

LLP Registration No: OC326165

**MILLS & REEVE LLP**

**Annual Report and Financial Statements**

**31 May 2019**



# **MILLS & REEVE LLP**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

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# **MILLS & REEVE LLP**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

### **DESIGNATED MEMBERS AND PROFESSIONAL ADVISERS**

#### **DESIGNATED MEMBERS**

C M Clarke  
J J P Ripman  
N J R Davis  
C S G Staveley  
M A Hoyell  
S E Seed

#### **REGISTERED OFFICE**

4<sup>th</sup> Floor Monument Place  
24 Monument Street  
London  
England  
United Kingdom  
EC3R 8AJ

#### **BANKERS**

The Royal Bank of Scotland Plc  
1 Broadland Business Park  
Peachman Way  
Norwich  
NR7 0WF

#### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

## **MILLS & REEVE LLP**

### **MEMBERS' REPORT**

The members are pleased to present their report and the audited financial statements for the year ended 31 May 2019.

#### **PRINCIPAL ACTIVITY**

The principal activity of Mills & Reeve LLP is the provision of legal services in the UK.

#### **GROUP STRUCTURE**

These financial statements are the statutory accounts for Mills & Reeve LLP and reflect the results for the year to 31 May 2019. The financial statements consolidate the accounts of Mills & Reeve LLP and all its subsidiary undertakings (the 'group') drawn up to 31 May each year.

#### **RESULTS AND REVIEW OF BUSINESS**

The results for the year are set out on page 7. The members regard the results and future prospects to be satisfactory. On 15 January 2019 the Group sold its 100% interest in the ordinary share capital of Wellred Nominees Limited.

#### **FUTURE DEVELOPMENTS**

These financial statements show the position as the firm is moving towards delivery of its 2020 strategy. That strategy aims to:

- Prioritise markets and sectors
- Build stronger client relationships
- Support and challenge our people
- Build an innovative culture
- Exploit technology for clients' benefit

#### **DESIGNATED MEMBERS**

The designated members who served throughout the year and subsequently are shown on page 1. This is with the exception of Caitlin Jenkins who retired on 31 May 2019.

#### **MEMBERS' DRAWINGS AND CAPITAL POLICY**

The members' policy on drawings is dependent upon the working capital requirements of the firm. A conservative level of monthly drawings is set at the start of the year and further distributions are made once the results for the year are known and announced to the members.

The level of members' capital is determined by the members from time to time. Capital is repaid to members on resignation from the firm, or at such other time as is determined by the Board.

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to those of other employees.

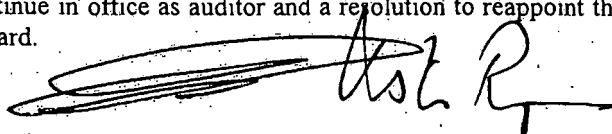
#### **EMPLOYEE CONSULTATION**

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, intranet announcements and office briefings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **AUDITOR**

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the next meeting of the Board.

Approved and signed on behalf of the Members



Date: 08 August 2019

C M Clarke

J J P Ripman

## **MILLS & REEVE LLP**

### **MEMBERS' RESPONSIBILITIES STATEMENT**

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 LLP and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP 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 LLP 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 LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLS & REEVE LLP**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Mills & Reeve 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 31 May 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 profit and loss account;
- the consolidated and limited liability partnership balance sheets;
- the consolidated and limited liability partnership statements of changes in members' interests;
- the consolidated cash flow statement; and
- the related notes 1 to 21.

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 of 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 (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

We have nothing to report in respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLS & REEVE LLP (continued)**

### **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 we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

### **Responsibilities of members**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Report on other legal and regulatory requirements**

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 as applied to limited liability partnerships 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.

We have nothing to report in respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILLS & REEVE LLP (continued)**

### **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 as applied to limited liability partnerships. 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.



**Peter Saunders (Senior Statutory Auditor)**  
**For and on behalf of Deloitte LLP**  
Statutory Auditor  
London, United Kingdom

Date: **20** August 2019



**MILLS & REEVE LLP****CONSOLIDATED PROFIT AND LOSS ACCOUNT****Year ended 31 May 2019**

	Note	2019 £'000	2018 £'000
<b>TURNOVER</b>	3	110,984	106,105
Other operating income		1,889	1,086
Staff costs	5	(41,447)	(40,073)
Depreciation and amortisation		(1,977)	(1,853)
Other operating expenses		(26,120)	(22,498)
<b>OPERATING PROFIT</b>		<u>43,329</u>	<u>42,767</u>
Finance costs (net)	6	(27)	34
<b>PROFIT BEFORE TAXATION</b>	4	<u>43,302</u>	<u>42,801</u>
Tax on profit	7	(471)	(479)
<b>PROFIT AFTER TAXATION</b>		<u>42,831</u>	<u>42,322</u>
Loss/(profit) retained in subsidiaries		45	(578)
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES</b>		<u>42,876</u>	<u>41,744</u>
Members' remuneration charged as an expense		(42,876)	(41,744)
<b>PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>		<u><u>-</u></u>	<u><u>-</u></u>

All results relate to continuing activities.

There are no comprehensive income or expenses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

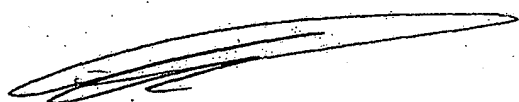
# MILLS & REEVE LLP

## CONSOLIDATED BALANCE SHEET 31 May 2019

	Note	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	-	-
Tangible assets	10	11,175	8,602
		<u>11,175</u>	<u>8,602</u>
<b>CURRENT ASSETS</b>			
Stocks		43	42
Debtors	13	50,641	40,087
Cash at bank and in hand		3,394	13,397
		<u>54,078</u>	<u>53,526</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(18,556)	(15,718)
<b>NET CURRENT ASSETS</b>		<u>35,522</u>	<u>37,808</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		46,697	46,410
<b>CREDITORS: amounts falling due after more than one year</b>	15	(1,600)	(2,200)
<b>PROVISIONS FOR LIABILITIES</b>	16	(613)	(539)
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u>44,484</u>	<u>43,671</u>
<b>REPRESENTED BY:</b>			
Members' capital classified as a liability under FRS102		19,232	17,238
Other reserves classified as a liability under FRS102		25,252	26,433
<b>TOTAL MEMBERS' INTEREST</b>		<u>44,484</u>	<u>43,671</u>

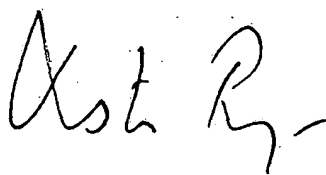
These financial statements of Mills & Reeve LLP, registered number OC326165 were approved by the Board on behalf of the Members and authorised for issue on 8 August 2019.

Approved and signed on behalf of the Members



Designated Member

C M Clarke



Designated Member

J J P Ripman

# MILLS & REEVE LLP

## LLP BALANCE SHEET

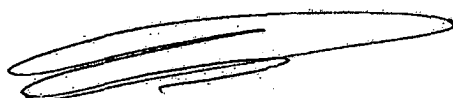
31 May 2019

	Note	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	-	-
Tangible assets	10	11,175	8,592
Investments	11	250	260
		<u>11,425</u>	<u>8,852</u>
<b>CURRENT ASSETS</b>			
Stocks		43	42
Debtors	13	50,637	40,092
Cash at bank and in hand		83	10,115
		<u>50,763</u>	<u>50,249</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(17,901)</u>	<u>(15,287)</u>
<b>NET CURRENT ASSETS</b>		<u>32,862</u>	<u>34,962</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>44,287</u>	<u>43,814</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(1,600)</u>	<u>(2,200)</u>
<b>PROVISIONS FOR LIABILITIES</b>	16	<u>(613)</u>	<u>(539)</u>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<u>42,074</u>	<u>41,075</u>
<b>REPRESENTED BY:</b>			
Members' capital classified as a liability under FRS102		19,232	17,238
Other reserves classified as a liability under FRS102		22,842	23,837
<b>TOTAL MEMBERS' INTEREST</b>		<u>42,074</u>	<u>41,075</u>

The profit for the financial year dealt with in the financial statements of the parent LLP was £43,017,000 (2018 - £41,744,000).

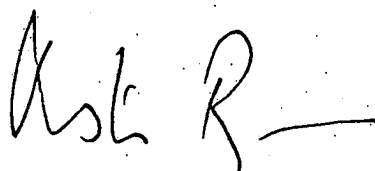
These financial statements of Mills & Reeve LLP, registered number OC326165 were approved by the Board on behalf of the members and authorised for issue on 8 August 2019.

Approved and signed on behalf of the Members



Designated Member

C M Clarke



Designated Member

J J P Ripman

# MILLS & REEVE LLP

## CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS 31 May 2019

	Loans and other debts due to members within one year		
	Members' capital £'000	Other amounts £'000	Total £'000
At 1 June 2017	13,587	21,189	34,776
Total comprehensive income for the year divided among members	-	42,322	42,322
Members' interest after profit for the year	13,587	63,511	77,098
Distributions to members	-	(36,949)	(36,949)
Transfer to former partners' accounts	(98)	(117)	(215)
Capital introduced by members	3,737	-	3,737
Transfer to capital	12	(12)	-
At 1 June 2018	17,238	26,433	43,671
Total comprehensive income for the year divided among members	-	42,831	42,831
Members' interest after profit for the year	17,238	69,264	86,502
Distributions to members	-	(43,626)	(43,626)
Transfer to former partners' accounts	(301)	(357)	(658)
Capital introduced by members	2,266	-	2,266
Transfer to capital	29	(29)	-
At 31 May 2019	19,232	25,252	44,484

In the event of a winding up, loans and other debts due to members and members' other interests rank subordinate to other unsecured creditors.

# MILLS & REEVE LLP

## LLP STATEMENT OF CHANGES IN MEMBERS' INTERESTS 31 May 2019

	Loans and other debts due to members within one year		
	Members' capital £'000	Other amounts £'000	Total £'000
At 1 June 2017	13,587	19,159	32,746
Total comprehensive income for the year divided among members	-	41,744	41,744
Members' interest after profit for the year	13,587	60,903	74,490
Distributions to members	-	(36,937)	(36,937)
Transfer to former partners' accounts	(98)	(117)	(215)
Capital introduced by members	3,737	-	3,737
Transfer to capital	12	(12)	-
At 1 June 2018	17,238	23,837	41,075
Total comprehensive income for the year divided among members	-	43,017	43,017
Members' interest after profit for the year	17,238	66,854	84,092
Distributions to members	-	(43,626)	(43,626)
Transfer to former partners' accounts	(301)	(357)	(658)
Capital introduced by members	2,266	-	2,266
Transfer to capital	29	(29)	-
At 31 May 2019	19,232	22,842	42,074

In the event of a winding up, loans and other debts due to members and members' other interests rank subordinate to other unsecured creditors.

**MILLS & REEVE LLP****CONSOLIDATED CASH FLOW STATEMENT****Year ended 31 May 2019**

	Note	2019 £'000	2018 £'000
<b>Net cash flow from operating activities</b>	19	32,714	39,773
<b>Cash flows from investing activities</b>			
Interest received		43	72
Interest paid		(70)	(38)
Payments to acquire tangible fixed assets		(4,580)	(3,095)
Disposal of subsidiary, net of cash disposed		243	-
<b>Net cash flows from investing activities</b>		(4,364)	(3,061)
<b>Cash flows from financing activities</b>			
Payments to members		(43,626)	(36,949)
Capital introduced by members		2,266	3,737
Proceeds from borrowings		-	3,000
Repayment of borrowings		(600)	(200)
<b>Net cash flows from financing activities</b>		(41,960)	(30,412)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(13,610)	6,300
<b>Cash and cash equivalents at beginning of year</b>		12,496	6,196
<b>Cash and cash equivalents at end of year</b>		(1,114)	12,496
<b>Reconciliation to cash at bank and in hand</b>			
Cash at bank		3,394	13,397
Bank overdraft		(4,508)	(901)
<b>Cash and cash equivalents</b>		(1,114)	12,496

Cash and cash equivalents comprise cash at bank and in hand less bank overdraft.

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 1. ACCOUNTING POLICIES

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

#### Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice, 'Accounting by Limited Liability Partnerships'. The particular accounting policies adopted by the members are described below.

#### General information and basis of accounting

Mills & Reeve LLP ("the Partnership") is incorporated in the United Kingdom under the Limited Liability Partnership Act 2000. The 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 page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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 Mills & Reeve LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Mills & Reeve LLP 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 financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

For the year ending 31 May 2019, the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

<i>Subsidiary Name</i>	<i>Companies House Registration Number</i>
Mills & Reeve Limited	02242713
Everslim Services	02146590
Mills & Reeve (Nominees) Limited	03360399
CUEF Robinson Bond Investment Limited	08865757
M&R Sarum 1 Limited	07909652
M&R Sarum 2 Limited	07909658
M&R Sarum 3 Limited	07909665
M&R Sarum 4 Limited	07909668
Sarum (TCC) Limited	07914958
M&R Nominees Limited	08902952
M&R Dorney 1 Limited	08379888
M&R Dorney 2 Limited	08379960
M&R Dorney 3 Limited	08379907
M&R Dorney 4 Limited	08379878
Dorney (CUEF) Limited	08380165
Skara Brae Limited	09801995
Brodgar Limited	10419833
Tankerness Limited	09802139
East Midlands Finance Group Limited	10742480

## **MILLS & REEVE LLP**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2019**

#### **1. ACCOUNTING POLICIES (continued)**

##### **Basis of consolidation**

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements incorporate the financial statements of Mills & Reeve LLP and all its subsidiaries. The acquisition method has been adopted.

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent LLP. The profit attributable to the LLP is disclosed in the footnote to the LLP's balance sheet.

##### **Going concern**

These financial statements show the position as the firm is moving towards delivery of its 2020 strategy. That strategy aims to:

- Prioritise markets and sectors
- Build stronger client relationships
- Support and challenge our people
- Build an innovative culture
- Exploit technology for clients' benefit

The outcome of that focus is an improved financial performance and both turnover and profit has grown during the year.

Distributions to members of retained profits are based on meeting lock up targets during the year and as such overall cashflow requirements are in line with planned levels.

At the year end members' capital was £19.2m (2018: £17.2m) and other reserves totalled £25.3m (2018: £26.4m). The firm meets its day to day working capital requirements through cash balances held at the bank and an overdraft facility which was renewed for 12 months in July 2019. The firm's profit and cash flow forecasts, taking account of possible changes in trading performance, show that the firm should be able to operate within the level of the current overdraft facility and the bank has indicated its willingness to renew its current overdraft facility.

The members, following a review of the firm's financial plan for the coming three years and with a particular focus on the next twelve months, have formed the judgement that there is a reasonable expectation that the firm has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these accounts.

##### **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 buildings and improvements (excluding fit out costs)	the unexpired period of the lease
Computer equipment	3 to 5 years
Fixtures, fittings and office equipment	3 to 10 years

##### **Intangible assets – goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 5 years. Provision is made for any impairment.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2019**

**1. ACCOUNTING POLICIES (continued)**

**Investments**

In the partnership balance sheet investments in subsidiaries are measured at cost less provision for impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value using the first in first out method.

**Taxation**

Members are personally liable for taxation on their share of the profits of the limited liability partnership. Consequently no reserve for taxation is made in the financial statements in respect of members' tax liabilities, and the profits are shown within 'Members' interests' or as 'Loans and other debts due to members' without any deduction for tax.

The consolidated accounts incorporate the tax position of the underlying subsidiaries, which are subject to corporation tax due to their company status. The accounting policy applied in the recognition of this tax position in the consolidated accounts is detailed below.

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Leases**

Rents payable and receivable under operating leases are charged/recognised on a straight line basis over the lease term, even if the payments or receipts are not made on such a basis.

**Pension costs**

The firm operates a group personal pension plan. Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**Turnover and revenue recognition**

Revenue for services represents the fair value of legal services provided during the year on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, expertise and skills provided, and expenses incurred. Fee income is stated net of Value Added Tax.

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 on contracts 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2019**

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments**

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

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

*Financial assets and financial 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 finance 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 balance sheet 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 are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which are derecognised when and only when) a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the limited liability partnership transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the limited liability partnership, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2019**

**1. ACCOUNTING POLICIES (continued)**

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

*Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Members' interests**

Members' capital is repayable on retirement of the member and is therefore classified as a liability. Because members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year. Amounts due to members after more than one year comprise provisions for annuities to current members which are not repayable within twelve months of the balance sheet date.

**Divisible profits and members' remuneration**

All profits for each year are charged as members' remuneration. No profits are available for discretionary division among the members.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 May 2019**

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the LLP'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 following are the critical judgements that the members have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Revenue recognition – unbilled work in progress**

The value of work in progress is derived on the basis of estimations and assumptions regarding the fair value of unbilled time at the year end, having regard to the Group's accounting policy for revenue recognition and historic experience.

**Impairment of debtors**

The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors management considers factors including the current credit rating of the debtor, the ageing profile and historic experience.

**Measurement of provisions**

The Group's provisions, as set out in note 15 to the financial statements, include provisions for professional indemnity and other commercial claims, and are based on Management's best estimate of future cash flows after taking due account of any insurance cover in place.

There are no key sources of estimation uncertainty.

**3. TURNOVER**

Turnover represents fee income earned from the provision of legal services in the United Kingdom, and is stated net of value added tax.

An analysis of the group's revenue is as follows:

	2019 £'000	2018 £'000
Fee income	110,511	105,759
Net bank interest receivable on client monies	473	346
	<u>110,984</u>	<u>106,105</u>

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 4. PROFIT BEFORE TAXATION

	2019 £'000	2018 £'000
Profit before taxation is after charging / (crediting)		
Loss on disposals	30	85
Depreciation	1,977	1,813
Amortisation	-	40
Rentals under operating leases		
Land and buildings	3,933	3,827
Rentals received from operating leases		
Land and buildings	(433)	(637)

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

	2019 £'000	2018 £'000
Fees payable to Mills & Reeve LLP's auditor and its associates for the audit of the Limited Liability Partnership's annual accounts	26	21
Fees payable to Mills & Reeve LLP's auditor and its associates for other services to the Group		
The audit of Mills & Reeve LLP's subsidiaries	24	17
<b>Total audit fees</b>	<b>50</b>	<b>38</b>
Taxation compliance services	7	6
Taxation advisory services	23	-
Other assurance services	23	23
<b>Total non-audit fees</b>	<b>53</b>	<b>29</b>

No services were provided pursuant to contingent fee arrangements

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 5. STAFF COSTS

	2019 No.	2018 No.
<b>Staff numbers</b>		
Fee earners	420	398
Secretaries	180	169
Support staff	222	204
	<u>822</u>	<u>771</u>
<b>Staff costs</b>	<b>£'000</b>	<b>£'000</b>
Employee costs during the year amounted to:		
Wages and salaries	32,972	32,548
National insurance	3,915	3,623
Pension costs	4,560	3,902
	<u>41,447</u>	<u>40,073</u>

### 6. FINANCE COSTS (NET)

	2019 £'000	2018 £'000
Bank interest receivable	43	72
Bank interest payable	(70)	(38)
	<u>(27)</u>	<u>34</u>

## MILLS & REEVE LLP

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

#### 7. TAX ON PROFIT OF SUBSIDIARIES

The taxation payable on profits of the LLP is the personal liability of the partners and is not dealt with in these financial statements. Accordingly, the disclosures provided below relate only to current and deferred tax in respect of the corporate subsidiaries.

	2019 £'000	2018 £'000
<b>Tax charge for the year</b>		
<b>Current taxation</b>		
United Kingdom corporation tax	471	479

The standard rate of corporation tax for the year, based on the UK standard rate of corporation tax is 19% (2018 - 19%). The actual tax charge for the current year differs from the standard rate for the reasons set out in the following reconciliation:

	2019 £'000	2018 £'000
<b>Reconciliation of current tax</b>		
Profit before taxation	43,302	42,801
Tax on profit at standard rate	8,227	8,132
Tax assessable to members	(7,756)	(7,653)
Total actual amount of current tax	471	479

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 19% with effect from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

#### 8. MEMBERS' SHARE OF PROFITS

Profits are shared among the members in accordance with agreed profit sharing arrangements. Members are required to make their own provision for pensions and tax from their profit shares.

	2019 No	2018 No
Average number of members during the year	124	120

Profit attributable to the member with the largest entitlement to profit was £544,000 (2018 - £513,000)

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 9. INTANGIBLE FIXED ASSETS

#### GROUP AND LLP

	Goodwill £'000
<b>Cost</b>	
At 1 June 2018 and 31 May 2019	200
<b>Accumulated amortisation</b>	
At 1 June 2018 and 31 May 2019	200
<b>Net book value</b>	
At 31 May 2019	-
At 31 May 2018	-

### 10. TANGIBLE FIXED ASSETS

#### GROUP

	Leasehold buildings and improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
At 1 June 2018	7,337	1,660	943	7,426	17,366
Additions	1,816	546	108	2,110	4,580
Disposals	(17)	(8)	(8)	(327)	(360)
At 31 May 2019	9,136	2,198	1,043	9,209	21,586
<b>Accumulated depreciation</b>					
At 1 June 2018	1,962	937	625	5,240	8,764
Charge for the year	701	289	107	880	1,977
Disposals	(7)	(4)	(2)	(317)	(330)
At 31 May 2019	2,656	1,222	730	5,803	10,411
<b>Net book value</b>					
At 31 May 2019	6,480	976	313	3,406	11,175
At 31 May 2018	5,375	723	318	2,186	8,602



# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 10. TANGIBLE FIXED ASSETS (continued)

LLP	Leasehold buildings and improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Computer equipment £'000	Total £'000
<b>Cost</b>					
At 1 June 2018	7,320	1,660	943	7,426	17,349
Additions	1,816	546	108	2,110	4,580
Disposals	-	(8)	(8)	(327)	(343)
At 31 May 2019	9,136	2,198	1,043	9,209	21,586
<b>Accumulated depreciation</b>					
At 1 June 2018	1,955	937	625	5,240	8,757
Charge for the year	701	289	107	880	1,977
Disposals	-	(4)	(2)	(317)	(323)
At 31 May 2019	2,656	1,222	730	5,803	10,411
<b>Net book value</b>					
At 31 May 2019	6,480	976	313	3,406	11,175
At 31 May 2018	5,365	723	318	2,186	8,592

### 11. FIXED ASSET INVESTMENTS

LLP	2019 £'000	2018 £'000
Subsidiary undertakings	250	250
Other investments and loans	-	10
	250	260

The movement in other investments and loans is due to the repayment of the loan held with Wellred Nominees Limited.

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 11. FIXED ASSET INVESTMENTS (continued)

Name	Nature of trade	Proportion of share capital and voting rights held	Country of incorporation
Mills & Reeve Limited <sup>1</sup>	Dormant company	100%	UK
Everslim Services <sup>1</sup>	Dormant company	100%	UK
Mills & Reeve (Nominees) Limited <sup>1</sup>	Dormant company	100%	UK
Francis House Trustees Limited <sup>1</sup>	Management services	100%	UK
M & R Secretarial Services Limited <sup>2</sup>	Secretarial services	100%	UK
Mills & Reeve Trust Corporation Limited <sup>1</sup>	Trust services	100%	UK
Mills & Reeve Services Limited <sup>1</sup>	Employment services	100%	UK
CUEF Robinson Bond Investment Limited * <sup>3</sup>	Dormant company	100%	UK
M&R Sarum 1 Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Sarum 2 Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Sarum 3 Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Sarum 4 Limited * <sup>2</sup>	Dormant company	100%	UK
Sarum (TCC) Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Nominees Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Dorney 1 Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Dorney 2 Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Dorney 3 Limited * <sup>2</sup>	Dormant company	100%	UK
M&R Dorney 4 Limited * <sup>2</sup>	Dormant company	100%	UK
Dorney (CUEF) Limited * <sup>2</sup>	Dormant company	100%	UK
Skara Brae Limited * <sup>1</sup>	Non-trading	100%	UK
Brodgar Limited * <sup>1</sup>	Holding company	100%	UK
Tankerness Limited * <sup>1</sup>	Non-trading	100%	UK
East Midlands Finance Group Limited * <sup>2</sup>	Dormant company	100%	UK

All of the above investments are held directly by the LLP other than indirect subsidiaries as marked and are ordinary shares. \*represents indirect subsidiaries (held by Mills & Reeve Trust Corporation Limited, Skara Brae Limited and M&R Nominees Limited).

The registered addresses of the subsidiaries listed above are as follows:

<sup>1</sup> 1 St James Court, Whitefriars, Norwich, Norfolk, NR3 1RU

<sup>2</sup> Botanic House, 100 Hills Road, Cambridge, England, CB2 1PH

<sup>3</sup> The Old Schools (University Offices), Trinity Lane, Cambridge, United Kingdom, CB2 1TN

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 12. SALE OF SUBSIDIARY UNDERTAKING

On 15 January 2019, the Group sold its 100% interest in the ordinary share capital of Wellred Nominees Limited. The profit of Wellred Nominees Limited up to the date of disposal was £25,000, and for its last financial year was £17,000.

Net assets disposed of and the related sale proceeds were as follows:

	£'000
Fixed assets	10
Current assets	160
Creditors	(15)
Net assets	155
Profit on sale	251
Sale proceeds	406
Satisfied by Cash and cash equivalents	406

Net cash inflows in respect of the sale comprised:

	£'000
Cash	406
Less: cash disposed of	(163)
	243

There were no disposals of subsidiaries in 2018.

### 13. DEBTORS

	GROUP		LLP	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
<b>Due within one year:</b>				
Trade debtors	35,279	26,939	35,276	26,935
Amounts recoverable from clients in respect of unbilled work performed	9,594	8,321	9,594	8,321
Accrued income	496	151	496	151
Other debtors	516	534	515	541
Prepayments	4,756	4,142	4,756	4,132
Amount owed by subsidiaries	-	-	-	12
	50,641	40,087	50,637	40,092

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		LLP	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank overdraft	4,508	901	4,508	901
Bank loans	600	600	600	600
Trade creditors	5,121	4,811	5,121	4,811
Amount owed to subsidiaries	-	-	4,791	5,286
Taxation and social security	2,844	3,149	95	735
Accruals	4,455	5,584	1,997	2,518
Provision for annuity	107	213	107	213
Sundry creditors	24	8	24	8
Former partners' accounts	658	215	658	215
Corporation tax	239	237	-	-
	<u>18,556</u>	<u>15,718</u>	<u>17,901</u>	<u>15,287</u>

The bank loan and overdraft are both unsecured.

The amounts owed to subsidiaries were unsecured and free from guarantees. They will be settled with cash.

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		LLP	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans	<u>1,600</u>	<u>2,200</u>	<u>1,600</u>	<u>2,200</u>

Interest is payable on the five year bank loan at a variable rate of base +1.65% on the principal amount.

Borrowings are repayable as follows:

	GROUP		ELP	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bank loans				
On demand or within one year	600	600	600	600
Between one and five years	1,600	2,200	1,600	2,200
	<u>2,200</u>	<u>2,800</u>	<u>2,200</u>	<u>2,800</u>

# MILLS & REEVE LLP

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2019

### 16. PROVISIONS FOR LIABILITIES

<b>GROUP AND LLP</b>	<b>Claims provision £'000</b>	<b>Search fee provision £'000</b>	<b>Total £'000</b>
At 1 June 2018	385	154	539
Charged to profit and loss account	497	(154)	343
Utilisation of provision	(269)	-	(269)
At 31 May 2019	<u>613</u>	<u>-</u>	<u>613</u>

In respect of the legal claims provision, payments will be made on conclusion of the individual legal claims and are shown net of any related insurance reimbursement.

The search fee provision related to additional VAT that may have been owed to HMRC in relation to electronic search fees. This provision is deemed no longer necessary.

### 17. FINANCIAL OBLIGATIONS

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

<b>GROUP</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Land and buildings</b>		
Within one year	3,663	3,914
Between one and five years	13,850	14,336
After five years	11,892	18,783
	<u>29,405</u>	<u>37,033</u>
<b>LLP</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Land and buildings</b>		
Leases which expire:		
Within one year	3,663	3,842
Between one and five years	13,850	14,045
After five years	11,892	15,376
	<u>29,405</u>	<u>33,263</u>

At 31 May 2019 the Group and LLP had authorised and contracted capital commitments of £nil (2018 - £1,946,000).

## MILLS & REEVE LLP

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2019

#### 18. PENSIONS

The total expense charged to the profit and loss in the year ended 31 May 2019 was £4,560,000 (2018: £3,902,000). As at 31 May 2019 contributions of £nil (2018: £nil) due in respect of the current year had not been paid over to schemes.

#### 19. CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated by operations.

	2019 £'000	2018 £'000
Operating profit	43,329	42,767
Tax paid	(469)	(399)
Depreciation	1,977	1,813
Amortisation	-	40
Loss on sale of fixed assets	30	85
Profit on disposal of subsidiary	(251)	-
Operating cash flow before movement in working capital	44,616	44,306
Increase in debtors	(10,554)	(5,276)
(Decrease) / increase in creditors	(1,421)	409
(Increase) / decrease in stocks	(1)	3
Increase in provisions	74	331
Cash generated by operations	32,714	39,773

#### 20. TRANSACTIONS WITH RELATED PARTIES

The members have taken advantage of the exemption from reporting transactions with other group companies on the grounds that group accounts are prepared.

The remuneration for key management personnel for the year totalled £2,853,000 (2018: £2,873,000).

#### 21. CONTROLLING PARTY

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