sale of investments		<u>101,848</u>	<u>-</u>
Net cash inflow/(outflow) for capital expenditure and financial investments		<u>90,737</u>	<u>(159,519)</u>
Transactions with and on behalf of members			
Capital introduced by members		37,500	2,804,199
Interest paid on capital		(23,550)	(9,120)
Current year drawings paid to members		(2,792,798)	(2,579,313)
Transfers to creditors for retiring partners		(142,431)	(286,197)
Taxation paid (recovered)		320,542	(1,814,777)
Other movements		216,881	(953,540)
Repayments to departing members		<u>(647,154)</u>	<u>(475,210)</u>
Net cash outflow from transactions with members		<u>(3,031,010)</u>	<u>(3,313,958)</u>
Financing			
Repayment of loans		<u>(366,667)</u>	<u>(366,666)</u>
Net cash outflow from financing		<u>(366,667)</u>	<u>(366,666)</u>
Decrease in cash		<u>(65,007)</u>	<u>(422,270)</u>

Fasken Martineau LLP

Statement of changes in equity For the year ended 31 January 2016

	Members' capital £	Other reserves £	Total £	Loans and other debts due to/(from) members £	Total £
Amounts due to / (from) members:					
At 31 January 2015 restated	2,331,139	(536,955)	1,794,184	(453,502)	1,340,682
Profit for the financial period	-	3,045,941	3,045,941	-	3,045,941
Members' remuneration charged as an expense	-	(3,045,941)	(3,045,941)	3,045,941	-
Members' interests after profit for the period	2,331,139	(536,955)	1,794,184	2,592,440	4,386,623
Current period drawings	-	-	-	(2,792,798)	(2,792,798)
Capital injected by members	37,500	-	37,500	-	37,500
Capital repaid to members	(647,154)	-	(647,154)	-	(647,154)
Interest paid on Capital	-	-	-	(23,550)	(23,550)
Transferred to creditors	(142,431)	-	(142,431)	-	(142,431)
Tax paid	-	-	-	320,542	320,542
Other movements	-	216,881	216,881	-	216,881
Amounts due to / (from) members at 31 January 2016	<u>1,579,054</u>	<u>(320,074)</u>	<u>1,258,980</u>	<u>96,633</u>	<u>1,355,613</u>

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016

1. Accounting policies

a) Statement of Compliance

The individual financial statements of Fasken Martineau LLP ("FM LLP") have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and 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.

b) Summary of significant accounting policies

The accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period, unless otherwise stated. FM LLP has adopted FRS 102 in these financial statements.

c) Basis of Accounting and Preparation

These financial statements are prepared on the going concern basis, under the historical cost convention.

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FM LLP's accounting policies.

d) Going concern

FM LLP is dependent upon the support of Fasken Martineau DuMoulin LLP ("FMD") who owes £2,286,460 to FM LLP at the 31 January 2016.

The members consider it appropriate to prepare the financial statements on the going concern basis as FMD has undertaken to continue to provide financial support to FM LLP and ensure it is able to meet its liabilities as they fall due for twelve months from the date of these financial statements.

e) Revenue recognition

Turnover represents amounts chargeable to clients for professional services provided during the period, inclusive of direct expenses incurred on client assignments but excluding value added tax. Turnover is recognized when a right to consideration has been obtained through performance under each contract. Consideration accrues as contract activity progresses by reference to the value of the work performed. Turnover also includes appropriate amounts in respect of long-term work in progress, as described below, to the extent that the outcome of these contracts can be assessed with reasonable certainty. Turnover in respect of contingent fee assignments (over and above any agreed minimum fee, which is recognized as above) is

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

1. Accounting policies (continued)

recognized in the period when the contingent event occurs and the collectability of fees is assured.

Unbilled turnover on individual client assignments is included in debtors as 'Accrued income'. Amounts billed on account of work in progress are shown as a deduction from gross work in progress, to the extent that they are not recognized as turnover. Amounts billed on account in excess of the amounts recognized as turnover are classified as deferred income within creditors.

f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost, together with any incidental economic expenses of acquisition, less accumulated depreciation. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its initial condition for its intended use.

g) Depreciation and residual values

Depreciation is calculated using the straight-line method, to allocate the cost to their residual value over their estimated useful lives, as follows:

Leasehold improvements	Over the life of the lease
Computer equipment	Over a period of four years
Furniture and office equipment	Over a period of four years

h) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income and included in 'Operating expenses'.

i) Leases

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. Where FM LLP enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such lease, net of finance charges, are included within creditors. ~~Rentals payable are apportioned between the finance element, which is charged to the~~ Statement of Comprehensive Income, and the capital element which reduces the outstanding obligation for future instalments.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

1. Accounting policies (continued)

j) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. All exchange differences are taken to the Statement of Comprehensive Income in the period in which they arise.

k) Taxation

FM LLP is not taxed as a corporate entity. The taxation payable on profits is the personal liability of the members during the period, and consequently is not dealt with in these financial statements.

l) Provisions

In common with other legal firms, FM LLP is involved in a number of disputes in the ordinary course of business which may give rise to claims. Provision is made on a case-by-case basis in respect of the cost of defending claims and, where appropriate, the estimated cost to Fasken Martineau LLP of settling claims. Separate disclosure is not made of claims covered by insurance recoveries expected to be obtained on the grounds that such disclosure might seriously prejudice the outcome of the claims and the position of FM LLP.

m) Pension costs

Staff pension costs relating to defined contribution schemes are charged to the Statement of Comprehensive Income when they become payable.

n) Current asset investments

Current asset investments are stated at cost, less, where appropriate, any provisions made for permanent diminution in value.

o) Financial instruments

FM LLP has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial instruments, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

1. Accounting policies (continued)

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset has impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the carrying value does not exceed what the carrying amount would have been had the impairment loss not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group entities, are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future payments discounted at the market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods and services which have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statement when there is an enforceable right to set off the recognised amounts and there is

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

1. Accounting policies (continued)

an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

p) Members' capital

Amounts subscribed or otherwise contributed by the members to FM LLP are considered debt and a component of 'Loans and other debts due to members'.

q) Allocation of profits and drawings

In accordance with the provisions of FM LLP SORP, amounts due to members in respect of participated rights in the limited liability partnership that give rise to a liability are treated as members' remuneration charged as an expense in FM LLP's Statement of Comprehensive Income.

Any divisions out of the remaining profits are reported as equity allocations when they occur.

FM LLP's drawings policy allows each full equity member to draw a proportion of their profit share in twelve monthly instalments, with the balance of their profits, net of taxes, usually distributed in the following year. Since August 2014 Regular members have been paid their fixed share remuneration without deduction of a tax reserve.

Certain members are special partners of FMD and receive a portion of their remuneration from this entity.

r) Restatement

The comparative amounts in respect of Tangible assets and Amounts owed by group undertakings have been restated to adjust for an error made in the treatment of depreciation and income due from group undertakings. Further adjustments have been made to amounts included in the prior years Members interest note in respect of misallocation of payments made in respect of members. The effect on the prior period net result has been a reduction of the net loss of £2,444,488 to £0.

s) Judgements in applying accounting policies and key sources of estimation uncertainty

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.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

1. Accounting policies (continued)

Key accounting estimates and assumptions

The LLP makes estimates and assumptions concerning the future. The resulting accounting estimates 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 addressed below.

(i) Revenue, accounts receivable and amounts recoverable on contracts

The recognition of revenue and profit on fee income is a key source of estimation uncertainty due to the judgement required over the stage of completion, the amount to be received and the costs incurred to date and to complete the contract. This requires management's best estimate of the likelihood of recoverability of amounts based on the facts and circumstances of each ongoing matter based on information provided by legal advisers and known issues with clients.

(ii) Property Provisions

These provisions require management's best estimate of the costs that will be incurred based on contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

2. Turnover

Turnover is wholly derived from the principal activity of FM LLP. Turnover was earned from clients in the following geographic markets.

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
United Kingdom	4,194,793	4,389,028
Europe	565,693	1,081,106
Rest of the world	1,524,622	3,953,507
	<u>6,285,108</u>	<u>9,423,641</u>

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

3. Operating expenses

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Staff costs (note 4)	4,913,264	3,816,284
Depreciation (notes 5 & 9)	244,878	187,161
Impairment on tangible assets (notes 5 & 9)	667,890	-
Other operating charges	6,638,962	6,545,411
	<u>12,464,994</u>	<u>10,548,856</u>

4. Employees

The average monthly number of persons employed during the period (excluding members) was:

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Fee earning staff	24	35
Support staff	32	40
	<u>56</u>	<u>75</u>

Staff costs incurred during the period in respect of these employees were:

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Wages and salaries	4,333,032	3,318,399
Social security costs	439,975	377,178
Other pension costs	140,257	120,707
Total Staff costs (note 3)	<u>4,913,264</u>	<u>3,816,284</u>

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

5. Operating profit

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 restated £
Operating profit is stated after charging:		
Depreciation / Impairment on tangible fixed assets		
- Owned assets - depreciation (notes 3 & 9)	244,878	187,161
- Owned assets - impairment (notes 3 & 9)	667,890	-
Operating lease rentals:		
- Land and buildings	860,054	597,095
- Recognition of balance of lease incentive	(1,157,234)	-
- Plant and machinery	55,012	38,719
Foreign exchange losses	41,302	187,347
	<u>711,902</u>	<u>1,010,322</u>
Audit services		
- statutory audit	44,100	22,171
- other regulatory reporting	16,300	16,300
Tax services		
- advisory services	91,310	67,385
	<u>151,710</u>	<u>105,856</u>

During the period no group reporting audit fees were recharged to FMD.

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Operating profit is stated after crediting:		
International Business Development agreement of the combined partnership	9,288,380	3,853,320
Other income	48,555	35,851
Total other operating income	<u>9,336,935</u>	<u>3,889,171</u>

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

6. Interest receivable and similar income

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Bank interest receivable and similar income	<u>9,093</u>	<u>11,846</u>

7. Interest payable and similar charges

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Interest on bank loan and overdraft	7,121	8,740
Interest payable to clients	-	24,251
Interest on intercompany accounts	<u>113,080</u>	<u>154,378</u>
	<u>120,201</u>	<u>187,369</u>

8. Members' profit shares

The average profit per member is calculated by dividing the profit for the financial year before members' remuneration and profit shares by the average number of members.

	For the year ended 31 January 2016	For the 9 month period ended 31 January 2015
Average monthly number of members	<u>12</u>	<u>19</u>
	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Average profit per member	<u>253,828</u>	<u>136,233</u>

The share of profits that has been allocated to the member with the largest entitlement to profit is £279,060 (9 months 2015: £229,500).

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

9. Tangible assets

	Leasehold improvements £	Computer equipment £	Furniture and office equipment £	Total £
Cost				
At 1 February 2015	2,520,482	579,105	404,254	3,503,841
Additions	-	10,773	338	11,111
At 31 January 2016	2,520,482	589,878	404,592	3,514,952
Accumulated depreciation				
At 1 February 2015	1,687,258	524,933	374,282	2,586,473
Charge in the period	184,076	38,148	22,654	244,878
Impairment	635,308	25,207	7,375	667,890
At 31 January 2016	2,506,642	588,288	404,311	3,499,241
Net book value				
As at 31 January 2016	13,840	1,590	281	15,711
As at 31 January 2015 restated	833,224	54,172	29,972	917,368

10. Debtors

	As at 31 January 2016 £	As at 31 January 2015 restated £
Trade debtors	952,896	5,796,345
Amounts owed by group undertakings	2,286,460	42,227
Amounts due from members	-	453,502
Other debtors	66,451	23,066
Prepayments	365,008	636,006
Accrued income	73,701	478,314
	3,744,516	7,429,460

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

11. Investments

	Listed investments £	Unlisted investments £	Total £
Cost:			
1 February 2015	319,002	35,000	354,002
Sales at cost	(101,849)	-	(101,849)
Loss on sales	(48,151)	-	(48,151)
Foreign exchange movements	(451)	-	(451)
At 31 January 2016	168,551	35,000	203,551
Provision for diminution in value:			
1 February 2015	154,844	-	154,844
Increase in the period	9,319	35,000	44,319
At 31 January 2016	164,163	35,000	199,163
Net book value:			
At 31 January 2016	4,388	-	4,388
At 31 January 2015	164,158	35,000	199,158

The market value of listed investments at the balance sheet date is £4,184 (31 January 2015: £153,692). The designated members believe that the carrying value of investments is supported by the underlying net assets.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

12. Creditors: amounts falling due within one year

	As at 31 January 2016 £	As at 31 January 2015 restated £
Bank loans and overdraft	-	305,506
Trade creditors	209,998	1,027,581
Amounts owed to group undertakings	-	2,519,616
Taxation and social security	-	432,853
Other creditors	177,281	286,361
Accruals and deferred income	<u>1,503,593</u>	<u>1,638,327</u>
	<u>1,890,872</u>	<u>6,210,244</u>

FM LLP has an overdraft facility with Barclays Bank PLC for £400,000. The facility is secured by a £1m debenture from FM LLP.

The bank overdraft is repayable on demand with interest payable at 3.5% (2015: 3.5%) over base rate.

The amount of bank loans due at 31 January 2015 was £366,667 of which £200,000 was included within current liabilities (creditors: amounts falling within one year) and the remaining £167,667 within creditors falling due after more than one year.

All bank loans were repaid during the current year. The interest expense charged during the year was £7,121 (9 months 2015: £8,740).

Amounts owed to group undertakings attract interest at the rate of 3% and are repayable upon demand.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

13. Creditors: amounts falling due after more than one year

	As at 31 January 2016 £	As at 31 January 2015 £
Bank loan:		
Amounts repayable by instalments falling due:		
-In more than one year but not more than two	-	166,667
	-	166,667

14. Provisions for liabilities

	As at 31 January 2016 £	As at 31 January 2015 £
Beginning of the year	730,866	234,568
Charged to profit and loss during the period	(27,274)	496,298
End of the year	703,592	730,866

The claims provision is the estimated cost of defending and concluding claims. No separate disclosure is made of the cost of the claims covered by insurance as to do so would seriously prejudice the position of the limited liability partnership.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

15. Members' interests

	Members' capital £	Other reserves £	Total £	Loans and other debts due to/(from) members £	Total £
Amounts due to / (from) members:					
At 31 January 2015 restated	2,331,139	(536,955)	1,794,184	(453,502)	1,340,682
Profit for the financial period	-	3,045,941	3,045,941	-	3,045,941
Members' remuneration charged as an expense	-	(3,045,941)	(3,045,941)	3,045,941	-
Members' interests after profit for the period	2,331,139	(536,955)	1,794,184	2,592,440	4,386,623
Current period drawings	-	-	-	(2,792,798)	(2,792,798)
Capital injected by members	37,500	-	37,500	-	37,500
Capital repaid to members	(647,154)	-	(647,154)	-	(647,154)
Interest paid on Capital	-	-	-	(23,550)	(23,550)
Transferred to creditors	(142,431)	-	(142,431)	-	(142,431)
Tax paid	-	-	-	320,542	320,542
Other movements	-	216,881	216,881	-	216,881
Amounts due to / (from) members at 31 January 2016	<u>1,579,054</u>	<u>(320,074)</u>	<u>1,258,980</u>	<u>96,633</u>	<u>1,355,613</u>

Save for claims made by fixed share equity members in respect only of their fixed share of profits, members' interests rank after unsecured creditors in the event of the winding up of the limited liability partnership.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

16. Reconciliation of net cash flow from operating activities

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Profit for the financial period before members' remuneration and profit shares	3,045,941	2,588,433
Net interest expense	111,108	175,523
Operating profit	3,157,049	2,763,956
Depreciation	244,878	187,161
Impairment on tangible assets	667,890	-
Increase in provisions against current asset investments	44,319	8,258
Profit on disposal of current asset investments	48,151	1,498
Foreign exchange movement against current asset investments	452	345
Decrease in debtors	3,231,442	2,617,058
Decrease in creditors	(4,013,866)	(2,681,178)
(Decrease)/increase in provisions for liabilities and charges	(27,274)	496,298
Non-cash movement in loan	-	200,000
Net cash flow from operations	3,353,041	3,593,396

	At the beginning of the period £	Cash flows £	At the end of the period £
Analysis of net debt (as restated)			
Cash at bank and in hand	355,975	(170,513)	185,462
Bank overdraft	(105,506)	105,506	-
Bank loans due within one year	(200,000)	200,000	-
Bank loans due after one year	(166,667)	166,667	-
Net debt	(116,198)	301,660	185,462

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

17. Reconciliation of Net Debt

	For the year ended 31 January 2016 £	For the 9 month period ended 31 January 2015 £
Decrease in cash in the period	(65,007)	(422,270)
Cash outflow from decrease in debt and lease financing	<u>366,667</u>	<u>166,666</u>
Change in net debt resulting from financing	301,660	(255,604)
Net debt brought forward	<u>(116,198)</u>	<u>139,406</u>
Net debt carried forward	<u>185,462</u>	<u>(116,198)</u>

18. Commitments under operating leases

In connection with strategic review and downsizing of the office, FM LLP entered into a lease for new premises commencing 12 January 2016. The lease expires on 31 May 2022 and the total commitment is as follows:

Year	£
2022	1,841,220

In order to exit the leases associated with its former premises, FM LLP made a payment of £600,000 (including VAT) to the landlord in exchange for a full release from any future obligations under those leases. The agreement with the landlord was completed in March 2016, but the effect of that agreement has been reflected in these financial statements.

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

18. Commitments under operating leases (continued)

FM LLP is also obligated under third party lease agreements to make lease payments for photocopiers and other office equipment for leases expiring in:

Year	£
2019	5,045
2021	50,731

19. Contingent liabilities

Individual Partners and former Partners of FM LLP are subject to various legal proceedings arising in the ordinary course of conducting a legal practice. Management is of the opinion that there are satisfactory defenses against any outstanding claims and that there is sufficient liability insurance coverage in the event of any unfavourable outcomes.

20. Related party transactions

During the year, FM LLP recharged £140,344 (9 months 2015: £174,885) to FMD, £119,729 to Fasken Martineau Selas (9 months 2015: £125,648) and nil (9 months 2015: nil) to Fasken Martineau (Pty) Limited, associated partnerships in Canada, Paris and South Africa respectively. These charges include marketing costs for the combined partnership and management and administration costs.

FM LLP also charged a fee of £9,288,380 (9 months 2015: £3,853,320) to FMD for business development activities and support related to the promotion of the combined partnership.

At 31 January 2016 FMD owed FM LLP £2,286,460 (note 10) (at 31 January 2015: FM LLP owed £2,519,616 to FMD) (note 12).

Fasken Martineau LLP

Notes to the financial statements

For the 12 month period ended 31 January 2016 (continued)

20. Related party transactions (continued)

During the year, FM LLP carried out legal work for a small number of equity members and their related parties, as follows:

	Value of work done		Amounts billed	
	For the year ended 31 January 2016	For the 9 month period ended 31 January 2015	For the year ended 31 January 2016	For the 9 month period ended 31 January 2015
	£	£	£	£
David Smith	310	-	-	-
Gary Howes	2,800	1,852	1,000	-
Nigel Gordon	-	-	-	-
Paul Yerbury	-	6,909	-	1,408
	<u>3,110</u>	<u>8,761</u>	<u>1,000</u>	<u>1,408</u>

Amounts due at 31 January 2016 included within trade debtors amounted to nil (31 January 2015: £1,956).

21. Pensions costs

FM LLP operates a defined contribution, self-administered scheme. The pension cost for the 12 month period was £140,257 (9 months 2015: £120,707). The balance sheet creditor amount as at the period end date was £3,705 (9 months 2015: £154).

22. Key management compensation

The key management personnel comprise certain members of Fasken Martineau LLP. The share of profit and the salaries awarded to these key management personnel for the year ended 31 January 2016 will amount to £698,375 (2015: £281,250).

23. Controlling party

FM LLP is controlled by the members of the Firm.