

Baker & McKenzie LLP

Annual Report and Financial Statements

For the year ended 30 June 2019



Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS **For the year ended 30 June 2019**

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Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 30 June 2019

OFFICERS AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS

A Chadwick
K Guch
S Mobley
E Poulton

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

BANKERS

HSBC Bank plc
60 Queen Victoria Street
London
EC4N 4TR

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 3HQ

Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS For the year ended 30 June 2019

MEMBERS' REPORT

The members are pleased to present their annual report and audited financial statements of Baker & McKenzie LLP (the parent limited liability partnership) and its subsidiaries (the 'Group') for the year ended 30 June 2019.

PRINCIPAL ACTIVITY

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

FIRM STRUCTURE

The LLP is a limited liability partnership under the Limited Liability Partnerships Act 2000 registered in the United Kingdom. No branches exist outside the UK.

DESIGNATED MEMBERS

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

H Bradley	(Resigned 1 August 2018)
A Chadwick	
K Guch	(Appointed 1 August 2018)
M Kurnatowska	(Resigned 1 August 2018)
S Mobley	(Appointed 1 August 2018)
A Poulton	(Resigned 1 August 2018)
E Poulton	(Appointed 1 August 2018)

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

The LLP's consolidated profit before tax amounted to £103,993,000 (2018: £91,929,000). The consolidated profit for the year after tax on subsidiaries' profits amounted to £103,232,000 (2018: £91,204,000).

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

UK'S DEPARTURE FROM THE EUROPEAN UNION

The UK formally left the European Union (EU) at the end of January 2020 and has now entered a transitional period until the end of 2020 and must negotiate its future trading relationship with the EU. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of the UK's departure from the EU such as the impact on global markets, including exchange rates, and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate.

The risks and potential opportunities for the LLP are being considered and evaluated to ensure the business is well placed to deal with the UK's exit from the EU. The ultimate impact will be dependent on the terms of the UK's relationship with the EU.

EVENTS AFTER THE BALANCE SHEET DATE

Post 30 June 2019, serious macro-economic pressures occurred as a result of the Covid-19 pandemic. This is considered a non-adjusting post balance sheet event and therefore no adjustments have been made to the figures in the financial statements. At this stage it is not possible to quantify the impacts the pandemic will have.

Baker & McKenzie LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2019

MEMBERS' REPORT (Continued)

GOING CONCERN

COVID-19 has had a significant impact on the UK & Global economy and impacted the vast majority of businesses. From an operational perspective, the business moved to having its fee earners working remotely from mid-March and the LLP has therefore been able to continue delivering services to its clients in a largely unaffected way. The LLP continues to carefully monitor the situation and the impact it may have on its people and its clients.

The Members have considered the impact of the Covid-19 pandemic on the Group and the LLP's business. The Members have prepared forecasts and projections through to 30 June 2021 which show the Group and the LLP will be able to meet its liabilities as they fall due. In addition the business has modelled the impact of potential declines in revenue, lower than those forecast for 2021, and these show that the Group and the LLP would still be able to meet its liabilities as they fall due. The Group & LLP manages its monthly cash through the Baker & McKenzie's International group treasury function, whose primary financing vehicle is Baker & McKenzie International BV ("BMIBV"). In addition to considering the Group and the LLP's own financial position the Members have considered the position of BMIBV, and are satisfied that BMIBV has sufficient resources and financing available to repay amounts held on behalf of Baker & McKenzie LLP.

The Members therefore have a reasonable expectation that the Group and the LLP have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements and are confident the Group & LLP are well-placed to deal with the current market conditions.

LEGAL STRUCTURE

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

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

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

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

MEMBERS' DRAWINGS AND CAPITAL POLICY

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

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

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

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

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2019

MEMBERS' REPORT (Continued)

AUDITOR

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

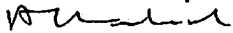
AUDIT INFORMATION

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

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

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

Approved by the Members and signed on their behalf



Alex Chadwick
Designated Member
26 June 2020



Edward Poulton
Designated Member
26 June 2020

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2019

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

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

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

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

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

Baker & McKenzie LLP

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Baker & McKenzie LLP (the parent limited liability partnership) and its subsidiaries (the 'group')

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent limited liability partnership balance sheets;
- the consolidated and parent limited liability partnership statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 25.

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

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

We have nothing to report in respect of these matters.

Baker & McKenzie LLP

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

OTHER INFORMATION

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

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

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF MEMBERS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Baker & McKenzie LLP

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

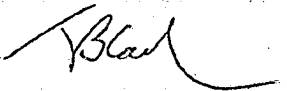
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships regime.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

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



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

26 June 2020

Baker & McKenzie LLP**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 30 June 2019

	Notes	2019 £000's	2018 £000's
TURNOVER	3	238,201	216,304
Administrative expenses		(137,932)	(126,840)
Other operating income		2,698	2,131
OPERATING PROFIT		102,967	91,595
Finance costs (net)	7	1,026	334
PROFIT BEFORE TAXATION	4	103,993	91,929
Taxation	9	(761)	(725)
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		103,232	91,204

All results relate to continuing activities.

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

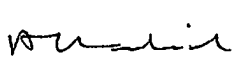
The limited liability partnership has taken advantage of section 408 of Companies Act 2006 not to publish a separate Income Statement and Statement of Comprehensive Income.

Baker & McKenzie LLP**CONSOLIDATED BALANCE SHEET**
As at 30 June 2019

	Notes	2019 £000's	2018 £000's
FIXED ASSETS			
Tangible assets	11	6,705	3,920
		<u>6,705</u>	<u>3,920</u>
CURRENT ASSETS			
Debtors	12	171,285	156,610
Amounts due from members		84,595	74,555
Cash at bank and in hand		4,631	4,066
		<u>260,511</u>	<u>235,231</u>
Creditors: amounts falling due within one year	13	(36,389)	(32,197)
NET CURRENT ASSETS		<u>224,122</u>	<u>203,034</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>230,827</u>	<u>206,954</u>
Provisions for liabilities	15	(35)	(35)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u><u>230,792</u></u>	<u><u>206,919</u></u>
REPRESENTED BY			
Loans and other debt due to members within one year:			
Members' capital classified as a liability		27,160	21,979
Equity:			
Other reserves	18	203,632	184,940
MEMBERS' OTHER INTERESTS		<u><u>230,792</u></u>	<u><u>206,919</u></u>
TOTAL MEMBER INTERESTS			
Members' other interests		230,792	206,919
Amounts due from members		(84,595)	(74,555)
		<u><u>146,197</u></u>	<u><u>132,364</u></u>

These financial statements of Baker & McKenzie LLP (Registration No. OC311297) were approved by the Members on 26 June 2020.

Signed on behalf of the Members


Alex Chadwick
Designated Member


Edward Poulton
Designated Member

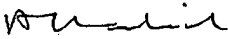
Baker & McKenzie LLP**LIMITED LIABILITY PARTNERSHIP BALANCE SHEET
As at 30 June 2019**


	Notes	2019 £000's	2018 £000's
FIXED ASSETS			
Tangible assets	11	6,705	3,920
CURRENT ASSETS			
Debtors	12	170,229	155,453
Amounts due from members		85,185	74,858
Cash at bank and in hand		4,399	3,879
		259,813	234,190
Creditors: amounts falling due within one year	13	(43,050)	(38,292)
NET CURRENT ASSETS		216,763	195,898
TOTAL ASSETS LESS CURRENT LIABILITIES		223,468	199,818
Provisions for liabilities	15	(35)	(35)
NET ASSETS ATTRIBUTABLE TO MEMBERS		223,433	199,783
REPRESENTED BY			
Loans and other debt due to members within one year:			
Members' capital classified as a liability		27,160	21,979
Equity:			
Other reserves	18	196,273	177,804
MEMBERS' OTHER INTERESTS		223,433	199,783
TOTAL MEMBER INTERESTS			
Members' other interests		223,433	199,783
Amounts due from members		(85,185)	(74,858)
		138,248	124,925

The profit for the financial year attributable to the parent undertaking Baker & McKenzie LLP was £96,378,000 (2018: £84,357,000).

These financial statements of Baker & McKenzie LLP (Registration No. OC311297) were approved by the Members on 26 June 2020.

Signed on behalf of the Members


Alex Chadwick
Designated Member


Edward Poulton
Designated Member

**CONSOLIDATED STATEMENT
OF CHANGES IN MEMBERS' INTEREST
For the year ended 30 June 2019**

	Members' capital £'000	Other reserves (note 18) £'000	Total £'000	Amounts due from members £'000	Total members' interests £'000
MEMBERS' INTEREST AT 1 JULY 2017	19,261	167,582	186,843	(72,411)	114,432
Profit for the financial year available for discretionary division among members	-	91,204	91,204	-	91,204
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	19,261	258,786	278,047	(72,411)	205,636
Currency translation difference	(124)	-	(124)	-	(124)
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	19,137	258,786	277,923	(72,411)	205,512
Allocated profits	-	(73,846)	(73,846)	73,846	-
Capital introduced	5,921	-	5,921	-	5,921
Repayment of capital	(200)	-	(200)	-	(200)
Capital due to former members	(2,879)	-	(2,879)	-	(2,879)
Loan to members	-	-	-	447	447
Drawings	-	-	-	(76,437)	(76,437)
AT 30 JUNE 2018	<u>21,979</u>	<u>184,940</u>	<u>206,919</u>	<u>(74,555)</u>	<u>132,364</u>
Profit for the financial year available for discretionary division among members	-	103,232	103,232	-	103,232
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	21,979	288,172	310,151	(74,555)	235,596
Currency translation difference	412	-	412	-	412
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	22,391	288,172	310,563	(74,555)	236,008
Allocated profits	-	(84,540)	(84,540)	84,540	-
Capital introduced	7,410	-	7,410	-	7,410
Repayment of capital	(1,234)	-	(1,234)	-	(1,234)
Capital due to former members	(1,407)	-	(1,407)	-	(1,407)
Loan to members	-	-	-	(344)	(344)
Drawings	-	-	-	(94,236)	(94,236)
AT 30 JUNE 2019	<u>27,160</u>	<u>203,632</u>	<u>230,792</u>	<u>(84,595)</u>	<u>146,197</u>

**LIMITED LIABILITY PARTNERSHIP STATEMENT
OF CHANGES IN MEMBERS' INTEREST
For the year ended 30 June 2019**

	Members' capital £'000	Other reserves (note 18) £'000	Total £'000	Amounts due from members £'000	Total members' interests £'000
MEMBERS' INTEREST AT 1 JULY 2017	19,261	160,732	179,993	(71,882)	108,111
Profit for the financial year available for discretionary division among members	-	84,357	84,357	-	84,357
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	19,261	245,089	264,350	(71,882)	192,468
Currency translation difference	(124)	-	(124)	-	(124)
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	19,137	245,089	264,226	(71,882)	192,344
Allocated profits	-	(67,285)	(67,285)	67,285	-
Capital introduced	5,921	-	5,921	-	5,921
Repayment of capital	(200)	-	(200)	-	(200)
Capital due to former members	(2,879)	-	(2,879)	-	(2,879)
Loan to members	-	-	-	447	447
Drawings	-	-	-	(70,708)	(70,708)
AT 30 JUNE 2018	<u>21,979</u>	<u>177,804</u>	<u>199,783</u>	<u>(74,858)</u>	<u>124,925</u>
Profit for the financial year available for discretionary division among members	-	96,378	96,378	-	96,378
MEMBERS' INTEREST AFTER PROFIT FOR THE YEAR	21,979	274,182	296,161	(74,858)	221,303
Currency translation difference	412	-	412	-	412
TOTAL COMPREHENSIVE INCOME AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	22,391	274,182	296,573	(74,858)	221,715
Allocated profits	-	(77,909)	(77,909)	77,909	-
Capital introduced	7,410	-	7,410	-	7,410
Repayment of capital	(1,234)	-	(1,234)	-	(1,234)
Capital due to former members	(1,407)	-	(1,407)	-	(1,407)
Loan to members	-	-	-	(324)	(324)
Drawings	-	-	-	(87,912)	(87,912)
AT 30 JUNE 2019	<u>27,160</u>	<u>196,273</u>	<u>223,433</u>	<u>(85,185)</u>	<u>138,248</u>

Baker & McKenzie LLP**CONSOLIDATED CASH FLOW STATEMENT**
For the year ended 30 June 2019

	Notes	2019 £000's	2018 £000's
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	16	93,761	73,506
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of equipment		(4,854)	(1,075)
Proceeds from sale of tangible fixed assets		-	1
Interest received		1,057	341
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(3,797)</u>	<u>(733)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
(Loans to)/repayments from members		(344)	447
Payments to or on behalf of the members		(94,236)	(76,437)
Capital contributions by members		7,410	5,921
Repayments to former members		(2,641)	(3,079)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(89,811)</u>	<u>(73,148)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		153	(375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,066	4,565
Effect of foreign exchange rate changes		412	(124)
CASH AND CASH EQUIVALENTS AT END YEAR		<u>4,631</u>	<u>4,066</u>
RECONCILIATION TO CASH AT BANK AND IN HAND:			
Cash at bank and in hand		4,631	4,066
CASH AND CASH EQUIVALENTS		<u>4,631</u>	<u>4,066</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

1. ACCOUNTING POLICIES

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

General information and basis of accounting

Baker & McKenzie LLP ("the limited liability partnership") is incorporated in the United Kingdom under the Limited Liability Partnership Act 2000 and registered in England and Wales. The full address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Members' Report on pages 2 to 4.

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

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

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

Going concern

The members have prepared the financial statements on the going concern basis. The Group's principal activity and policy on members' drawings and capital is set out in the Members' Report on pages 2 to 4.

COVID-19 has had a significant impact on the UK & Global economy and impacted the vast majority of businesses. From an operational perspective, the business moved to having its fee earners working remotely from mid-March and the LLP has therefore been able to continue delivering services to its clients in a largely unaffected way. The LLP continues to carefully monitor the situation and the impact it may have on its people and its clients.

The Members have considered the impact of the Covid-19 pandemic on the Group and the LLP's business. The Members have prepared forecasts and projections through to 30 June 2021 which show the Group and the LLP will be able to meet its liabilities as they fall due. In addition the business has modelled the impact of potential declines in revenue, lower than those forecast for 2021, and these show that the Group and the LLP would still be able to meet its liabilities as they fall due. The Group & LLP manages its monthly cash through the Baker & McKenzie's International group treasury function, whose primary financing vehicle is Baker & McKenzie International BV ("BMIBV"). In addition to considering the Group and the LLP's own financial position the Members have considered the position of BMIBV, and are satisfied that BMIBV has sufficient resources and financing available to repay amounts held on behalf of Baker & McKenzie LLP.

The Members therefore have a reasonable expectation that the Group and the LLP have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements and are confident the Group & LLP are well-placed to deal with the current market conditions.

Basis of Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

1. ACCOUNTING POLICIES (CONTINUED)

Investment in subsidiaries

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

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

Tangible fixed assets

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

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

Financial instruments

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

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

Financial assets and liabilities

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

1. ACCOUNTING POLICIES (CONTINUED)

Turnover

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

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

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

Members' interests

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

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

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

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

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

Taxation

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

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

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

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

Foreign Currencies

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

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

1. ACCOUNTING POLICIES (CONTINUED)

Leases

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

Pension costs

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

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

Allocation of profits

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

Employee Benefits

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

A liability for redundancy costs is recognised when the group has committed to the termination of the employment of employees before normal retirement date. The liability is recognised based on the best estimate of the ex-gratia amounts payable as at the balance sheet date.

Other operating income

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

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The members do not consider there to be any critical accounting judgement areas to disclose.

Key sources of estimation uncertainty

Revenue recognition – accrued income

The value of accrued income is derived on the basis of estimations and assumptions regarding the fair value of unbilled time at the year-end. The key assumptions and estimates used concern assessing the economic benefit of the unbilled time by reference to post year-end billing and the value at which that will be ultimately be realised, based on historical performance. Accrued income relating to amounts recoverable from clients in respect of unbilled work at the balance sheet date is set out in note 12 to the financial statements.

3. TURNOVER

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019**4. PROFIT BEFORE TAXATION**

	2019 £000's	2018 £000's
Operating profit is stated after charging:		
Depreciation		
- owned assets	1,958	1,309
Rentals under operating leases		
Land and Buildings	7,232	6,807
Other operating leases	184	134
Exchange (gain)	(556)	(242)
Loss on disposal of fixed assets	111	161
	<u> </u>	<u> </u>

5. AUDITOR'S REMUNERATION

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

	2019 £'000	2018 £'000
Fees payable to the Group LLP's auditor and its associates for the audit of the Limited Liability Partnerships financial statements	60	59
Fees payable to the Group LLP's auditor and its associates for other services to the Group		
The audit of the Group LLP's subsidiaries	<u>9</u>	<u>9</u>
Total audit fees	<u>69</u>	<u>68</u>
Taxation compliance services	307	285
Other assurance services	<u>42</u>	<u>40</u>
Total non-audit fees	<u>349</u>	<u>325</u>

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

No services were provided pursuant to contingent fee arrangements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

6. STAFF COSTS

	2019	2018
	No.	No.
Average monthly number of persons employed during the year (excluding members)		
Practice	384	373
Support staff	313	327
	<u>697</u>	<u>700</u>
	2019	2018
	£000's	£000's
Employee costs during the year amounted to:		
Wages and salaries	61,031	58,627
Redundancy costs	841	438
Social security costs	8,422	8,091
Pension costs (note 21)	2,566	2,300
	<u>72,860</u>	<u>69,456</u>

There are no employees in the limited liability partnership.

7. FINANCE COSTS (NET)

	2019	2018
	£000's	£000's
Interest receivable from other member firms of the Baker & McKenzie global organisation	996	313
Bank interest receivable	61	28
Interest payable	(31)	(7)
	<u>1,026</u>	<u>334</u>

8. MEMBERS' SHARE OF PROFITS

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

The profit attributable to the member with the largest entitlement was £3,421,000 (2018: £2,379,000).

	2019	2018
Average number of members during the year	<u>108</u>	<u>98</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019**9. TAXATION**

	2019 £000's	2018 £000's
Current tax	761	725
Profit before taxation	103,993	91,929
Less amounts subject to personal tax	(103,009)	(90,918)
Dividend from group undertaking	2,950	2,700
Profits subject to taxation	3,934	3,711
UK corporation tax of 19% (2018: 19%)	747	705
Tax effect of		
- Expenses disallowed for tax purposes	15	17
Adjustments in respect of prior year	(1)	3
	761	725

The standard rate of tax applied to reported profit before taxation is 19% (2018: 19%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

Also under Finance Act 2015, the rate was due to reduce from 19% to 18% from 1 April 2020 but in Finance Act 2016, which was substantially enacted on 15 September 2016, the rate that will apply from 1 April 2020 was reduced from 18% to 17%. Following the impact of the enactment of the Finance Act 2016 in September 2016, the deferred tax balances is to be calculated using 17%. On 11 March 2020, the Government announced that it intends to reverse this reduction.

10. PROFIT ATTRIBUTABLE TO THE LIMITED LIABILITY PARTNERSHIP

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

The profit attributed to the limited liability partnership is disclosed in the footnote to the limited liability partnership's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

11. TANGIBLE FIXED ASSETS - CONSOLIDATED AND LIMITED LIABILITY PARTNERSHIP

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£000's	£000's	£000's	£000's
Cost				
At 1 July 2018	8,416	7,338	5,184	20,938
Additions	2,997	1,005	852	4,854
Disposals	(130)	(1,718)	(150)	(1,998)
At 30 June 2019	<u>11,283</u>	<u>6,625</u>	<u>5,886</u>	<u>23,794</u>
Accumulated depreciation				
At 1 July 2018	6,913	6,566	3,539	17,018
Charge for the year	1,000	250	708	1,958
Disposals	(81)	(1,656)	(150)	(1,887)
At 30 June 2019	<u>7,832</u>	<u>5,160</u>	<u>4,097</u>	<u>17,089</u>
Net book value				
At 30 June 2019	<u>3,451</u>	<u>1,465</u>	<u>1,789</u>	<u>6,705</u>
At 30 June 2018	<u>1,503</u>	<u>772</u>	<u>1,645</u>	<u>3,920</u>

12. DEBTORS

	Consolidated		Limited Liability Partnership	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Due within one year:				
Trade debtors	53,852	50,319	53,852	50,319
Amounts recoverable from clients in respect of unbilled work performed	32,846	28,365	32,846	28,365
Amounts due from other member firms of the Baker & McKenzie global organisation	75,773	70,669	76,007	70,543
Other debtors	4,185	3,012	3,946	2,749
Prepayments	4,629	4,245	3,578	3,477
	<u>171,285</u>	<u>156,610</u>	<u>170,229</u>	<u>155,453</u>

The amounts due from other member firms of the Baker & McKenzie global organisation are unsecured and repayable on demand.

The interest rate is agreed annually with the relevant member firms that the balances are due from.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Limited Liability Partnership	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Trade creditors	13,071	11,765	11,830	10,951
Amounts due to group undertakings	-	-	19,717	17,783
Amounts due to other member firms of the Baker & McKenzie global organisation	1,741	1,519	1,955	1,624
Corporation tax	363	353	-	-
Other taxation and social security	2,994	3,142	181	620
Sundry creditors	1,909	1,135	1,875	1,075
Accruals and deferred income	16,311	14,283	7,492	6,239
	<u>36,389</u>	<u>32,197</u>	<u>43,050</u>	<u>38,292</u>

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

14. FINANCIAL INSTRUMENTS

	Consolidated		Limited Liability Partnership	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Financial assets				
Financial assets that are debt instruments measured at amortised cost	138,441	128,066	138,204	127,490
	<u>138,441</u>	<u>128,066</u>	<u>138,204</u>	<u>127,490</u>
Financial liabilities				
Financial liabilities measured at amortised cost	33,032	28,702	42,869	37,672
	<u>33,032</u>	<u>28,702</u>	<u>42,869</u>	<u>37,672</u>

Consolidated and Limited Liability Partnership

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

15. PROVISIONS FOR LIABILITIES

Consolidated and Limited Liability Partnership

	1 July 2018 £000's	Utilised in the current year £000's	Released in the current year £000's	30 June 2019 £000's
Client claim provisions	35	-	-	35

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

16. CASH FLOW STATEMENT

Reconciliation of operating profit to net cash from operating activities:

	2019 £'000	2018 £'000
Operating profit	102,967	91,595
Adjustment for:		
Depreciation	1,958	1,309
Loss on disposal of fixed assets	111	161
Increase in debtors	(14,675)	(21,890)
Increase in creditors	4,182	3,061
Cash generated by operations	94,543	74,236
Interest paid	(31)	(7)
Income taxes paid	(751)	(723)
Net cash from operating activities	93,761	73,506

17. PRINCIPAL GROUP INVESTMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

18. RESERVES

Other reserves

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

19. OBLIGATIONS UNDER OPERATING LEASES

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

Land and Building

	Land and Buildings 2019 £'000	Other 2019 £'000	Land and Buildings 2018 £'000	Other 2018 £'000
Consolidated				
- within one year	6,881	108	7,227	134
- between one and five years	23,825	-	27,301	96
- after five years	-	-	3,403	-
	<u>30,706</u>	<u>108</u>	<u>37,931</u>	<u>230</u>
Limited Liability Partnership				
- within one year	6,881	108	7,227	134
- between one and five years	23,825	-	27,301	96
- after five years	-	-	3,403	-
	<u>30,706</u>	<u>108</u>	<u>37,931</u>	<u>230</u>

20. FINANCIAL COMMITMENTS

Capital Commitments are as follows:

Land and Building

	Consolidated		Limited Liability Partnership	
	2019 £000's	2018 £000's	2019 £000's	2018 £000's
Due within one year:				
Tangible fixed assets				
Leasehold Improvements	410	330	410	330
Fixtures and Fittings	158	53	158	53
Computer Equipment & Telecommunications	297	-	297	-
	<u>865</u>	<u>383</u>	<u>865</u>	<u>383</u>

21. PENSIONS

The group operates a defined contribution pension scheme.

The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £2,566,000 (2018: £2,300,000).

Amounts due as at 30 June 2019: £221,000 (2018: £205,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 June 2019

22. TRANSACTIONS WITH RELATED PARTIES

The total remuneration for key management personnel, comprising the designated members and professional business service directors, in the year was £9,413,000 (2018: £8,968,000).

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

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

23. CONTINGENT LIABILITIES

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

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

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

At 30 June 2019 and 30 June 2018 the obligations of Baker & McKenzie LLP under these do not exceed that amount already recognised as payable to BMIBV.

24. POST BALANCE SHEET EVENTS

Post 30 June 2019, serious macro-economic pressures occurred as a result of the Covid-19 pandemic. This is considered a non-adjusting post balance sheet event and therefore no adjustments have been made to the figures in the financial statements. At this stage it is not possible to quantify the impacts the pandemic will have.

25. CONTROLLING PARTY

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