

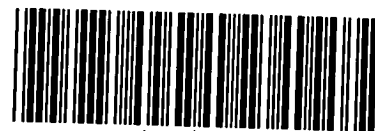
Registered no. OC323639

Hogan Lovells International LLP

Annual Report & Financial Statements

For the year ended 31 December 2022

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Members' Report

Management, on behalf of the Members, presents its report and the audited financial statements of Hogan Lovells International LLP (hereafter referred to as "the LLP") for the year ended 31 December 2022.

Basis of preparation

These financial statements are the statutory accounts for the LLP and reflect the results for the year ended 31 December 2022. The financial statements consolidate the accounts of the LLP and all its subsidiary undertakings ("the group"), drawn up for the year ended 31 December 2022.

Principal activity

The principal activity of the LLP and the Group is the provision of legal services from offices in 22 countries, including branches in 6 countries.

Management team

Overall responsibility for the management of the LLP rests with the management team. Throughout the year except as indicated below, the following have been Members of the management team:

Marie-Almee de Dampierre, Chair*
Miguel Zaldivar, CEO*
Michael Davison, Deputy CEO
Ina Brock (resigned 30 June 2022)
Alice Valder Curran (resigned 15 January 2022)
Janice Hogan (appointed 16 January 2022)
Andreas Von Falck*
Desmond Hogan
Burkart Goebel (resigned 31 December 2022)
Karen Hughes*
Adrian Walker*
Owen Chan*
Lloyd Parker
Patrick Ayad (appointed 1 July 2022)
Penny Angell
Tobias Faber*
Stefan Schuppert (resigned 31 December 2022)
Sebastien Gros
James Doyle
Jose Maria Balana
Miriam Gundt (appointed 1 January 2023)
Detlaf Hass (appointed 1 January 2023)

* = designated member

Except as indicated above, there are no other designated members.

Finance and capital structure

The LLP is financed by a combination of Members' capital, undistributed profits (including tax retentions) and borrowing facilities arranged with a number of banks. Members' capital increased during the year ended 31 December 2022 by £10 million to £112.1 million (2021: £102.1 million).

The Group had £294.7 million of net cash at 31 December 2022 (2021: £272.6 million). Further details of the financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the notes to the accounts.

Members' Report continued...

Business Review

Our underlying business performance for the first half of 2023 has been strong, exhibiting the benefits of our global capability, the continued demonstration of the strength of our client work across our practice areas, industry sectors, and regions, and the positive effects of tight cost control in the current economic conditions.

Management has produced forecasts and cash flow projections, that have also been sensitised to reflect potential declines in revenue in the latter part of 2023 and into 2024. These demonstrate the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

While there remains an ongoing risk of the economic environment having an adverse impact on some of our clients, taking into account our broad practice, extensive geographic reach, available bank facilities and the flexibility we have to vary the timing of payments to our Partners, and having considered the group's forecasts and projections, Management is satisfied that it is appropriate for these accounts to be prepared on the going concern basis.

Members' profit share, drawings and the subscription and repayment of Members' capital

In the year ended 31 December 2022, all Members were partners and shared in the profits of the LLP. Where a Member receives his or her remuneration as an employee or consultant, this is presented under the heading "Members' remuneration charged as an expense" in the consolidated income statement.

Each Member's capital subscription is linked to his or her share of profit and is repaid in full on ceasing to be a Member. The rate of capital subscription is determined by the Board depending upon the financing requirements of the business.

Members draw a proportion of their profit share in monthly on account instalments together with interim distributions during the year in which the profit is generated. The balance of their profits, in most cases net of a tax retention, is paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to the relevant tax authority as required with any excess being released to Members as appropriate.

As Members draw a proportion of their expected profit share during the year before the profits for the year have been determined and allocated to them, by the year-end their personal current accounts with the LLP are in deficit. The total of these current accounts is shown in the Consolidated Balance Sheet within "Amounts due from Members". Once the profit for the year has been allocated, the Members' current accounts are typically in surplus by the amounts retained to settle their tax liabilities and the amount of their share of the year's profit in excess of that already drawn.

Members' Report continued...

Energy and carbon report

Hogan Lovells is a signatory to the UN Race to Zero and has set firmwide carbon emissions reduction targets that are consistent with limiting global warming to 1.5°C. We have committed to setting targets in line with the Science Based Targets Initiative, which include achieving a 90% reduction in Scope 1 and Scope 2 (market based) emissions from a 2019 baseline by 2030.

Our transition plan includes sourcing renewable energy where possible, eliminating sources of Scope 1 emissions, implementing new business travel policies, setting climate related requirements for our suppliers, engaging with our clients to support their sustainability journeys, and engaging with our peers to support the decarbonisation of the legal sector.

Our greenhouse gas emissions are disclosed annually through the CDP reporting framework, covering our global portfolio. This report covers our UK operations, as required under the Limited Liability Partnerships Regulations 2008 as amended.

Our relevant energy use and carbon related emissions stem from our three offices, two in London and one in Birmingham, and our business travel. The energy use is summarised below.

Energy Source	Units	2020	2021	2022
Gas Oil (Backup generators only)	kWh	437,000	438,000	N/A
Natural Gas	kWh	7,084,904	6,819,469	4,475,597
Electricity	kWh	6,900,984	6,225,613	7,184,960
Total	kWh	14,422,888	13,483,082	11,660,557
Energy Intensity (measured against rentable floor area)	kWh/m ²	481	450	402

We have decreased our overall energy consumption since the 2019 baseline which has in part been due to the introduction of energy efficiency measures, particularly in our largest site in London. In addition, in 2022 we moved one of our premises to a more efficient building with a smaller floor area.

The carbon emissions associated with the energy use in our offices is summarised below. No business travel emissions are included as we purchase transportation services and do not procure fuel to supply our own vehicles. The energy supplying our electric vehicles would be captured under Scope 2.

GHG Emissions (tCO ₂ e)	2020	2021	2022
Scope 1	1,337	1,583	817
Scope 2 (location-based)	1,602	1,321	1,301
Total	2,939	2,904	2,118


The calculation of carbon emissions follows the GHG protocol methodology and is based on emissions factors for 2022 published by the Department for Environment, Food and Rural Affairs. Scope 2 emissions are calculated according to the location-based method for comparison, although the majority of our electricity use is now supplied from a renewable source.

Members' Report continued...

Auditor

Deloitte LLP will be proposed for reappointment.

Signed on behalf of the Board



Marie-Aimee de Dampierre
Chair

25 September 2023

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 Partnership (Accounts and 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 adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The financial statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the firm's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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 were exercised by the LLP Board on behalf of the Members.

Independent auditor's report to the members of Hogan Lovells International LLP

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Hogan Lovells International 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 limited liability partnership's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent limited liability partnership financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006 as applied to limited liability partnerships; and
- the financial statements 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 income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent limited liability partnership balance sheets;
- the consolidated and parent limited liability partnership cash flow statements;
- the consolidated and parent limited liability partnership statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent limited liability partnership financial statements, as applied in accordance with the provisions of the Companies Act 2006 as applied to limited liability partnerships.

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

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described

Independent auditor's report to the members of Hogan Lovells International LLP continued...

in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent auditor's report to the members of Hogan Lovells International LLP continued...

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We also enquired of management and those charged with governance about their own identification and assessment of the risks of irregularities including obtaining and reviewing the Group's documentation of its policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud, and
- reviewing internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

We obtained an understanding of the legal and regulatory framework that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Bribery Act, Companies Act 2006 and the tax legislation.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- We presume a risk of material misstatement due to fraud relating to revenue recognition. This has been pinpointed to the valuation of amounts to be billed to clients, more specifically the accuracy of the realisation rates applied in the calculation of amounts to be billed to clients. To address this risk, we have performed the following procedures:
 - Recalculated the realisation rates used, including assessing and challenging the methodology applied;
 - Performed substantive testing over amounts to be billed to clients through post year-end billing analysis; and
 - Assessed the design and implementation of internal controls around the valuation of amounts to be billed to clients and the calculation and LLP's methodology for the realisation rates.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Independent auditor's report to the members of Hogan Lovells International LLP continued...

- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

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 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 ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2023

Consolidated income statement

	Note	2022 £'000	2021 £'000
Revenue	4	1,089,785	1,050,955
Other operating income		4,146	2,362
Operating expenses			
Staff costs	6	(386,582)	(378,692)
Depreciation and amortisation	10/12	(17,633)	(25,255)
Depreciation and amortisation – Right-of-use assets	14	(48,790)	(46,457)
Other operating expenses		(195,407)	(161,571)
Profit from operations		445,519	441,342
Investment income	7	964	184
Finance expense	7	(5,755)	(6,398)
Profit before tax	5	440,728	435,128
Tax expense	8	(35,279)	(30,787)
Profit before Members' remuneration and profit share		405,449	404,341
Members' remuneration charged as an expense		(57,499)	(49,265)
Profit for the period for division amongst equity Members	9	347,950	355,076

The results from both years were derived from continuing operations.

Consolidated statement of comprehensive income

	Note	2022 £'000	2021 £'000
Profit for the financial period for division amongst equity Members		347,950	355,076
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial (loss)/gain on defined benefit pension scheme	21	(7,600)	22,500
Items that may be reclassified subsequently to the consolidated income statement:			
Exchange differences on translation of foreign operations		23,199	29,027
Other comprehensive gain for the period		15,599	51,527
Total comprehensive income for the period		363,549	406,603

Consolidated balance sheet

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	10	580	3,393
Property, plant and equipment	12	45,808	42,652
Right-of-use assets	14	190,448	208,162
Finance lease receivables	17	282	410
Investments		465	20
		237,583	254,637
Current assets			
Client and other receivables	16	566,982	521,013
Current tax receivables		4,918	4,337
Finance lease receivables	17	93	490
Cash and cash equivalents		294,702	272,551
		866,695	798,391
Total assets		1,104,278	1,053,028
Liabilities			
Current liabilities			
Trade and other payables	19	309,084	256,168
Current tax liabilities		14,227	15,653
Lease liabilities	18	61,207	53,879
Members' capital	22	112,095	102,104
Provisions	20	426	483
		497,039	428,287
Non-current liabilities			
Lease liabilities	18	158,338	180,681
Retirement benefit scheme deficit	21	7,050	4,500
Provisions	20	6,425	8,549
		171,813	193,730
Equity			
Members' other reserves	22	435,426	431,011
Total liabilities and equity		1,104,278	1,053,028
Members' interests			
Current assets – amounts due from Members	16 / 22	(109,917)	(112,210)
Current liabilities – Members' capital	22	112,095	102,104
Equity – other reserves	22	435,426	431,011
Total Members' interests		437,604	420,905

Hogan Lovells International LLP balance sheet

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	11	562	3,247
Property, plant and equipment	13	33,829	31,409
Right-of-use assets	14	113,154	126,905
Finance lease receivables	17	282	377
Investments	15	11,155	10,952
		158,982	172,890
Current assets			
Client and other receivables	16	445,255	403,685
Current tax receivables		3,238	3,894
Finance lease receivables	17	57	80
Cash and cash equivalents		252,243	236,836
		700,793	644,495
Total assets		859,775	817,385
Liabilities			
Current liabilities			
Trade and other payables	19	269,937	217,801
Current tax liabilities		13,543	14,398
Lease liabilities	18	35,104	33,961
Members' capital	23	112,095	102,104
Provisions	20	426	483
		431,105	368,747
Non-current liabilities			
Lease liabilities	18	100,574	114,598
Retirement benefit scheme deficit	21	7,050	4,500
Provisions	20	6,425	8,549
		114,049	127,647
Equity			
Members' other reserves	23	314,621	320,991
Total liabilities and equity		859,775	817,385
Members' interests			
Current assets – amounts due from Members	16 / 23	(109,917)	(112,210)
Current liabilities – Members' capital	23	112,095	102,104
Equity – other reserves	23	314,621	320,991
Total Members' interests		316,799	310,885

The profit for division amongst members for the financial period dealt with in the financial statements of the LLP was £261,185,000 (2021: £269,472,000).

These financial statements of Hogan Lovells International LLP, registered number OC323639, including the consolidated financial statements, were approved by the Board on behalf of the Members and signed on behalf of the Members on 28 September 2023 by:


Marie-Aimée de Dampierre, Chair


Miguel Zaldivar, CEO


Michael Davison, Deputy CEO

Consolidated cash flow statement

	Note	2022 £'000	2021 £'000
Net cash from operations	24	453,846	447,425
Investing activities			
Purchase of intangible assets		(117)	(763)
Purchase of property, plant and equipment		(20,583)	(6,329)
Acquisition of joint venture		(203)	-
Interest received		953	168
Finance lease income		515	187
Proceeds on disposal of property, plant and equipment		19	1
Net cash used in investing activities		(19,416)	(6,736)
Financing activities			
Members' capital introduced		18,139	13,709
Capital repayments to Members		(8,148)	(4,957)
Payments to and on behalf of Members		(375,168)	(343,249)
Interest paid		(176)	(369)
Repayment of lease liabilities		(50,137)	(52,392)
Net cash used in financing activities		(415,490)	(387,258)
Net increase in cash and cash equivalents		18,940	53,431
Cash and cash equivalents at beginning of period		272,551	220,732
Effects of foreign exchange rate changes on cash		3,211	(1,612)
Cash and cash equivalents at end of period		294,702	272,551

Hogan Lovells International LLP cash flow statement

	Note	2022 £'000	2021 £'000
Net cash from operations	24	342,581	339,190
Investing activities			
Purchase of intangible assets		(71)	(677)
Purchase of property, plant and equipment		(12,035)	(4,477)
Acquisition of joint venture		(203)	-
Interest received		920	150
Finance lease income		103	125
Proceeds on disposal of property, plant and equipment		20	4
Net cash used in investing activities		(11,266)	(4,875)
Financing activities			
Members' capital introduced		18,139	13,709
Capital repayments to Members		(8,148)	(4,957)
Payments to and on behalf of Members		(293,605)	(264,761)
Interest paid		(172)	(378)
Repayment of lease liabilities		(32,661)	(32,372)
Net cash used in financing activities		(316,447)	(288,759)
Net increase in cash and cash equivalents		14,868	45,556
Cash and cash equivalents at beginning of period		236,836	191,671
Effects of foreign exchange rate changes on cash		539	(391)
Cash and cash equivalents at end of period		252,243	236,836

Consolidated statement of changes in equity

	Note	2022 £'000	2021 £'000
Equity at 1 January		431,011	333,172
Profit for the financial period attributable to equity Members		347,950	355,076
Actuarial (loss)/gain on defined benefit pension scheme		(7,600)	22,500
Exchange differences on translation of foreign operations		23,199	29,027
Total comprehensive income for the period		363,549	406,603
Profit allocated to Members		(359,134)	(308,764)
Equity at 31 December	22	435,426	431,011

Hogan Lovells International LLP statement of changes in equity

	Note	2022 £'000	2021 £'000
Equity at 1 January		320,991	246,956
Profit for the financial period attributable to equity Members		261,185	269,472
Actuarial (loss)/gain on defined benefit pension scheme		(7,600)	22,500
Exchange differences on translation of foreign operations		17,859	24,842
Total comprehensive income for the period		271,444	316,814
Profit allocated to Members		(277,814)	(242,779)
Equity at 31 December	23	314,621	320,991

Notes to the financial statements

1. General information

Hogan Lovells International LLP is a limited liability partnership incorporated in the United Kingdom and registered in England and Wales. Its registered office is Atlantic House, Holborn Viaduct, London EC1A 2FG.

The principal activity of the LLP is the provision of legal services.

The group's principal operations are in the United Kingdom and these financial statements are presented in pounds sterling. Operations outside of the United Kingdom are included in accordance with the policies set out below.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the previous year, unless otherwise noted.

Accounting convention

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) on the historical cost basis amended for certain items at fair value and with those parts of the Companies Act 2006 applicable to limited liability partnerships reporting under IFRS. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Going Concern

As stated in the Report to Members the financial statements have been prepared on a going concern basis.

Management has produced forecasts and cash flow projections, that have also been sensitised to reflect potential declines in revenue in the latter part of 2023 and into 2024. These demonstrate the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

While there remains an ongoing risk of the economic environment having an adverse impact on some of our clients, in relation to uncertain factors including macro-economic factors, taking into account our broad practice, extensive geographic reach, available bank facilities and the flexibility we have to vary the timing of payments to our Partners, and having considered the group's forecasts and projections, Management is satisfied that it is appropriate for these accounts to be prepared on the going concern basis.

2. Accounting policies (continued)

Basis of preparation

The group financial statements incorporate the financial statements of the LLP and entities controlled by the LLP (its subsidiary undertakings). Control is achieved where the LLP has the power over the investee; is exposed, or has rights, to a variable return from its involvement with the investee; and has the ability to use its power to affect its returns. 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.

No individual profit and loss account is presented for the LLP as permitted by section 408 of the Companies Act 2006. The profit for division amongst members for the financial year dealt with in the financial statements of the LLP was £261,185,000 (2021: £269,472,000).

New and revised IFRS accounting standards

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>

The members do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Foreign currencies

The individual financial statements of each of the group's operations are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the group financial statements, the results and financial position of each operation are expressed in sterling, which is the functional currency of the LLP, and the presentation currency for the group financial statements.

Transactions denominated in currencies other than the functional currency of the entity concerned are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities which are not denominated in the functional currency of the entity concerned are translated at the rates ruling at the balance sheet date. These translation differences are dealt with in the Income statement.

Exchange differences are recognised in profit or loss in the period in which they arise except for differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

The results of the group's operations where the functional currency is not sterling are translated at the average rates of exchange for the period, and their balance sheets at the rates of exchange ruling at the balance sheet date. Differences arising on the translation of the opening net assets and the results of these operations are accounted for in the consolidated statement of comprehensive income.

2. Accounting policies (continued)

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. It represents the fair value of the consideration receivable in respect of professional services provided during the period, exclusive of recoverable expenses and value-added taxes.

A contract with a customer is recognised when a contract is legally enforceable by the Group. For each contract with a customer, the Group performs the following, as required by the five-step model included within IFRS 15 Revenue from contracts with customers: it identifies the contract with a customer, identifies the performance obligation in the contract, determines the transaction price, the Group allocates the transaction price to the performance obligation and it recognises revenue as the performance obligation is satisfied in a manner that depicts the transfer of the services promised to the client.

The Group recognises revenue over time. This is primarily because the performance of its services does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group does not provide extended terms on its services and therefore no significant financing components are identified by the Group. The Group applies the revenue constraint in respect of variable consideration by estimating the amount recoverable from clients on unbilled items. This estimate is based on assessment of the Group's historical recoverability rates, contingencies, agreements with clients and amounts deemed irrecoverable. Revenue is only recognised on contingent matters from the point at which it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

Amounts to be billed to clients are contract assets, recognised when a performance obligation has been satisfied but not yet billed. Contract assets are transferred to client receivables when the right to consideration is unconditional and billed per the terms of the contractual agreement. Billings are at periodic intervals or upon achievement of contractual milestones.

Based on the above, the Group is using the practical expedient provided by IFRS 15.121, from providing further information about its remaining performance obligations.

Intangible assets

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset, held at cost less accumulated depreciation and any impairment loss.

Consideration paid to purchase the Hogan & Hartson client base in certain offices has been recognised as an intangible asset, held at cost less accumulated amortisation and any impairment loss.

Amortisation is provided to write off the cost less the estimated residual value of intangible assets on a straight-line basis over their estimated useful economic lives, which are as follows:

Computer software	3 - 5 years
Consideration for client base	8 years

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment loss. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over the estimated useful economic lives as follows:

Leasehold improvements	5 - 10 years
Fixtures and fittings	4 - 5 years
Computer equipment	3 - 5 years
Motor vehicles	4 years

2. Accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Investments

Investments are stated at cost less provision for impairment. Investments are considered to be impaired when their carrying value is greater than their estimated recoverable amount.

Taxation

The taxation payable on profits of the limited liability partnership in most jurisdictions, including the UK, is the personal liability of the Members. A retention from profit distributions is made to fund the taxation payments on behalf of Members.

The tax expense represents the sum of the current tax relating to the corporate subsidiaries and certain branches where the tax payable on profits is the liability of the LLP and not the individual Members.

The current tax expense is based on taxable profits of the corporate subsidiaries and branches consolidated within these financial statements. Taxable profit excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Client receivables

Client receivables are initially recognised at fair value, and are subsequently reduced for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly liquid investments.

Trade payables

Trade payables are initially measured at fair value, and are subsequently reduced for discounts given by suppliers.

2. Accounting policies (continued)

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

2. Accounting policies (continued)

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss (see Notes 14 and 18).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's finance lease receivables. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Members' Interests and current and non-current debts due to and from Members

Members subscribe capital to the firm in proportion to their equity interest in the firm. Members' capital may only be withdrawn when a Member retires from the LLP. As Members may retire from the LLP with 120 days' notice, Members' capital has been classified as a current liability. Drawings by Members on account of unallocated profits have been classified as Members' current assets within Members' interests.

2. Accounting policies (continued)

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate is charged to the income statement as a finance cost.

The group maintains an appropriate level of professional indemnity insurance cover which is reviewed annually. Provision or disclosure as appropriate is made for material costs that may arise from any claims against the group, net of the related insurance receivable.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the value of proceeds on initial recognition. Interest is included in finance cost and is determined using the effective interest rate method.

Retirement benefit obligations

Contributions to the defined contribution schemes are charged to the income statement when they become payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate determined by reference to the current estimated rate of return on a high quality sterling corporate bond of equivalent term to the scheme liabilities. Defined benefit pension scheme assets are measured at fair value. Actuarial valuations are performed as at each balance sheet date based on full valuations obtained at least triennially and updated for subsequent changes in material assumptions. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

The interest cost arising from the unwinding of the discount net of the expected return on scheme assets is recognised as a finance cost.

Actuarial gains and losses are recognised in full in the period in which they occur in the statement of comprehensive income.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of group financial statements under IFRS requires management to make judgements and estimations that affect the reported values of revenue, expenses, assets and liabilities. These are reviewed on an ongoing basis.

Critical judgements in applying the Group's accounting policies

Management are of the opinion that there are no judgements critical in the application of the Group's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing material adjustment of the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Provision for post-employment benefits

Estimates are required in the accounting for defined benefit pension plans, including the selection of discount rates, inflation rates, mortality rates and the prediction of the rate of future salary and pension increases. These estimates are made by management based on the advice of qualified experts. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in Note 21. In the current year, the net retirement benefit scheme deficit is valued at £7.05 million (2021: £4.5 million).

Amounts to be billed to clients

Estimation uncertainty exists regarding the amount that will ultimately be recovered from clients in respect of unbilled revenue at the year end, and has been identified as an other estimate. Amounts to be billed to clients are valued on the basis of recorded time at the year end, then provided against for factors such as historical recovery rates and contingencies. In the current year these are valued at £118.6m (2021: £103.5 million).

Client receivables provision

The valuation of the provision for irrecoverable client receivables is a key estimate. In the current year, this provision is valued at £17.7m million (2021: £15.5 million). This is an estimate of the likelihood of default based on an analysis of historical recovery rates, whilst incorporating expectations of current and future economic conditions.

If the expected credit loss rates had been 5% higher than 31 December 2022 :

- The loss allowance on trade debtors not past due would have been £0.07m (2021: £0.08m) higher
- the loss allowance on trade debtors past due between 0 and 30 days would have been £0.1m (2021: £0.1m) higher.
- the loss allowance on trade debtors past due between 31 and 120 days would have been £0.14m (2021: £0.15m) higher.
- the loss allowance on trade debtors past due greater than 120 days would have been £0.57m (2021: £0.45m) higher.

4. Revenue

	2022 £'000	2021 £'000
Revenue generated by Region:		
United Kingdom	413,442	414,362
Continental Europe	553,229	518,821
Asia, Pacific and Middle East	123,114	117,772
Total	1,089,785	1,050,955

All revenue is generated from the group's principal activity, being the provision of legal services.

5. Profit before taxation

	2022	2021
	£'000	£'000
Profit before tax has been arrived at after charging/(crediting):		
Operating lease payments		
– land and buildings	889	1,004
– other	38	16
Amortisation of intangible assets	2,898	4,674
Depreciation of property, plant and equipment	14,735	20,581
Depreciation on Right-of-use assets	48,790	46,457
Profit on sale of property, plant and equipment	(3,691)	(10)
Net foreign exchange loss	447	1,095
Fees payable to LLP auditor Deloitte LLP	1,690	1,273
A detailed breakdown of fees payable to Deloitte LLP is provided below:		
Fees payable to the LLP's auditor for the audit of the LLP accounts	196	164
Audit of LLP's subsidiaries and overseas branches pursuant to legislation	372	316
Tax services	922	632
Other services pursuant to legislation	67	61
All other services	133	100
Total fees payable to LLP auditor Deloitte LLP	1,690	1,273

Please note that remaining other operating expenses primarily relate to subcontractor services, marketing, training, professional subscriptions and office costs.

6. Staff costs

	Group		LLP	
	2022	2021	2022	2021
The average monthly number of people employed during the year (excluding Members) was:	No.	No.	No.	No.
Fee earners	1,654	1,684	629	604
Support staff	1,537	1,502	500	482
Total	3,191	3,186	1,129	1,086

Staff costs incurred during the year were:	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Salaries	333,007	326,891	245,017	237,349
Social security costs	37,530	34,906	28,355	26,507
Pension costs*	5,400	9,483	5,436	9,428
Other costs	10,645	7,412	5,433	2,533
Total	386,582	378,692	284,241	275,817

*Includes actuarial adjustments

7. Investment income / (Finance expense)

	2022	2021
	£'000	£'000
Investment income		
Interest receivable	953	168
Interest on lease receivables	11	16
	964	184
Finance expense		
Interest payable on bank loans and overdrafts	(223)	(416)
Net finance expense on retirement benefit scheme	(100)	(400)
Interest on lease liabilities	(5,212)	(5,285)
Unwinding of discount on provisions	(220)	(297)
	(5,755)	(6,398)

8. Taxation

	2022	2021
	£'000	£'000
Current tax	35,279	30,787
	35,279	30,787

In most locations, including the UK, income tax payable on the allocation of profits to Members is the personal liability of the Members and hence is not shown in these financial statements.

The effective rate of UK corporation tax was 19% for the year ended 31 December 2022 (2021: 19%).

	2022	2021
	£'000	£'000
Profit before taxation from continuing operations	383,229	385,863
Less: Amounts subject to personal taxation	(347,082)	(354,999)
Profits subject to taxation	36,147	30,864
Tax at the effective UK corporation tax rate of 19% (2021: 19%)	6,868	5,864
Different tax bases in other jurisdictions	28,009	23,997
Adjustments in respect of prior years	402	926
Charge for the period	35,279	30,787

9. Members' share of profits

Profits are shared among the Equity Members after the end of the period in accordance with agreed profit sharing arrangements.

The average profit per Equity Member is calculated by dividing the profit for the period, after non Equity Members' profit shares, by the average number of Equity Members.

Group	2022	2021
	No.	No.
Average number of Members	348	339
Average number of Equity Members	234	229
	£'000	£'000
Profit available for division among Equity Members	347,950	355,076
Average profit per Equity Member	1,487	1,550

10. Intangible assets - Group

	Computer software £'000	Consideration for client base £'000	Total £'000
Cost			
At 1 January 2021	31,021	2,374	33,395
Currency translation adjustments	(97)	(147)	(244)
Additions	763	-	763
Disposals	(19)	-	(19)
At 31 December 2021	31,668	2,227	33,895
Currency translation adjustments	62	126	188
Additions	117	-	117
Disposals	(498)	-	(498)
At 31 December 2022	31,349	2,353	33,702
Amortisation			
At 1 January 2021	23,712	2,374	26,086
Currency translation adjustments	(92)	(147)	(239)
Charge for the year	4,674	-	4,674
Disposals	(19)	-	(19)
At 31 December 2021	28,275	2,227	30,502
Currency translation adjustments	56	126	182
Charge for the year	2,898	-	2,898
Disposals	(460)	-	(460)
At 31 December 2022	30,769	2,353	33,122
Carrying amount			
At 31 December 2022	580	-	580
At 31 December 2021	3,393	-	3,393

11. Intangible assets - LLP

	Computer software £'000	Consideration for client base £'000	Total £'000
Cost			
At 1 January 2021	30,363	2,373	32,736
Currency translation adjustments	(58)	(147)	(205)
Additions	677	-	677
At 31 December 2021	30,982	2,226	33,208
Currency translation adjustments	51	126	177
Additions	71	-	71
At 31 December 2022	31,104	2,352	33,456
Amortisation			
At 1 January 2021	23,160	2,373	25,533
Currency translation adjustments	(58)	(147)	(205)
Charge for the year	4,633	-	4,633
At 31 December 2021	27,735	2,226	29,961
Currency translation adjustments	51	126	177
Charge for the year	2,756	-	2,756
At 31 December 2022	30,542	2,352	32,894
Carrying amount			
At 31 December 2022	562	-	562
At 31 December 2021	3,247	-	3,247

12. Property, plant and equipment – Group

	Leasehold improvements	Computer equipment	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	98,314	101,656	71,726	494	272,190
Currency translation adjustments	(7,914)	(1,170)	5,333	(50)	(3,801)
Additions	2,475	2,751	1,078	25	6,329
Disposals	(1,581)	(616)	(319)	(114)	(2,630)
At 31 December 2021	91,294	102,621	77,818	355	272,088
Currency translation adjustments	1,986	1,373	2,403	28	5,790
Additions	11,550	7,311	1,706	16	20,583
Disposals	(15,631)	(11,139)	(7,360)	(6)	(34,136)
At 31 December 2022	89,199	100,166	74,567	393	264,325
Depreciation					
At 1 January 2021	56,490	88,598	68,611	268	213,967
Currency translation adjustments	(6,028)	(1,221)	4,759	(3)	(2,493)
Charge for the year	10,004	7,851	2,701	25	20,581
Disposals	(1,578)	(616)	(313)	(112)	(2,619)
At 31 December 2021	58,888	94,612	75,758	178	229,436
Currency translation adjustments	394	1,328	3,071	17	4,810
Charge for the year	7,972	5,012	1,726	25	14,735
Disposals	(14,506)	(9,385)	(6,573)	-	(30,464)
At 31 December 2022	52,748	91,567	73,982	220	218,517
Carrying amount					
At 31 December 2022	36,451	8,599	585	173	45,808
At 31 December 2021	32,406	8,009	2,060	177	42,652

13. Property, plant and equipment – LLP

	Leasehold Improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2021	75,602	81,286	50,777	326	207,991
Currency translation adjustments	(6,806)	(202)	6,290	(50)	(768)
Additions	1,661	1,829	962	25	4,477
Disposals	(1,548)	(296)	(176)	(42)	(2,062)
At 31 December 2021	68,909	82,617	57,853	259	209,638
Currency translation adjustments	621	728	1,525	16	2,890
Additions	6,350	4,764	921	-	12,035
Disposals	(7,863)	(624)	(1,887)	-	(10,374)
At 31 December 2022	68,017	87,485	58,412	275	214,189
Depreciation					
At 1 January 2021	44,332	73,190	48,091	104	165,717
Currency translation adjustments	(5,108)	(458)	5,561	(3)	(8)
Charge for the year	7,439	5,090	2,022	25	14,576
Disposals	(1,548)	(296)	(170)	(42)	(2,056)
At 31 December 2021	45,115	77,526	55,504	84	178,229
Currency translation adjustments	275	690	1,450	2	2,417
Charge for the year	5,538	3,238	1,281	22	10,079
Disposals	(7,863)	(622)	(1,880)	-	(10,365)
At 31 December 2022	43,065	80,832	56,355	108	180,360
Carrying amount					
At 31 December 2022	24,952	6,653	2,057	167	33,829
At 31 December 2021	23,794	5,091	2,349	175	31,409

14. Leases (Group as a Lessee)**Right-of-use assets**

	Buildings £'000	Equipment £'000	Total £'000
Cost			
At 1 January 2022	325,144	2,561	327,705
Additions	37,483	314	37,797
Disposals	(41,864)	(305)	(42,169)
Currency translation adjustment	10,111	49	10,160
At 31 December 2022	330,874	2,619	333,493
Accumulated depreciation			
At 1 January 2022	118,081	1,462	119,543
Currency translation adjustment	105	6	111
Charge for the year	48,248	542	48,790
Disposals	(25,111)	(288)	(25,399)
At 31 December 2022	141,323	1,722	143,045
Carrying amount			
At 31 December 2022	189,551	897	190,448
At 31 December 2021	207,063	1,099	208,162

The maturity analysis of lease liabilities is presented in note 18. The Group has various leases based in different locations and on different terms and therefore additional qualitative information is not deemed necessary.

	2022 £'000	2021 £'000
Amounts recognised in profit and loss:		
Depreciation expense on right-of-use assets	48,790	46,457
Interest expense on lease liabilities	5,212	5,285
Expense relating to short-term leases	889	1,004
Expense relating to leases of low value assets	38	16
Income from subleasing right-of-use assets	(11)	(16)

At 31 December 2022, the Group is committed to £0.3 million (2021: £0.3 million) for short-term leases (see Note 26).

14. Leases (LLP as a Lessee) (continued)**Right-of-use assets**

	Buildings	Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	208,210	1,161	209,371
Additions	24,783	314	25,097
Disposals	(23,621)	(295)	(23,916)
Currency translation adjustment	3,753	20	3,773
At 31 December 2022	213,125	1,200	214,325
Accumulated depreciation			
At 1 January 2022	81,738	728	82,466
Currency translation adjustment	(358)	7	(351)
Charge for the year	31,317	266	31,583
Disposals	(12,249)	(278)	(12,527)
At 31 December 2022	100,448	723	101,171
Carrying amount			
At 31 December 2022	112,677	477	113,154
At 31 December 2021	126,472	433	126,905

15. Investments - Group and LLP

Investments of £11,155,000 disclosed on the Hogan Lovells International LLP balance sheet are valued at cost, which is equal to carrying value as at 31 December 2022 (2021: £10,952,000).

The financial statements consolidate the results and financial position of the group, including the subsidiary and associated undertakings listed below. The LLP has investments in the following subsidiary undertakings:

	Country of Incorporation	Activity	Proportion of ordinary shares or ownership held
Hogan Lovells (Alicante) SL & Cia., S.C. ³	Spain	Legal services	100%
Hogan Lovells (Alicante) Limited ²	United Kingdom	Dormant	100%
Hogan Lovells (Alicante) S.L. ³	Spain	Legal services	100%
Hogan Lovells (CIS) ²	United Kingdom	Legal services	100%
Hogan Lovells (Hong Kong) Ltd ⁴	Hong Kong	Service Company	100%
Hogan Lovells (Warszawa) LLP ¹	United Kingdom	Legal services	100%
Hogan Lovells Services ²	United Kingdom	Service Company	100%
65 Holborn Viaduct Limited ²	United Kingdom	Dormant	100%
Hogan Lovells (Geneva) Limited ²	United Kingdom	Dormant	100%
Hogan Lovells Limited ²	United Kingdom	Dormant	100%
Lovell & Co Limited ²	United Kingdom	Dormant	100%
Lovell White Durrant Limited ²	United Kingdom	Dormant	100%
Lovell White Limited ²	United Kingdom	Dormant	100%
Hogan Lovells (Holdings) No.1 Limited ²	United Kingdom	Dormant	100%
Hogan Lovells (Holdings) No.2 Limited ²	United Kingdom	Legal services	100%
Lovells (Moscow) Limited ²	United Kingdom	Dormant	100%
Lovells Hogan & Hartson Limited ²	United Kingdom	Dormant	100%
Lovells Hogan Limited ²	United Kingdom	Dormant	100%
Lovells Limited ²	United Kingdom	Dormant	100%
Hogan Lovells Pension Trustees Limited ²	United Kingdom	Dormant	100%
Hogan Lovells Trustees ²	United Kingdom	Dormant	100%
Hogan Lovells Property Trustees (No. 1) Limited ²	United Kingdom	Dormant	100%
Hogan Lovells Property Trustees (No. 2) Limited ²	United Kingdom	Dormant	100%
Hogan Lovells Real Estate Limited ²	United Kingdom	Dormant	100%
Loviting Limited ²	United Kingdom	Dormant	100%
Serjeants' Inn Nominees Limited ²	United Kingdom	Dormant	100%
Sisec Limited ²	United Kingdom	Dormant	100%
Hogan Lovells Corporate Services Limited ²	United Kingdom	Dormant	100%
Hogan Lovells UK Pension Scheme Trustees Limited ²	United Kingdom	Dormant	100%
Hogan Lovells (Holborn Viaduct) Limited ¹	United Kingdom	Legal services	100%
Hogan Lovells (Ulaanbaatar) LLC ⁵	Mongolia	Dormant	100%
Hogan Lovells Services (South Africa) Limited ²	United Kingdom	Service Company	100%
RJ Fenshaw Hughes Ltd ²	United Kingdom	Dormant	100%
Hogan Lovells Services (Germany) Limited ²	United Kingdom	Service Company	100%*
Hogan Lovells Solutions Limited ²	United Kingdom	Consultancy services	100%*

*Ordinary shares held by another member of the group

Registered office addresses:

¹ Atlantic House, Holborn Viaduct, London, United Kingdom EC1A 2FG

² 21 Holborn Viaduct, London, United Kingdom EC1A 2DY

³ Avenida Malsonnave 22, Alicante, Spain, 03003

⁴ 11th Floor, One Pacific Place, 88 Queensway, Hong Kong, China

⁵ Suite 810, Shangri-La Centre, Olympic Street-19A, Sukhbaatar District, 1st Khoroo, Ulaanbaatar 14241, Mongolia

15. Investments - Group and LLP (continued)

The LLP has the power to exercise, or actually exercises, dominant influence or control over the following principal undertakings:

	Country of Incorporation	Activity
Loviting (H.K.) Limited ³	Hong Kong	Legal services
Loviting (H.K.) (No. 2) Limited ³	Hong Kong	Dormant
S.I. Nominees (H.K.) Limited ³	Hong Kong	Legal services
S.I. Nominees (H.K.) (No. 2) Limited ³	Hong Kong	Dormant
S.I. Nominees (H.K.) (No. 3) Limited ³	Hong Kong	Dormant
Lovells Limited ³	Hong Kong	Legal services
Lovells (Hong Kong) Limited ³	Hong Kong	Dormant
Hogan Lovells Limited ³	Hong Kong	Dormant
Thunderground Limited ³	Hong Kong	Legal services
Hogan Lovells (Hong Kong) (No 1) LLP ¹	United Kingdom	Legal services
Hogan Lovells (Hong Kong) (No 2) LLP ¹	United Kingdom	Legal services
Hogan Lovells (Paris) LLP ¹	United Kingdom	Legal services
Hogan Lovells (Middle East) LLP ²	United Kingdom	Legal services
Hogan Lovells (Prague) LLP – dissolved 6 August 2019 ¹	United Kingdom	Legal services
Hogan Lovells (Shanghai) Intellectual Property Service Co Ltd ⁴	China	Legal services
Hogan Lovells ²	United Kingdom	Legal services
Hogan Lovells Horitsu Jimusho Gaikokuho Kyodo Jigyo ⁵	Japan*	Legal services
Hogan Lovells Studio Legale ⁶	Italy*	Legal services
Hogan Lovells (Luxembourg) LLP ¹	United Kingdom	Legal services
Hogan Lovells (Mongolia) LLP ⁷	Mongolia	Dormant
Hogan Lovells (Australia) (No 1) LLP ¹	United Kingdom	Dormant
Hogan Lovells (Australia) (No 2) LLP ¹	United Kingdom	Dormant
Hogan Lovells (Australia) Limited Partnership ⁸	New South Wales Australia*	Legal services
Hogan Lovells Services (Australia) Pty Limited ⁸	Victoria, Australia	Legal services
Hogan Lovells ⁸	New South Wales Australia*	Legal services
Hogan Lovells Lee & Lee ⁹	Singapore	Legal services
Hogan Lovells Indemnity Co. Limited ²	United Kingdom	Dormant
Hogan Lovells (Ireland) LLP ¹¹	Ireland	Legal services
Hogan Lovells Johannesburg Inc. ¹⁰	South Africa	Legal Services

*unincorporated undertaking, denotes principal place of business

The LLP has a 100% interest in Hogan Lovells, a general partnership governed by English law through which legal services are performed in Hong Kong. Hogan Lovells' head office is Atlantic House, Holborn Viaduct, London EC1A 2FG, United Kingdom.

The results and financial position of Hogan Lovells are consolidated in the financial statements of Hogan Lovells International LLP. Accordingly, advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of the general partnership's accounts.

Registered office addresses:

¹ Atlantic House, Holborn Viaduct, London, United Kingdom EC1A 2FG

² 21 Holborn Viaduct, London, United Kingdom EC1A 2DY

³ 11th Floor, One Pacific Place, 88 Queensway, Hong Kong, China

⁴ 1802 Park Place, 1601 Nanjing Road West, Shanghai 200040

⁵ 15th Floor, Dai-ko Seimei Kasumigaseki Building, 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013, Japan

⁶ Via Santa Maria alla Porta 2, 20123 Milan, Italy

⁷ Suite 810, Shangri-La Centre, Olympic Street-19A, Sukhbaatar District, 1st Khoroo, Ulaanbaatar 14241, Mongolia

⁸ Level 17, 20 Martin Place, Sydney, New South Wales 2000, Australia

⁹ 50 Raffles Place, 06-00, Singapore Land Tower, Singapore 048623

¹⁰ 140 West Street, Sandton, Johannesburg 2196

¹¹ Fitzwilliam Hall, Fitzwilliam Place, Dublin 2 D02 T292, Ireland

15. Investments - Group and LLP (continued)

The LLP has a participating interest in the following associated undertakings:

	Country of incorporation	Activity	Proportion of ordinary shares held
Hogan Lovells Global Services ¹	United Kingdom	Service Company	50% joint venture
Hogan Lovells Solutions (Transfer Pricing) Limited ¹	United Kingdom	Consultancy Services	50% joint venture

¹ Registered office address: 21 Holborn Viaduct, London, United Kingdom EC1A 2DY

Hogan Lovells Global Services Limited and Hogan Lovells Solutions (Transfer Pricing) Limited are accounted for using the equity method. Owing to the loss arising in Hogan Lovells Solutions (Transfer Pricing) Limited in the year ended 31 December 2022, the investment has been impaired. Summarised financial information in respect of Hogan Lovells Global Services Limited and Hogan Lovells Solutions (Transfer Pricing) Limited are set out below. The summarised financial information below represents amounts in the associates' financial statements prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial reporting Standard applicable in the UK and republic of Ireland".

Hogan Lovells Global Services Limited

	2022 £'000	2021 £'000
Current assets	2,889	3,150
Current liabilities	(2,365)	(2,651)
Total equity	524	499
	2022 £'000	2021 £'000
Revenue	13,568	12,925
Profit before tax	646	615
Profit for the period	523	499

Hogan Lovells Solutions (Transfer Pricing) Limited

	2022 £'000	2021 £'000
Current assets	1,038	877
Current liabilities	(3,052)	(2,191)
Total equity	(2,014)	(1,314)
	2022 £'000	2021 £'000
Revenue	1,518	1,614
Loss before tax	(710)	(444)
Loss for the period	(710)	(459)

16. Client and other receivables

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Amounts to be billed to clients	118,624	103,532	75,469	64,889
Client receivables	270,171	243,812	201,951	178,449
Amounts due from Members	109,917	112,210	109,917	112,210
Other debtors	25,278	23,296	23,634	20,256
Prepayments	42,992	38,163	34,284	27,881
	566,982	521,013	445,255	403,685

There is no material difference between the fair value and carrying value of client and other receivables. Changes in the amounts to be billed to clients balance during the year were not materially impacted by any specific factors. Client receivables are shown after impairment provisions for bad and doubtful debts of £17.7 million (2021: £15.5 million), movements on which are shown below:

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At start of period	15,506	19,564	9,323	12,525
Exchange adjustments	1,036	(429)	463	(300)
Write offs	(3,343)	(4,892)	(2,240)	(2,846)
Charge	4,482	1,263	1,955	(56)
At end of period	17,681	15,506	9,501	9,323

In determining the recoverability of the client receivable Management considers any change in the credit quality of the client. Specific provisions for impairment are raised against client receivables where full recoverability of the debt is considered doubtful. Reasons for specific impairment could include the client being unable to pay or a dispute over either the services provided or the fees incurred.

The Group has applied the simplified approach in IFRS 9 to measure the lifetime expected credit loss. In line with IFRS 9, a provision is determined by reference to past default experience, as a proportion of different ageing categories of client receivables.

The group's client acceptance procedures include a detailed review of the creditworthiness of each and every client before an engagement commences and the concentration of credit risk is limited due to the client base being large and unrelated. Accordingly, there is no further credit provision required in excess of the provision for doubtful debts.

16. Client and other receivables (continued)

Further details on how the expected credit loss falls into the ageing of client receivables can be found below:

Group

2022	Client receivables – days past due date				Total
	Not past Due	0 – 30 days	31 – 120 days	greater than 120 days	
Average expected credit loss rate	2%	2%	5%	35%	
Estimated total gross carrying amount at default	97,923	98,799	58,867	32,263	287,852
Expected credit loss	(1,492)	(1,965)	(2,870)	(11,354)	(17,681)
Client Receivables	96,431	96,834	55,997	20,909	270,171

2021	Client receivables – days past due date				Total
	Not past Due	0 – 30 days	31 – 120 days	greater than 120 days	
Average expected credit loss rate	2%	2%	6%	35%	
Estimated total gross carrying amount at default	93,755	88,192	51,835	25,536	259,319
Expected credit loss	(1,607)	(1,918)	(2,967)	(9,014)	(15,506)
Client Receivables	92,148	86,274	48,868	16,522	243,812

16. Client and other receivables (continued)

Clients are required to settle invoices on presentation or on such other date that is agreed in the engagement terms for that client. Terms vary but invoices are considered past due after 14 days have elapsed following the invoice date. No client receivables are held as collateral for liabilities. The ageing of client receivables past due at the reporting date was:

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Not past due	96,430	92,148	76,845	69,667
Past due by 0 – 30 days	96,834	86,274	75,703	67,760
Past due by 31 – 120 days	55,997	48,868	39,413	32,789
Past due by greater than 120 days	20,910	16,522	9,990	8,233
	270,171	243,812	201,951	178,449

The carrying amount of financial assets including cash recorded in the financial statements, which is net of any impairment losses, represents the group's maximum exposure to credit risk. The group's maximum exposure to credit risk comprises:

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets	700,068	651,869	587,745	547,751
Amounts to be billed to clients	118,624	103,532	75,469	64,889
	818,692	755,401	663,214	612,640

Further analysis of financial assets and other risks facing the group is provided in Note 27.

17. Lease receivables**Finance lease receivables**

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Undiscounted lease payments analysed as:				
Recoverable after 12 months	275	410	275	377
Recoverable within 12 months	113	515	76	103
	388	925	351	480

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Net investment in the lease analysed as:				
Recoverable after 12 months	282	410	282	377
Recoverable within 12 months	93	490	57	80
	375	900	339	457

The Group entered into finance leasing arrangements as a lessor for the sublet of property. The average term of finance leases entered into is 10 years. Generally, these lease contracts do not include extension or early termination options.

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Amounts receivable under finance leases:				
Year 1	113	515	76	103
Year 2	100	135	100	102
Year 3	100	100	100	100
Year 4	75	100	75	100
Year 5	-	75	-	75
Onwards	-	-	-	-
Undiscounted lease payments	388	925	351	480
Less: unearned finance income	(13)	(25)	(14)	(23)
Present value of lease payments receivable	375	900	337	457

17. Lease receivables (continued)

The following table presents the amounts included in profit or loss.

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Finance income on the net investment in finance leases	(11)	(16)	(9)	(9)
Income relating variable lease payments not included in the net investment in finance leases	-	-	-	-

The Group's finance lease arrangements do not include variable payments.

The average effective interest rate contracted is approximately 1.6 per cent per annum.

18. Lease liabilities

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Lease Liability				
At 1 January 2022	234,560	247,318	148,559	176,022
Additions	37,680	50,743	25,085	10,215
Disposals	(18,768)	(9,345)	(12,506)	(2,499)
Lease payments	(50,137)	(52,392)	(32,661)	(32,372)
Interest	5,212	5,285	2,581	2,523
Currency translation adjustment	10,998	(7,049)	4,620	(5,330)
At 31 December 2022	219,545	234,560	135,678	148,559

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Analysed as:				
Non-current	158,338	180,681	100,574	114,598
Current	61,207	53,879	35,104	33,961
	219,545	234,560	135,678	148,559

18. Lease liabilities (continued)

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Maturity analysis				
Year 1	53,665	50,554	34,424	32,695
Year 2	40,865	49,727	28,016	32,286
Year 3	37,668	36,966	23,855	26,554
Year 4	38,689	33,228	24,272	21,836
Year 5	40,494	33,443	29,574	21,805
Onwards	23,823	46,084	2,486	19,847
Undiscounted lease payments	235,204	250,002	142,627	155,023
Less: future finance expense	(15,659)	(15,442)	(6,949)	(6,464)
Present value of lease payments	219,545	234,560	135,678	148,559

The Group does not face a significant liquidity risk with regard to its lease liabilities.

19. Trade and other payables

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	233,308	185,370	188,489	158,058
Social security and other taxes	21,671	24,448	10,577	10,892
Accruals and deferred income	54,105	46,350	23,251	16,564
Amounts due to group undertakings	-	-	47,620	32,287
	309,084	256,168	269,937	217,801

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Included in current liabilities	309,084	256,168	269,937	217,801
Included in non-current liabilities	-	-	-	-
	309,084	256,168	269,937	217,801

There is no material difference between the fair value and carrying value of the trade and other payables.

Amounts due to group undertakings are repayable on demand, unsecured and are interest-free.

20. Provisions

Provision for annuities

The LLP has conditional commitments to pay annuities to certain individuals who are either former partners of the LLP's predecessor partnership or dependants of those partners. An actuarial valuation of the net present value of the best estimate of the expected liability for the future payments to these individuals is obtained at each period-end and any change to the provision necessary is recorded in the income statement.

The provision for annuities is subject to actuarial adjustments and is payable over the life of the annuitants.

The assumptions used by the actuaries in the calculation of the provision are the same as those used in the valuation of the defined benefit pension scheme, as set out in Note 21.

Provision for annuities – Group and LLP

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At start of period	9,032	9,961	9,032	9,961
Currency translation	(82)	(130)	(82)	(130)
Utilisation of provision	(445)	(492)	(445)	(492)
Actuarial adjustment	(1,874)	(604)	(1,874)	(604)
Unwinding of discount	220	297	220	297
Net movement in provision	(2,181)	(929)	(2,181)	(929)
At end of period	6,851	9,032	6,851	9,032
Provisions are analysed as follows:	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current liabilities	426	483	426	483
Non-current liabilities	6,425	8,549	6,425	8,549
	6,851	9,032	6,851	9,032
Major assumptions used in valuation:	2022 % p.a.	2021 % p.a.	2022 % p.a.	2021 % p.a.
Discount rate	4.70	1.90	4.70	1.90
Price inflation	3.20	3.20	3.20	3.20

21. Retirement benefit schemes – Group and LLP

Defined contribution scheme

Employer contributions to defined contribution retirement benefit schemes totalled £9,904,287 (2021: £8,755,193).

Defined benefit scheme

The LLP sponsors a funded defined benefit pension plan for qualifying UK employees. The Hogan Lovells UK Pension Scheme ("the Scheme") is administered by a separate Trustee company. The directors of the trustee company are independent professional trustees. The trustee is required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

The defined benefit scheme of the LLP is closed to new members and all future accrual. Under the Scheme, employees are entitled to annual pensions on retirement. Benefits are also payable on death.

Profile of the Scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 60% to deferred pensioners and 40% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is approximately 16 years.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2020 and showed a deficit of £21.0M. The LLP paid deficit contributions of £1.9M p.a. from 1 January 2021 to 31 December 2021, will continue to pay £2.15M p.a. from 1 January 2022 to 31 December 2026 and paid an additional £5M contribution in two instalments in December 2021 and January 2022 and which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 December 2026. The next funding valuation is due no later than 31 December 2023, at which progress towards full-funding will be reviewed.

Risks associated with the Scheme

The Scheme exposes the LLP to a number of risks, the most significant of which are:

Asset volatility

The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme's DBO for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

The majority of the Scheme's DBO is linked to inflation, and higher inflation leads to a higher DBO (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

The Government's response to its consultation on RPI reform was published on 25 November 2020, and strongly implied that RPI will become aligned with CPI-H from 2030. The consequences of the outcome of the consultation may cause the net pension asset to change.

21. Retirement benefit schemes – Group and LLP (continued)**Life expectancy**

The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the DBO.

Risk Management

The trustees invest in growth assets to back the liabilities for the deferred members. In addition, in July 2016, the trustees entered into a buy-in policy with the Pensions Insurance Corporation (PIC) to insure all of the liabilities for the members who were pensioners as at 13 July 2016. This policy protects the Scheme against inflation, interest rate and longevity risk for these members.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

	2022	2021
Key assumptions used:	%	%
Discount rate	4.7	1.9
RPI Inflation	3.2	3.2
CPI Inflation	2.4	2.4
Expected rate of salary increases	n/a	n/a
Future pension increases	2.0	2.2

The post retirement mortality assumptions used are based on the standard published tables "S3PXA" as adopted by the actuarial profession. These were then adjusted to allow for future improvements in life expectancy in line with the Continuous Mortality Investigation 2021 core projections and a 1.25% p.a. long-term rate of improvement for males and females. On this basis the life expectancy assumed for a male pensioner aged 65 as at 31 December 2022 was 22 years and for a female was 24 years. Also on this basis the life expectancy at 65 assumed for a male currently aged 45 as at 31 December 2022 was 23 years and for a female was 25 years.

The principal assumptions all have an effect on the IAS19 accounting valuation. The following shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions:

Assumption	Change in assumption	Approximate Impact on Scheme liabilities
Discount rate	Increase/decrease by 0.5%	Increase/decrease by £9.7m
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by £5.0m
Rate of mortality	Increase/decrease expected lifetime at retirement by 1 year	Increase/decrease by £4.3m

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

21. Retirement benefit schemes – Group and LLP (continued)

Amounts recognised in the balance sheet are as follows:

	2022 £'000	2021 £'000
Fair value of scheme assets	112,450	185,800
Present value of defined benefit obligations	(119,500)	(190,300)
Retirement benefit deficit	(7,050)	(4,500)

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2022 £'000	2021 £'000
Interest cost	3,500	2,800
Expected return on scheme assets	(3,400)	(2,400)
	100	400

Of the charge for the year a net debit of £100,000 (2021: net debit £400,000) has been included in finance expense. Actuarial gains and losses have been reported in the statement of comprehensive income.

The Scheme's assets are stated at their market value as at 31 December 2022. Movements in the fair value of scheme assets were as follows:

	2022 £'000	2021 £'000
At start of period	185,800	173,900
Expected return on scheme assets	3,400	2,400
Actuarial (losses)/gains	(72,200)	9,600
Contributions from sponsoring employer	5,150	3,900
Benefits paid	(9,700)	(4,000)
At end of period	112,450	185,800

The actual return on scheme assets was as follows:

	2022 £'000	2021 £'000
Expected return on scheme assets	3,400	2,400
Actuarial (losses)/gains on scheme assets	(72,200)	9,600
	(68,800)	12,000

21. Retirement benefit schemes – Group and LLP (continued)

The analysis of the Scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	2022	2021
	£'000	£'000
Equity instruments	24,100	63,000
Long-term gilts and bonds	38,250	53,800
Property	13,600	10,500
Absolute return fund	6,400	12,600
Annuities	29,100	41,600
Cash/net current assets	1,000	4,300
Overall	112,450	185,800

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class. The expected return on assets is determined using current and projected economic and market factors and after taking actuarial advice.

The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit credit method. Movements in the present value of defined benefit obligations were as follows:

	2022	2021
	£'000	£'000
At start of period	190,300	204,400
Interest cost	3,500	2,800
Actuarial (gains)/losses from changes in demographic assumptions	(1,800)	300
Actuarial gains from changes in financial assumptions	(72,900)	(11,200)
Actuarial losses/(gains) due to liability experience	10,100	(2,000)
Benefits paid	(9,700)	(4,000)
At end of period	119,500	190,300

The analysis of the amounts recognised in the statement of comprehensive income is as follows:

	2022	2021
	£'000	£'000
Actuarial (losses)/gains on scheme assets	(72,200)	9,600
Actuarial gains on scheme liabilities	64,600	12,900
Total actuarial (losses)/gains	(7,600)	22,500

22. Members' interests – Group

	Members' capital - current liability	Amounts due from Members	Members' equity - other reserves	Total
	£'000	£'000	£'000	£'000
Members' interests at 1 January 2021	93,352	(86,979)	333,172	339,545
Allocated profits	-	308,764	(308,764)	-
Drawings and distributions	-	(333,995)	-	(333,995)
Capital introduced	13,709	-	-	13,709
Capital repaid	(4,957)	-	-	(4,957)
Differences on translation	-	-	29,027	29,027
Pension scheme actuarial gain	-	-	22,500	22,500
Profit for the financial period	-	-	355,076	355,076
Members' interests at 31 December 2021	102,104	(112,210)	431,011	420,905
Allocated profits	-	359,134	(359,134)	-
Drawings and distributions	-	(356,841)	-	(356,841)
Capital introduced	18,139	-	-	18,139
Capital repaid	(8,148)	-	-	(8,148)
Differences on translation	-	-	23,199	23,199
Pension scheme actuarial loss	-	-	(7,600)	(7,600)
Profit for the financial period	-	-	347,950	347,950
Members' interests at 31 December 2022	112,095	(109,917)	435,426	437,604

Members' other reserves rank after unsecured creditors in the event of a winding-up. The amount of capital that each Member is required to subscribe is determined by the Board and under the Members' Agreement of the LLP a Member can only withdraw capital after he or she ceases to be a Member or if their share of the partnership decreases.

From 1 July 2014 non-equity members in certain jurisdictions were required to subscribe capital.

23. Members' Interests – LLP

	Members' capital - current liability £'000	Amounts due from Members £'000	Members' equity - other reserves £'000	Total £'000
Members' interests at 1 January 2021	93,352	(86,979)	246,956	253,329
Allocated profits	-	242,779	(242,779)	-
Drawings and distributions	-	(268,010)	-	(268,010)
Capital introduced	13,709	-	-	13,709
Capital repaid	(4,957)	-	-	(4,957)
Differences on translation	-	-	24,842	24,842
Pension scheme actuarial gain	-	-	22,500	22,500
Profit for the financial period	-	-	269,472	269,472
Members' interests at 31 December 2021	102,104	(112,210)	320,991	310,885
Allocated profits	-	277,814	(277,814)	-
Drawings and distributions	-	(275,521)	-	(275,521)
Capital introduced	18,139	-	-	18,139
Capital repaid	(8,148)	-	-	(8,148)
Differences on translation	-	-	17,859	17,859
Pension scheme actuarial loss	-	-	(7,600)	(7,600)
Profit for the financial period	-	-	261,185	261,185
Members' interests at 31 December 2022	112,095	(109,917)	314,621	316,799

The members of the LLP have agreed that members' other reserves rank after unsecured creditors in the event of a winding-up. The amount of capital that each Member is required to subscribe is determined by the Board and under the Members' Agreement of the LLP a Member can only withdraw capital after he or she ceases to be a Member or if their share of the partnership decreases.

From 1 July 2014 non-equity members in certain jurisdictions were required to subscribe capital.

24. Notes to the cash flow statements

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Profit from continuing operations	445,519	441,342	338,857	336,250
Adjustments for:				
Amortisation of intangible assets	2,898	4,675	2,756	4,633
Depreciation of property, plant and equipment	14,735	20,581	10,079	14,576
Depreciation on Right-of-use assets	48,790	46,457	31,583	28,753
Profit on disposal of property, plant and equipment	3,691	10	-	2
Decrease in provisions	(2,181)	(929)	(2,181)	(929)
Operating cash flows before movements in working capital	513,452	512,136	381,094	383,285
Increase in receivables	(58,851)	(31,452)	(51,203)	(29,002)
Increase in payables	37,224	21,362	46,628	36,664
Cash generated by operations	491,825	502,046	376,519	390,947
Corporation taxes paid	(37,979)	(54,621)	(33,938)	(51,757)
Net cash from operating activities	453,846	447,425	342,581	339,190
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash and cash equivalents comprise:				
Cash at bank	294,702	272,551	252,243	236,836

25. Capital commitments

At the period-end the group had contracted to spend £14.9m on property fit-out costs and associated professional fees (2021: £5.4m). At the period-end the LLP had contracted to spend £6.1m on property fit-out costs and associated professional fees (2021: £3.2m). These amounts were not provided for in the financial statements.

26. Operating lease commitments

At 31 December 2022, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group			
	Land and buildings	Other	Land and buildings	Other
	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Within one year	327	30	330	22
Between one and five years	-	-	-	-
In more than five years	-	-	-	-
	327	30	330	22

27. Financial instruments

Financial instruments comprise loans, short-term borrowings, cash and deposits, client receivables and trade payables, Member's capital and amounts due from Members. Financial instruments result in the group being exposed to liquidity, credit, interest rate and foreign currency risks. Information about credit risk is contained in Note 16 and the remaining risks are covered below.

The carrying amounts of financial instruments are as follows:

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets				
Client receivables	270,171	243,812	201,951	178,449
Amounts due from Members	109,917	112,210	109,917	112,210
Other receivables	25,278	23,296	23,634	20,256
Cash and deposits	294,702	272,551	252,243	236,836
Assets at amortised cost	700,068	651,869	587,745	547,751
Financial liabilities				
Members' capital	(112,095)	(102,104)	(112,095)	(102,104)
Trade payables	(233,308)	(185,370)	(188,489)	(158,058)
Liabilities at amortised cost	(345,403)	(287,474)	(300,584)	(260,162)
Net financial instruments	354,665	364,395	287,161	287,589

27. Financial instruments (continued)

Liquidity risk

The group has in place facilities to cover short-term working capital requirements but follows a policy of active management and targeting of client receivables and amounts due to be billed to clients, to minimise the level of short-term borrowings. All borrowing facilities are arranged through the LLP.

At 31 December 2022, the LLP had committed bank facilities for periods up to a year totalling £120 million (2021: £120 million). At the balance sheet date the group had not utilised any of these facilities, some of which are repayable on demand. These facilities have been, or are being, replaced or renewed after the period-end and are now due to expire between April 2023 and November 2023 when they are expected to be renewed or replaced.

Trade payables of £233 million (2021: £185 million) are payable within 12 months of the balance sheet date. Members' capital is repayable when a Member retires. As 120 days' notice of retirement is required, Members' capital has been presented as a current liability.

The amount of undiscounted cash outflows for financial liabilities is equal to their carrying amount as both trade payables and partner capital are non-interest bearing. These undiscounted cash outflows are potentially due for repayment immediately, subject to Member retirement, or within a two-month time frame. In practice the majority of the Member capital balance is viewed as being of a long-term nature and in most cases capital introduced by new Members is expected to replace that of retiring Members.

Interest rate risk

Cash and cash deposits of £295 million (2021: of £273 million) earned interest predominantly at a variable rate linked to the Bank of England base rate. Interest is payable on a maximum of £30 million of the overdraft facilities at a floating rate above the Bank of England base rate. Interest on the remainder of the £120 million facilities is payable at a rate linked to the LIBOR. The weighted average interest rate on overdrafts was 1.5 % (2021: 1.5 %). Management recognises that interest rates are liable to fluctuate and the group accepts this risk and does not consider it likely to be material.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole period.

If interest rates were 1% higher and all other variables were held constant, the group's profit and equity for 12 months ended 31 December 2022 would have increased by £2,947,000 (2021: £2,726,000).

27. Financial Instruments (continued)**Foreign currency risk**

The group's income and expenditure is primarily in sterling and euros. However some fees and costs are denominated in other currencies, as are certain of the transactions with the LLP's subsidiary undertakings.

The group does not hedge or enter into forward or derivative transactions and is exposed to translation and transaction foreign currency exchange risk.

The group had the following net foreign currency denominated monetary assets and liabilities:

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
US Dollar	65,336	59,411	43,989	33,775
Euro	199,517	159,382	175,199	134,851
Japanese Yen	5,238	4,229	2,138	3,182
Singapore Dollar	(794)	(819)	-	-
Chinese Renminbi	(6,303)	(7,202)	228	(3,692)
Hong Kong Dollar	6,452	3,483	-	-
Other	703	1,379	646	358
	270,149	219,863	222,200	168,474

The fair value of all financial instruments measured at amortised cost, estimated by reference to the net present value of future cash flows, is materially the same as their carrying amount.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% increase or decrease in sterling value against the relevant currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in sterling exchange rates. A positive number below indicates an increase in profit and equity where sterling weakens 10% against the relevant currency. For a 10% strengthening of sterling against the relevant currency, there would be an equal and opposite impact on the profit and equity and the balances would be negative.

Profit or Loss	Euro currency impact		US Dollar currency impact		Other currency impact	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Group	19,952	15,938	6,534	5,941	530	107
LLP	17,520	13,485	4,399	3,377	301	(15)

28. Related party transactions - Group and LLP

Transactions between the LLP and its subsidiary undertakings, which are related parties, have been eliminated on consolidation.

During the year ended 31 December 2022, the LLP incurred costs of £13,568,000 (2021: £12,925,000) through transactions with Hogan Lovells Global Services Limited. As at 31 December 2022 the Group owed Hogan Lovells Global Services Limited £2,889,000 (2021: £3,150,000).

As at 31 December 2022 the Hogan Lovells Solutions (Transfer Pricing) Limited owed the Group £2,838,000 (2021: £1,957,000).

The share of the profit and the remuneration of the key management team for the year ended 31 December 2022 amounted to £24.4 million (2021: £24.6 million). This is a consolidated set of financial statements. The members control the LLP and as such there is no one controlling party.