

Simmons & Simmons

Simmons & Simmons LLP

Annual report and financial statements

for the year ended 30 April 2018

Contents

Members' report..... 1

Statement of members' responsibilities in respect of the financial statements..... 6

Independent auditors' report to the members of Simmons & Simmons LLP 7

Consolidated profit and loss account10

Consolidated statement of comprehensive income.....11

Consolidated balance sheet.....12

Limited Liability Partnership balance sheet.....14

Consolidated statement of changes in members' interests16

Limited Liability Partnership statement of changes in members' interests17

Consolidated cash flow statement18

Notes to the financial statements19

Members' report

The members present their annual report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 30 April 2018.

Firm structure

Simmons & Simmons LLP is a limited liability partnership, registered in England and Wales with LLP number OC352713, and was incorporated, under the Limited Liability Partnerships Act 2000, on 1 March 2010. Simmons & Simmons is the collective name used to describe the international legal practice comprising Simmons & Simmons LLP and its subsidiary undertakings, which comprise the other partnerships, corporations and undertakings which are authorised to use, and carry on business under, the name "Simmons & Simmons".

The LLP has branches, as defined in Section 1046(3) of the Companies Act 2006, outside the UK in Belgium, France, Germany, The Netherlands and Spain.

A list of members' names, and of non-members who are designated as partners, is available for inspection at CityPoint, One Ropemaker Street, London, EC2Y 9SS, United Kingdom, which is also the principal place of business and registered office of Simmons & Simmons LLP. Further details, and copies of this annual report and financial statements, can be obtained from the Simmons & Simmons website at www.simmons-simmons.com.

Principal activities

Simmons & Simmons LLP (the "LLP") and its subsidiary undertakings (together the "Group") are principally engaged in the provision of legal services operated through a network of offices in Asia, Europe and the Middle East.

Review of the business and future developments

The Group remained focused on providing legal services to four key industry sectors being - Asset Management & Investment Funds; Financial Institutions; Healthcare and Life Sciences; and Technology, Media and Telecommunications (including FinTech). Income from clients within these sectors represented over 75% of the Group's turnover.

Despite significant uncertainty in the Group's largest market, the UK, caused by the lack of progress in the Brexit negotiations, the Group's turnover for the year increased by a healthy 12% to £352m. This growth in income was experienced across all the regions in the Group (Asia, Europe and the Middle East) and across all disciplines including our online services such as navigator.

The Group continued to go against the underlying trend and expand rather than contract its partnership, attracting individuals and teams from other law firms to increase its current strengths in the four sectors and rebalance the Group in the light of Brexit. The members remain committed to building on our recognised strengths of dispute resolution, employment, regulation, capital markets and transaction management (both corporate and financial). During the period the Group increased the number of its legal practitioners (members, fee earners and other legal staff) by an average of 43 people or 4%.

The Group stepped up its investment in IT with a programme of updating and replacing both hardware and software throughout all its offices. The investment in people and IT were the main reasons that costs during the year ended 30 April 2018 were 11% higher than in the previous year.

The results for the year show an underlying increase in profit after tax of 17%, to £99m. The members regard this as a good result.

Members' report (continued)

The Group agreed a new five year business plan in April 2018 which continues to focus on the four industry sectors and the existing core strengths. Despite the uncertainty in the markets the members regard future prospects to be satisfactory.

Management structure

The firm is managed and governed by two primary governance bodies, the International Executive Committee (IEC) and the Board. The IEC advises and assists the Managing Partner in the day to day management of the firm, and has overall responsibility for achieving the firm's business and strategic objectives. The management of the firm and the execution of the firm's business and strategic interests are supervised by the Board representing the interests of the partnership.

The IEC comprises the Managing Partner, the Finance Director, the four International Practice Group Heads and such other members as the Managing Partner nominates and the Board approves. The IEC generally meets twice a month, with the Business Services directors in attendance as required. Since 1 May 2017, the following have been members of the IEC:

Jeremy Hoyland	Managing Partner (Designated Member)
Hans-Hermann Aldenhoff	
Jacques-Antoine Robert	
Jonathan Hammond	
Julian Taylor	
Kathryn Greaves	Finance Director
Mark Curtis	
Caroline Hunter-Yeats	

The Board comprises the Senior Partner, the Managing Partner, six elected members (three from the UK offices and three from other offices), the Finance Director and two non-executive members. Two of the elected members retire each year but are eligible for re-election.

The Board met nine times during the year. Since 1 May 2017, and except as indicated below, the following have been members of the Board:

Colin Passmore	Senior Partner (Designated Member)	
Jeremy Hoyland	Managing Partner	
Andrea Accornero		
Kathryn Greaves	Finance Director	
Christopher Horton		From 6 June 2017
Rodger Hughes	Non-executive	
Alyson Lockett		Until 30 April 2018
Fiona Loughrey		
Laurence Renard		From 6 June 2017
Leo Verhoeff		Until 31 May 2017
Patrick Wallace		Until 30 April 2018
Michael Woodford	Non-executive	

Members' report (continued)

Audit Committee

The responsibilities of the committee include the review of the audited annual report and financial statements and consideration of aspects of strategic, people, marketplace, ethical, financial or legal and compliance risks as may be agreed with the Board. A considerable amount of the committee's time is devoted to internal controls, risk management and the review and approval of the audited annual report and financial statements.

The committee, appointed by the Board from among the non-executives and partners, consists of not less than three and not more than five members. By standing invitation the Senior Partner, the Managing Partner, the Finance Director and the General Counsel normally attend meetings. At least one member of the committee must have significant, recent and relevant financial experience. During the year the committee was chaired by Rodger Hughes, a non-executive Board member. The committee met three times during the year.

Members' drawings and the subscription and repayment of members' capital

The Group operates a drawings policy which has regard to a cautious estimate of budgeted profits. Drawings are restricted to prudent levels, taking into account working capital performance, with full distributions of profits only when the results for the year and individual members' allocations have been determined. In addition, the Members' Agreement provides a framework for further restriction of drawings and distributions under circumstances where the cash requirements of the business need to take priority over the cash needs of the members.

Members' capital requirements are determined from time to time having regard to the short, medium and long term needs of the business. The level of capital contribution depends on the member's number of profit sharing units. Members' capital is repaid after retirement.

There are a number of individuals who, for a variety of reasons, are not members of the LLP but who have the equivalent standing, status or qualifications of a member and who are designated as partners. These individuals are generally remunerated on an equivalent basis to members. Where an individual receives his or her remuneration as an employee or consultant, this is presented within "Staff costs" in the notes to the Group profit and loss account. Remuneration that is payable to a member that falls to be treated as a charge against profits rather than an allocation of profits is separately disclosed as "Members' remuneration charged as an expense".

Members' report (continued)

After the allocation of members' remuneration charged as an expense, the profit for the financial year may be determined. The members approve the financial statements and distribution statements for the financial year and pass a resolution to effect the division and appropriation of the profit. There are then three planned distribution dates during the following financial year.

Reserves are made for individual members as regards taxation in respect of their profit share on a full provision basis by deduction from remuneration. The firm then settles tax liabilities on behalf of members from such reserves as and when they fall due. Members are personally responsible for funding their own pensions and paying for other benefits.

Drawings to members are provided by way of an advance on account of profit entitlement. As such drawings are made during the year before the profits for that year have been determined and allocated, by the year end the personal current accounts of such members with the LLP are in deficit. The total of these current accounts is shown in the Group balance sheet as "Amounts due from members". Once the profit for the year has been allocated, those current accounts are typically in surplus by the amount of the relevant members' share of the year's profit in excess of that already drawn.

Financing and capital

The firm is financed primarily through revolving capital loans, structured in the form of a joint facility provided by two banks made available to the LLP, with guaranteed recourse to partners, and through undistributed profits (including tax retentions). There is also a capital accumulation scheme, whereby a fixed amount of capital is provided by partners through retentions from profit shares or other remuneration. Although this capital is classified as a liability it does not constitute money borrowed from a financial institution. The scheme requires the provision, on a progressive basis, of a flat amount of capital, in tranches over a period of six years. Interest is paid on the capital accumulation balance at a rate reflecting the firm's borrowing cost. Capital contributed under this scheme is normally repayable following retirement, unless the aggregate of the capital remaining after that repayment would fall below £10m. Members have recently agreed to an extension of this scheme determined by reference to a proportion of their profit share less amounts (if any) retained under the pre-existing scheme, subject to a maximum amount.

The LLP also has available overdraft and rent guarantee facilities arranged with a number of banks. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in note 12.

Members' report (continued)**Principal risks and uncertainties**

The principal risks and uncertainties that affect the financial results of the Group relate to the variability of the market for premium, high-end legal advice. Management seeks to match the Group's resources to the expected demand while taking up opportunities to expand market share.

The Group's financial risks relate to the non-recoverability of client receivables, liquidity risk in relation to payables and foreign exchange risk due to the international nature of its business.

Staff

The firm is committed to developing a high performance culture where talent can thrive regardless of background, religion, sexual orientation or gender. Simmons & Simmons was named in The Times Top 50 Employers for Women, named as a Top 30 Employer for Working Families and identified by Stonewall as both a Star Performer in the UK and a Top Global Employer.

Over the course of the year, 25 lateral partner hires joined the firm and 13 new partners, of whom one third were female, were promoted.

Corporate social responsibility

The firm's corporate responsibility strategy is focussed on social inclusion, pro bono, diversity, gender balance and the environment. This provides an inclusive and supportive working environment for all members of the firm and enables staff to engage with the local community and key clients from across the network. The firm has continued to provide financial support to charitable organisations or grants to individuals through the Simmons & Simmons Charitable Foundation.

Disclosure of information to auditors

In so far as the members are aware:

- there is no relevant audit information of which the LLP's auditors are not aware; and
- the members have taken the necessary steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

The independent auditors of Simmons & Simmons LLP are PricewaterhouseCoopers LLP who will be proposed for reappointment.

Approved by the Board and signed on its behalf by:



Jeremy Hoyland
Managing Partner
10 October 2018

Statement of members' responsibilities in respect of the financial statements

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the Group and Limited Liability Partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, as applied to Limited Liability Partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group and the LLP for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the Group and the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and LLP's transactions and disclose with reasonable accuracy at any time the financial position of the Group and LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to Limited Liability Partnerships by the Regulations.