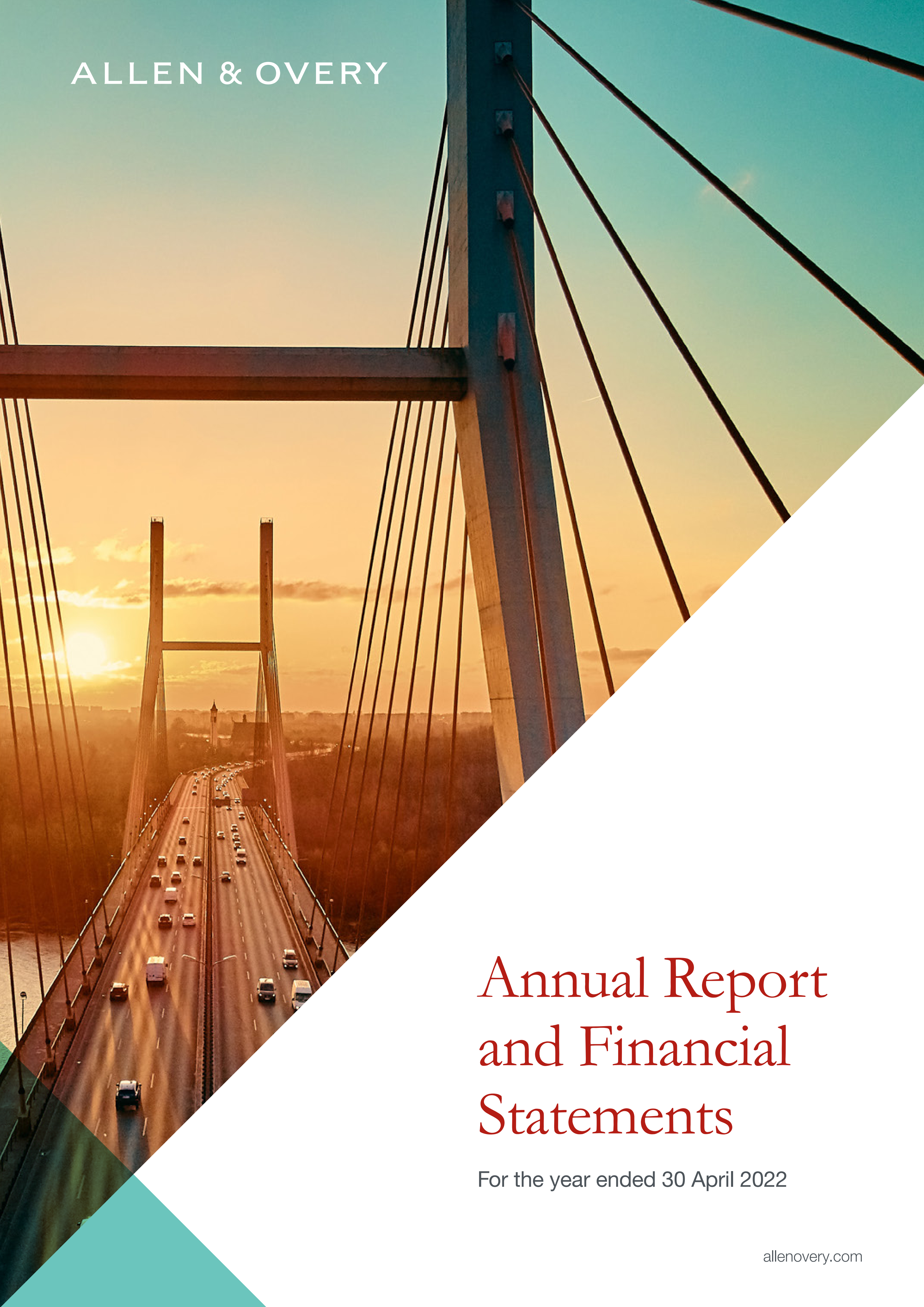
ALLEN & OVERY



Annual Report and Financial Statements

For the year ended 30 April 2022

allenovery.com

Contents

Members' report

The Board presents its report to the Members and the audited consolidated financial statements of Allen & Overy LLP for the year ended 30 April 2022.

Group structure

These financial statements consolidate the financial statements of Allen & Overy LLP, a limited liability partnership registered in England and Wales with registered number OC306763 (the **LLP**), and its subsidiary undertakings (the **Group**) for the year ended 30 April 2022. **Allen & Overy** is the collective name for an international legal practice comprising Allen & Overy LLP and its subsidiary undertakings. In this report the terms 'the Group' and 'Allen & Overy' are interchangeable.

A list of Members and non-Members who are designated as partners is available for inspection at One Bishops Square, London E1 6AD, United Kingdom, which is also the LLP's principal place of business and registered office. For more information visit www.allenovery.com.

Partners/Members

The term **partner** in this annual report is used to refer to a Member of the LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of the LLP's subsidiary undertakings. The term **Member** in this annual report is used to refer only to a Member of the LLP. The term **full partner** in this document is used to refer to partners remunerated entirely by profit sharing points.

Principal activity

Allen & Overy's principal activity is the provision of premium legal services. All results derive from continuing activities.

Strategy

At the heart of our strategy is a clear ambition: to become the world's most advanced law firm. That means being at the forefront of legal thinking and building on our reputation for pioneering ideas on how we serve our clients and run our business. Allen & Overy's strategy has five key dimensions: global reach, local depth; lasting relationships, market leadership; high performance culture; innovation; and mobility of knowledge, people and ideas.

Global reach, local depth

We are a powerful, multi-centred business serving all our clients' core markets. Local depth connected by global reach sits at the heart of Allen & Overy and sets us apart from other firms. We are investing in our business in the U.S. whilst building our U.S. law capabilities around the world. We recently opened new offices in Los Angeles, Silicon Valley, San Francisco and Boston. Our focus in Asia over many years has created depth and breadth across the region, so we are well positioned to grow across the markets of ASEAN and Greater China. As we look to invest and build our platform to deliver local depth, we will also continue building our market position in mature markets such as Germany, the U.S. and London.

Lasting relationships, market leadership

We put client service first. We aim to advise clients on their most strategic and complex matters all over the world. There is no one size fits all approach to client relationships. Our practice and geographic diversity enable us to originate work and advise clients in the best possible way in each of the markets in which we work. By improving our approach to client relationships, we can maximise the opportunity to connect clients to new parts of our business. We are taking a targeted approach, starting with our biggest clients in certain sectors so they have access to the best of what our firm has to offer. We are focused on three key themes: sustainability, private capital and technology.

High performance culture

Allen & Overy is a global law firm that helps the world's leading businesses to grow, innovate and thrive. Our culture is one of high-performance and we have high expectations of one another, in everything we do. We know that to excel, we must build an environment where our people are truly supported and feel they belong. Our culture encourages open and honest conversations and feedback, so each of us can be better tomorrow and reach our full potential.

Local depth connected by global reach sits at the heart of Allen & Overy and sets us apart from other firms.

Innovation

Whether supporting clients to select and deploy the optimal legal tech solution or to take advantage of our flexible resourcing options, our market-leading, advanced delivery teams allow Allen & Overy and our clients to deliver projects cost-effectively but without compromising on quality, and without the risk associated with using multiple third party providers. We are also broadening the support we provide to our clients. Examples include A&O Consulting, our strategic and regulatory consulting business, and our Markets Innovation Group, which excels at creating industry-wide scaled solutions, as well as aosphere which has been providing high quality online legal risk management products since 2001. We recently announced the opening of Advanced Delivery – Legal in Perth which, with our Belfast operations, enables us to provide support across global time zones. We also provide specialist expertise in technologies that streamline areas such as contract lifecycle, knowledge management, and deal and dispute processes.

Mobility of knowledge, people and ideas

We want to maximise collaboration across boundaries, real or perceived, and grow the business through bringing the best we can to our clients. By being more efficient in staffing deals across jurisdictions and having unrestricted access to share our knowledge from global practices and sectors more widely, we will originate more matters and deliver to a higher standard for our clients. This in turn perpetuates an environment that allows ideas to be safely explored and shared more widely to benefit the whole business.

Our responsible business goals

We are increasingly focused on sustainability and have decided to start reporting our progress against the UN Sustainable Development Goals (SDG). This is the first, structured step towards standardising how we talk about sustainability and demonstrate our contribution to achieving a better and more sustainable future for all.

The 17 SDGs were brought to life by the UN General Assembly in 2015 and represent a global, consolidated call to action. Their nature and detail focus on bringing back balance through equality, safety and justice, and enabling environmental recovery and sustainable life for future generations. Our business is well positioned to directly contribute to and effectively support ten of the 17 goals. This is where, as part of our business strategy, we can achieve the most significant impact.

We have structured our contribution to meeting the SDGs around six key objectives, supported by 11 dedicated goals with clear accompanying targets and actions. While we understand the importance of clear and transparent reporting, we have further work to do to make sure we can effectively measure our contribution by collecting and analysing data on emissions, individuals reached by our initiatives, moneys invested or pro bono hours spent on specific types of cases.

To date we have identified the key impacts and actions which we need to undertake and the types of data we need to collect to demonstrate progress accurately. We are now working on the standardisation of data collection, its processing and analysis so we can report as accurately as possible on the types of initiatives we have been undertaking and move towards specific, reportable key performance indicators (KPIs) in 2023 and 2024. For details of the impacts and actions we have identified to date, alongside the relevant goals and targets, refer to the Responsible Business Goals section of this report on pages 36 to 39.

To date we have identified the key impacts and actions which we need to undertake and the types of data we need to collect to demonstrate progress accurately.

In April 2021 our global carbon reduction target was approved by the Science-Based Targets Initiative.

Business and financial performance

Revenue

Our revenue grew by 10% to £1,942 million (2021: £1,771 million). All of our core businesses grew during the year with particularly strong growth in our Banking, Real Estate and Tax practices. On a geographical basis, revenue from our U.S. business grew by over 50% as a result of our continuing expansion plans in the region, which included opening three new U.S. offices in the year. UK, Continental Europe, Asia Pacific and Middle East & Africa also all delivered revenue growth, maintaining our strong position in our established markets. We continue to invest in emerging markets.

Profit for the financial year

Profit before taxation was £900 million (2021: £822 million). The result reflects top line growth partially offset by an increase in our cost base as a result of salary inflation and an increase in overheads as we have been able to return to pre-pandemic working conditions. The current year result also includes a foreign exchange loss of £10 million, compared to a £16 million loss in 2021.

Operating costs

Our total staff costs increased by £59 million to £724 million (2021: £665 million), reflecting the impact of rising average employee headcount from 5,047 to 5,188 and increases in total staff financial reward. Other operating expenses increased by £19 million to £200 million, as Covid-19 restrictions eased and we were able to gradually return to our offices and increase our marketing and business development activities. The current year foreign exchange loss of £10 million is also included in operating costs.

Staff pensions

2,482 (2021: 2,383) of our staff are active members of the firm's UK defined contribution pension arrangements.

The most recent full actuarial funding report on the firm's defined benefit scheme was as at 1 January 2020. The report showed a surplus of £1 million on a technical provisions basis and as a result it has been confirmed with the Trustees of the scheme that the firm is not currently required to make any cash contributions to it. The next funding valuation is due as at 1 January 2023.

The separate annual valuation undertaken for the purpose of these financial statements at 30 April 2022 indicates a defined benefit pension surplus of £61 million, compared with a surplus of £48 million in the prior year. International Accounting Standard (**IAS**) 19 (Employee Benefits) and International Financial Reporting Interpretations Committee (**IFRIC**) Interpretation 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) require that, where a scheme is in surplus according to the IAS 19 assumptions, the surplus can only be recognised on an entity's balance sheet if an economic benefit is "available" to the entity as a result of the surplus. We have determined that under the scheme rules the firm should be able to derive economic benefit from any future IAS 19 surplus, and therefore no restriction is applicable to the balance sheet.

Net assets and financing

Our consolidated balance sheet remains strong, with net assets of £574 million (2021: £508 million).

The Group is financed through a combination of partners' capital, partners' subordinated loans and undistributed profits. Partners' capital contributions totalling £181 million (2021: £175 million) and partners' subordinated loans totalling £95 million (2021: £81 million) are contributed by reference to the capital unit (as agreed by the Board with reference to the future working capital and investment needs of the business (**Capital Unit**)) per profit sharing point. Capital and subordinated loans are provided interest-free and are repayable following the partner's retirement.

The Group's borrowing facilities are held with a number of banks. Facilities expire on different dates so that renewals are spread. As at 30 April 2022, the Group had unused committed bank facilities of £150 million. The Board is satisfied that the available facilities are more than sufficient to meet the expected peak cash requirements of the Group over the next 12 months.

Partners' profit share and drawings

Full partners are remunerated solely out of the profits of the firm after adjusting for annuity payments to certain former partners. The amount of profit to be distributed to partners is determined by the Board after the year end.

Where a partner receives their remuneration as an employee or a consultant, this is shown under the heading of *'Partners' remuneration charged as an expense'* in the consolidated income statement.

In the consolidated balance sheet, the amounts shown as '*Total partners other interests*' and '*Amounts due from partners*' relate to the net of amounts due to and from Members of the LLP or partners of its subsidiary undertakings. Balances due to partners remunerated as employees or consultants are shown within '*Trade and other payables*'.

Full partners usually draw a proportion of their expected profit share in 12 monthly instalments during the year in which the profit is earned, with the balance of their share of allocated profits, net of a tax retention, paid in 12 equal instalments starting in August of the subsequent financial year. All payments are made subject to the cash requirements of the business.

As partners draw a proportion of their expected profit share during the year before the profits for the year have been determined, divided and allocated to them, by the year-end their personal current accounts with Allen & Overy are in deficit. The total of these accounts is shown in the consolidated balance sheet within '*Amounts due from partners*'.

Once the profit for the year has been divided and allocated, the partners' current accounts are in surplus by the amount of their share of the year's profits not already drawn and sums retained for tax obligations.

In the majority of jurisdictions, the tax payable on a partner's profit allocation is the personal liability of the partner. However, tax is retained from their profit entitlement which is then paid to the relevant tax authorities on their behalf, with any excess being released and any shortfall being charged to the partner as appropriate. The balance of such retentions is included in the partners' accounts, the total of which is shown within *'Amounts due from partners'* in the consolidated balance sheet.

Tax policy

The firm is committed to being a responsible and compliant taxpayer in the countries in which it operates. We engage openly with HM Revenue & Customs and other tax authorities around the world.

Responsibility for the conduct of the firm's tax affairs lies with the firm's Finance & Operations Director and is subject to scrutiny by the Audit Committee and the Board.

Tax contribution

The Group makes significant financial contributions to the economies of the jurisdictions in which it practises through the payment of taxes by both the firm and its partners and also from the collection of taxes from others. The total contributions in the year ended 30th April 2022 were approximately £713 million (2021: £649 million).

Allen & Overy and its partners have paid, or will pay, taxes of over £444 million in relation to the year ended 30 April 2022. Globally this amount comprises approximately £376 million of profit taxes, £51 million of employer's social security contributions, £10 million of property taxes and £7 million of other taxes.

In addition, Allen & Overy has collected approximately £269 million of taxes on behalf of the governments of the jurisdictions in which we practise. £159 million was collected by way of payroll and social security deductions from remuneration paid to our staff and £110 million of VAT, GST and similar taxes were collected from clients.

The Group makes significant financial contributions to the economies of the jurisdictions in which it practises.

Political donations

The LLP has no political affiliation. The firm does not make cash donations to any political party or other groups with a political agenda.

Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to be re-appointed.

Going concern

The Board has assessed the prospects of the firm over the period of at least 12 months from the date of approval of the annual report in the context of its current operating performance, its internal business plan and the risks facing the business. The firm has prepared a sensitivity analysis on its business plan and evaluated the impact of a severe but plausible downside scenario affecting our clients, our staff and our operations, together with mitigating actions that could be implemented in such circumstances. As part of that assessment, the Board has also considered the availability of funding arrangements.

Having considered the above factors, the Board has a reasonable expectation that the Group has adequate financial resources to meet its operational needs for at least 12 months from the date of approval of the annual report and therefore the going concern basis has been adopted in preparing the financial statements.

Annual results | 1 May 2021-30 April 2022

Revenue

£1,942m

$2,649m;
€2,282m

+10%

from 2021

Profit before tax

£900m

$1,227m;
€1,057m

£ results have been translated to $ and € at average rate for the year ending 30th April 2022 of 1.364 $/£ and 1.175 €/£

Governance

The firm’s principal decision-making and governance bodies are the Board and the Executive Committee (**Exco**).

The primary purpose of the Board is the stewardship of the firm and the oversight of the executive management. The Board oversees the implementation of the strategy for the firm as designed by Exco. The Board is also the guardian of the firm’s culture and the voice of the partnership.

The Board comprises the Senior Partner and Managing Partner, five independent directors (**IDs**) who are elected to the positions for a four year term, and three co-opted members. For the year ended 30 April 2022, the Board comprised Wim Dejonghe (Senior Partner), Gareth Price (Managing Partner) and the five IDs: Laëtitia Bénard, Denise Gibson, David Lee, Daniel Shurman and Tim Stevens. Roger Lui, Barbara Stettner and Sally Dewar were co-opted members. In addition, the Board also benefits from the advice of the Finance & Operations Director, Jason Haines, who attends all Board meetings.

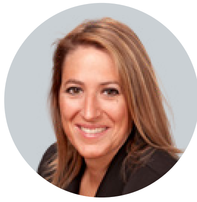
The Exco is responsible for the development and implementation of the firm’s overall strategy, major initiatives, priorities and investments. It is the firm’s key decision-making body and is responsible for the overall performance management of the business. For the year ended 30 April 2022, Exco comprised the Senior Partner and Managing Partner plus 11 other partners from across the firm; Philip Bowden, David Broadley, Emma Dwyer, Hervé Ekué, Khalid Garousha, Dave Lewis, Vicki Liu, David Lucking (who took over from David Benton in June 2021), Dirk Meeus, Karen Seward and Brechje van der Velden.

The membership of the Exco is reflective of the firm’s product and geographic diversity. Exco also benefits from the advice of the four support directors: Andrew Brammer (IT & Shared Services Director), Lucy Murphy (Marketing, Business Development and Communications Director, replacing Richard Grove), Jason Haines (Global CFO & Operations Director) and Sasha Hardman (Human Resources Director).

The Board

Wim Dejonghe
Senior Partner – London

Gareth Price
Managing Partner – London



Laetitia Bénard
Partner – Paris

Denise Gibson
Partner – London

David Lee
Partner – London

Daniel Shurman
Partner – London

Tim Stevens
Partner – Amsterdam

Roger Lui
Partner – Hong Kong

Barbara Stettner
Partner – Washington

Sally Dewar
CEO, A&O Consulting – London

Risk and compliance

Allen & Overy has strong institutional and integrated risk management structures, systems and procedures. The Board is Allen & Overy's overarching governing body and the principal forum for considering all substantive risk management issues. On a day-to-day basis, risk management is undertaken by offices, practice groups and support groups at a managerial level so that local managing partners, practice group heads, and directors and heads of the support departments actively manage the business risks to which Allen & Overy is exposed.

The Board, the partners and the wider firm are supported in a number of ways.

Risk function

The Risk function, led by Simon Fuge (Risk & Compliance Partner), consists of several different teams staffed by lawyers and analysts in a number of countries including the UK, the U.S. and Singapore. Between them, they deal with business acceptance, sanctions, anti-money laundering and financial crime, regulation, conduct and compliance, in-house legal advice, risk management, third party contracts, client audits, data privacy and ethical issues.

General Counsel

Andrew Clark is the firm's General Counsel and deals with internal and external contentious and reputational issues, including professional indemnity issues and client complaints, regulatory investigations, disputes and related matters.

Regulation, Conduct and Compliance

Annette Fritze-Shanks, Associate Director, is the firm's Global Head of Regulation and Conduct and the firm's Compliance Officer for Legal Practice (COLP), FCA Compliance Officer, Money Laundering Reporting Officer (MLRO) and Money Laundering Compliance Officer (MLCO).

Audit Committee

The Audit Committee, chaired by Parya Badie (replacing David Lee), is responsible for reviewing the Group's financial risks. The Audit Committee is appointed by the Board and consists of seven partners (including the Chair) and one independent external member. It reviews Allen & Overy's financial statements and receives reports from the external auditors regarding the findings of the audit. It also considers the scope, results and effectiveness of internal and external audits, including reviewing the independence of external auditors and their non-audit services and fees.

Risk Committee

The Risk Committee, chaired by partner Daniel Shurman, is appointed by the Board and for the year ended 30 April 2022 comprised of ten partners (including the Chair, the Managing Partner, the General Counsel and the Risk & Compliance Partner), the Global Head of Regulation and Conduct, the Head of In-House Legal, the Human Resources Director and the IT & Shared Services Director. It does not have executive powers and responsibilities but its role is to identify and assess the Group's material non-financial risks, formulate and review the Group's approach to risk, and support others with risk management responsibilities to improve the control and coordination of risk management across the Group.

The Group creates and employs a number of innovative strategies to protect and enhance the confidentiality of the information which it holds.

Risk contacts

Allen & Overy has designated risk contacts for each office, London practice group and support department, who assist with communicating risk messages, local risk training, providing local advice on risk issues, and having oversight of the risk register in their jurisdiction or group. The principal risk contacts are the managing partners of each office, jurisdiction or practice group and they are supported by other designated individuals who assist with the day-to-day supervision of risk management tasks.

IT Board

Given the significance of information technology to the business, an IT Board, chaired by the Managing Partner, is responsible for ensuring that we receive value for our substantial investment in IT. The IT Board has responsibility for considering potential IT investments and prioritising investment decisions. It consists of ten partners (including the Chair and Risk & Compliance Partner), the IT & Shared Services Director, the Global CFO & Operations Director, the Human Resources Director, the Marketing, Business Development and Communications Officer, the Chief Information Security Officer and others co-opted as required.

Reviewing risk

While we develop our own strategies and policies based on our business circumstances, we also actively engage with the concerns and priorities of our clients, our regulators (in particular the Solicitors Regulation Authority of England and Wales), government agencies and the wider legal market. The Group creates and employs a number of innovative strategies to protect and enhance the confidentiality of the information which it holds (including client data). We have a proactive approach to information security, robust information security processes and procedures and cutting-edge technological solutions, led by the firm's Chief Information Security Officer. We also regularly liaise with external agencies and experts.

Principal risks and uncertainties

The principal risk and uncertainty affecting the financial results of the Group is the variability of the market for premium legal advice, including as a result of the long-term impact of Covid-19, the sanctions and other consequences of the war in Ukraine and other uncertain geopolitical and macro-economic forces, compared to a high fixed cost base for our legal population that is exposed to wage inflation. Management seeks to match the Group's resources to the expected demand, while expanding the Group's market share where possible and international reach where appropriate. More information on the Group's strategy is provided on pages 6 and 7.

The Group's main financial risks relate to the non-recoverability of client receivables and foreign currency risk due to the international nature of the Group.

More generally, the principal risks faced by the firm and the ways in which management respond to them are as follows:

Risk	Response
Evolving markets: Impact of changes in legal markets and client requirements and of political, regulatory and security risks in emerging markets.	– Diverse practice in terms of legal services offered and geographical spread. – Integrated advanced delivery group, headed by a senior partner, which comprises the firm's advanced resourcing, technology and client solution capabilities. – Efficient systems and procedures for service delivery. – Assessment and monitoring of risks posed by new and changing markets. – Secondment of partners to key management roles in client organisations. – Business continuity plans for offices which take account of security and political risks and a travel security policy. – Engagement with local regulatory authorities and lawyers to ensure compliance. Global risk network with local expertise.
IT, information and data security: Loss or misuse of confidential data or of the firm's IT systems.	– Information security management system is ISO/IEC 27001:2013 compliant. – IT technical solutions covering encryption, event monitoring and incident management, including expert internal resource to support agility and responsiveness to threats, including cyber-attacks such as ransomware. – Physical security controls covering premises. – Personnel security and vetting controls. – Global information security training and awareness programmes. – Chief Information Security Officer oversight. A dedicated Data Privacy Team headed by the Chief Privacy Officer who oversee a global programme of measures designed to ensure good data governance and compliance with privacy laws globally.
Reputation and brand: Damage to our reputation and brand.	– Embedding of Allen & Overy culture in partners and staff. – Business acceptance processes covering client suitability, engagement scope and other terms and relevant sanctions. – Well disseminated global risk management policies, training and awareness programmes. – Crisis management and public relations plans. Management of PI cases/complaints.

Risk	Response
Financial: Pressure on earnings, margins and costs, including as a result of high inflation.	– Annual budgets approved by the Board. – Monthly analysis of financial results by practice group and by office. – Working capital management, including monitoring exposure to clients. – Fee management committee oversight of pricing. – People/resource planning to monitor headcount. – Cost-optimisation programmes.
People and talent: Inability to recruit, retain and develop the best people.	– Recruitment strategies to identify, attract and select talent. – Training and development programmes, including regular feedback and ongoing career conversations. – Promotion of diversity, equity and inclusion and support for hybrid and flexible working. – Investment in professional support to capture and embed knowledge and know-how. – Multi-function team managing the risks associated with temporary overseas and fly in-fly out working.
Service: Delivery of service which does not meet the high quality required.	– Planning and staffing of client instructions, including project management office. – Supervision of associates by partners. – Innovative delivery methods, e.g. Peerpoint, aosphere, A&O Consulting, Collaborate, Bond Matrix, BrexitMatrix, IBOR Matrix, MarginMapp, MarginXchange™ and MarginMatrix™. – ISO 22301 certification in the UK for business continuity management. – Scope of work and terms of business agreed. – Institutionalising client relationships. – Integration with Fuse.
Supply chain risk: Adverse impacts to the firm or its reputation arising from its supply chain.	– Robust procurement, information security and risk management policies and processes, including as regards contractual terms. – Mandatory modern slavery e-learning module for all staff and partners. – Supplier code of conduct. Higher risk suppliers are required to complete a modern slavery questionnaire. Further details included in the firm's Anti-slavery and human trafficking statement.
Covid-19: Impact on our clients, our people and pressure on earnings, margins and cash flow.	– Weekly monitoring of cash and liquidity forecast. – Controls over non-essential expenditure. – Tracking of four key indicators – new matter intake, new client intake, billings and collections. – Well-being resources made available to staff. – Maintaining close relationships with teams, making sure our people remain connected and informed. – Flexible working.
Geopolitical risks and uncertainty: Including as a result of Russia's invasion of Ukraine.	– The wind-down of our Moscow office. – The firm's withdrawal from certain matters and client relationships and refusal to take on new work where required by regulatory requirements and/or where inconsistent with our values. – The on-going role of our Business Acceptance Unit in screening all new matters and assessing all current matters in order to ensure compliance with applicable global regulatory requirements and professional rules and consistency with our values.

The need to build a really diverse and inclusive workforce has never been so strong.

People and performance

Reimagining the way we work

Emerging from the pandemic, we are learning to work in new and better ways.

As a global law firm that helps the world's leading businesses to grow, innovate and thrive, we know that our clients expect the highest standards of service from Allen & Overy. Our culture is one of high performance and we have high expectations of one another too, in everything we do. We know that we can only excel if we build an environment where our people are truly supported and feel they belong.

After two years of operating under extraordinary conditions through a global pandemic, as our people dealt with uncertainty and disruption at home and at work, we are emerging into a new era and learning to work in new and better ways. In the last financial year, our focus on creating the best new working arrangements and environments for our people saw us reimagining the way in which we operate.

We believe there are lots of benefits of being together, in terms of learning, listening, sharing, building relationships and supporting the development of others. As we combine those elements with the benefits of flexibility to work in a hybrid way, we have been deliberate in our efforts to make sure we embed the right working practices that will engage and motivate our teams.

As the world enters a new period of uncertainty, characterised by geopolitical conflict, inflation and rising interest rates, we know that we need to be on top of our game. We are facing an incredibly competitive talent landscape, and if we want to have the best, diverse people working for us, we need to lead on this agenda.

We believe there are lots of benefits of being together, in terms of learning, listening, sharing, building relationships and supporting the development of others.

Investing in our people

As the pandemic passes, we continue to support our people to work flexibly on an ongoing basis. Our new global approach to hybrid working anticipates people working from home around 40 per cent of the time, with the rest done in our offices or the offices of our clients. There is no expectation of what that arrangement might look like on a weekly or monthly basis, because the most appropriate arrangements will look different for different roles at different times and we want our people to work in the way that best suits them.

We believe the office will be incredibly important for preserving our culture and community in future. It will also provide space for personal development, but we have also proved that a lot of our employees can work successfully from home. A hybrid approach will allow our people to make the most of both ways of working.

We are encouraging and empowering our teams to consider anchor days and establish new working patterns that work for them. We are also investing in our leaders, to make sure they have the skills and tools to operate in this new environment, and focusing on the professional and personal development opportunities that we can offer all our people so that they are constantly learning and growing.

The future workplace will be different, but the need to build a really diverse and inclusive workforce has never been so strong. Our new ways of working must allow everyone to feel included, to bring their whole self to work, to achieve results they could not achieve alone, to open doors and embrace opportunities not available elsewhere.

Prioritising mental health and wellbeing

We aim to nurture a working atmosphere that is friendly, dynamic and fun, where people are cared about for who they are as well as what they do. We know that our new ways of operating must promote balance and good health, both physically and mentally, and our new strategy for improving workplace mental health has three strands; creating a culture of psychological safety, ensuring the work environment supports positive mental health, and providing and signposting accessible resources, tools and support.

We have more than 40 Mental Health Advocates across the firm, including partners and senior business professionals in every major office and practice group. They have been working to embed the principles of the Mindful Business Charter that the firm signed in May 2020, with the aim of reducing unnecessary sources of stress. In many teams, the importance of fair work allocation has been identified as a key area of focus, along with respecting rest and recovery periods. Teams have created their own commitments around these periods.

In many of our offices we now have trained networks of mental health allies, including more than 100 in London, who can offer peer support to their colleagues. We have also focused on providing benefits and resources that can support our global community. We have introduced Unmind, an app-based mental health resource providing information, training and resources tailored for different jurisdictions. Last year we launched a new global Employee Assistance programme so that everyone has access to in-person professional mental health support when they need it.

We continue to deliver a full programme of mental health and wellbeing events for all our people, including Mindful Leader training for partners. We measure our progress using our My Say survey, which now includes dedicated questions on mental health. We use this information to inform further improvements to our wellbeing strategy.

Diversity, Equity and Inclusion

We continue to prioritise our efforts to attract and retain diverse talent and build an equitable and inclusive workplace. With this in mind, we have published new gender targets for this financial year and beyond that reflect the positive progress we have made against our previous ambitions. We are now aiming to increase the proportion of women partners year on year, recognising that change will not happen overnight but always having the ultimate goal of 50 per cent women partners at the heart of our work.

To achieve this goal of parity at partnership level, we aim to ensure 40 per cent of those entering the partnership selection process are women with effect from 1 May 2023 promotions, that 50 per cent of our lawyers at every level below partner are women, and that at least 30 per cent of those in non-elected leadership positions are women.

Over the past year we have continued to support local activities to promote racial and ethnic diversity across our business, recognising that the global picture varies greatly from region to region. Globally, we have expanded our data collection, focused on understanding lived experiences, and we have also introduced a development programme for minority associates.

We have a strong reputation for our LGBTQ+ inclusion and have been recognised externally for our work in this area. Our focus here is on awareness and inclusion, recognising feedback that additional mental health and wellbeing support may be required by our LGBTQ+ colleagues and making sure we are reaching across the network to parts of the world where it may be harder to be LGBTQ+.

We recently launched AccessAbility, our global disability network, to start a firmwide conversation about people living with disability or caring for people with a disability. We have already hosted global events on hidden disabilities, diabetes and ADHD. We plan to do more work in this area.

Allen & Overy's All In commitment is our initiative to create an inclusive culture that celebrates and embraces difference and promotes diversity of thought. We remain committed to building a working environment for the future where everybody can belong and excel.

Finally, we continue to build on local activities to support our efforts to enhance social mobility, recently running a global summit focusing on our four pillars of raising awareness and aspirations, opening our doors, creating an inclusive culture and influencing wider debate.

Pro bono and community investment

Over the past year, our lawyers have delivered 64,766 hours of pro bono and community investment work worldwide. This amounts to 177 hours each day, in support of access to justice, education and employment around the world, an increase of 30% from the previous year.

Allen & Overy partners also contributed a total of £2.36 million to charitable funds during the year, including £1.53 million via The Allen & Overy Foundation, a charitable company that provides grants to non-profit organisations around the world. To enhance the impact of our funding, we offer 100 hours of pro bono support to every beneficiary of our Global Grants Programme. This, along with emergency relief donations, represents approximately 25% of Allen & Overy's grants, with the rest being distributed by our network of offices to support their local communities.

Allen & Overy partners also contributed a total of £2.36 million to charitable funds during the year.

£2.36m
contributed to charitable funds during the year

£1.53m
via the Allen & Overy Foundation

Global programme of support for forcibly displaced people

Our Forcibly Displaced Persons Interest Group is an internal global network of lawyers who come together to share knowledge and resources and to provide pro bono support. Over the past year the number of hours volunteered in this area has increased significantly to nearly 8,300. This has supported over 600 individuals through direct interventions and casework, as well as 20 NGOs.

18 lawyers from across our international offices have each spent two weeks on remote secondment with German registered charity, European Lawyers in Lesvos as part of the Greece Pro Bono Collaborative, to process asylum applications for tens of thousands of refugees stranded on the islands. This has totalled around 1,200 pro bono hours.

In addition, we have taken on over 50 Special Immigrant Visa (**SIV**) cases with the International Refugee Assistance Project for Afghans seeking asylum in the U.S. – a situation that escalated rapidly with the U.S. withdrawal from Afghanistan last year. Allen & Overy now has an international team of over 50 lawyers trained to process these SIV applications, as well as wider resettlement options that create a legal pathway out of Afghanistan and asylum applications for Afghans who have been admitted to the U.S. on a temporary basis.

We are also working with Refugee Legal Support (**RLS**) and Coram Children's Legal Centre to provide legal advice on family reunion for refugees with relations settled in the UK, and with RLS and Safe Passage on the Afghan Pro Bono Initiative taking on family reunion casework and matters associated with the Afghan Relocation and Assistance Policy.

Similar Afghan pro bono initiatives are in progress across Europe. In France, alongside Safe Passage International France, our lawyers are drafting applications for Afghan individuals eligible for family reunification or humanitarian visas. In Germany, we are working with the International Rescue Committee to draft applications for legal pathways to resettlement in Germany. In the Netherlands, with the Dutch Refugee Council, we will be training lawyers to draft flight story analyses to increase the Council's capacity to process these at scale.

In Australia, as part of a wider programme across Asia Pacific, we partner with the Refugee Advice and Casework Service's refugee clinic to assist those who are required to apply for a new temporary protection visa every three to five years, despite being recognised as refugees by the Australian Government, to prepare for asylum interviews in on-shore and off-shore applications.

We have also mounted a response to the war in Ukraine. Lawyers from multiple offices have provided emergency legal advice at the border, and we have worked with NGOs and charities to set up online legal advice for refugees in multiple languages. We are currently launching a collaborative secondment programme in Warsaw for UK and Polish qualified lawyers, to increase the capacity of our partner organisations Safe Passage International and ELIL, who are assisting refugees from the UNHCR's Blue Dot Hub in Warsaw.

Allen & Overy now has an international team of over 50 lawyers trained to process Special Immigrant Visa applications.

Tackling socio-economic inequality

Creating opportunities for young people to improve their chances in life is another key area of focus for our work. Almost every office across our network addresses socio-economic deprivation by providing access to education and employment.

A key project this year has been to tackle the increasing number of children being excluded from school in the UK. Excluded children are four times more likely to have grown up in poverty and the long-term impact of exclusions on young people's outcomes is profound: only 1% of excluded children achieve five exam passes and over half the UK prison population was excluded from school.

To address this, we have launched a programme in London to tackle exclusions by providing resources for parents and school governors, extracurricular activities targeted at vulnerable children and, in partnership with Just for Kids Law, a new legal clinic to help families challenge permanent school exclusion. We are also funding the London Community Foundation's initiative to support secondary schools with high rates of exclusion.

LGBTQ+ rights across Africa

Allen & Overy has contributed to a major report by non-profit organisation REDRESS – a long-standing pro bono partner that pursues legal claims on behalf of survivors of torture around the world.

The report, Unequal Justice: Accountability for Torture Against LGBTQ+ Persons in Africa, draws on research conducted by Allen & Overy lawyers across Belgium, France, the UK, U.S., South Africa and Hong Kong.

It details the violence and torture suffered by LGBTQ+ people across 11 African countries and the challenges victims face to secure accountability for these crimes. While discriminatory violence frequently amounts to torture or other ill-treatment, African States often fail to confront it as such. Many give little or no legal protection to LGBTQ+ persons, while others criminalise same-sex conduct and fail to recognise the full spectrum of sexual orientations and gender identities.

The report goes on to outline specific proposals to African States, human rights bodies and civil society to improve the current situation.

Global Charity Partnership with Street Child

Our partnership with Street Child is another initiative through which we are working to break cycles of poverty. Over two years, we are aiming to raise £1 million and provide significant pro bono support for Street Child's work. Our first fundraising campaign of 2022 raised over £468,000.

A portion of the money raised is funding work in Sierra Leone to enrol 1,500 girls into secondary school and transform 40 rural primary schools. Street Child's award-winning Family Business for Education model is addressing social and financial barriers to education by helping families develop a sustainable source of income through training, business grants and mentoring.

STREET CHILD

Since the beginning of our partnership in September 2021, Street Child's team in Sierra Leone has:

- Enrolled 750 girls in school and provided financial grants to cover the cost of uniforms, books and school materials
- Given one-to-one counselling to 422 girls
- Identified 40 under-resourced primary schools
- Distributed 500 Family Business Grants (93% have gone to women)

Continued commitment to anti-racism work

Together with five other law firms, Allen & Overy has helped to launch the Black Equity Organisation (**BEO**), a new civil rights organisation for Black people in the UK, founded by influential leaders from politics, business and creative industries. Allen & Overy has been involved from the outset, providing advice on corporate structure and governance, trademarks and IP.

The BEO will partner with organisations in the non-profit, public and private sectors to tackle six key issues: economic empowerment and equity of opportunity; justice, immigration and rights; culture, awareness and respect; education; neighbourhood and housing; and health, wellness and care. This builds on a wider body of work Allen & Overy has undertaken to address racial inequity, both through our pro bono and community investment programme and diversity, equity and inclusion work.

An ongoing piece of work in the U.S. is with the Law Firm Anti-Racism Alliance (**LFAA**), launched in 2020 and now with around 300 members across the U.S. Allen & Overy has been closely involved with the LFAA's group on voting rights – an issue that was particularly high profile during the last U.S. election – both in a legal capacity, as well as IT colleagues advising on the technology aspects of the voting apparatus.

We are also driving the LFAA's development of a comprehensive database of case law on voting rights with reference to racial inequity, which will be used in a number of cases coming up in the U.S. Supreme Court.

Ending discrimination against pregnant girls in Tanzania

Allen & Overy has provided pro bono support to global NGO, the Center for Reproductive Rights (**CfRR**), in its successful case against the United Republic of Tanzania to end a discriminatory policy that barred pregnant girls and adolescent mothers from school.

For many years, the Tanzanian government had forced schoolgirls to undergo pregnancy tests and permanently expelled those found to be pregnant. In 2019 the CfRR, with pro bono support from Allen & Overy and the Legal and Human Rights Centre, filed a complaint before the African Committee of Experts on the Rights and Welfare of the Child. Representing six Tanzanian school girls expelled from school for being pregnant, the lawsuit accused the government of committing human rights and gender equality violations by keeping the policies in place.

Two years on, the Minister of Education announced in December 2021 that Tanzania would be ending its discriminatory policy and will now allow pregnant schoolgirls to continue their education after giving birth – achieving an important milestone for girls' education that is crucial for breaking cycles of poverty and improving a country's social and economic wellbeing.

This work was part of our longstanding relationship with CfRR and also builds on a major pro bono project undertaken with Amref Health Africa to protect pregnant girls' rights to education in Tanzania.

Just under 80% of our global electricity consumption was supplied from renewable sources in 2021.

Environmental Sustainability

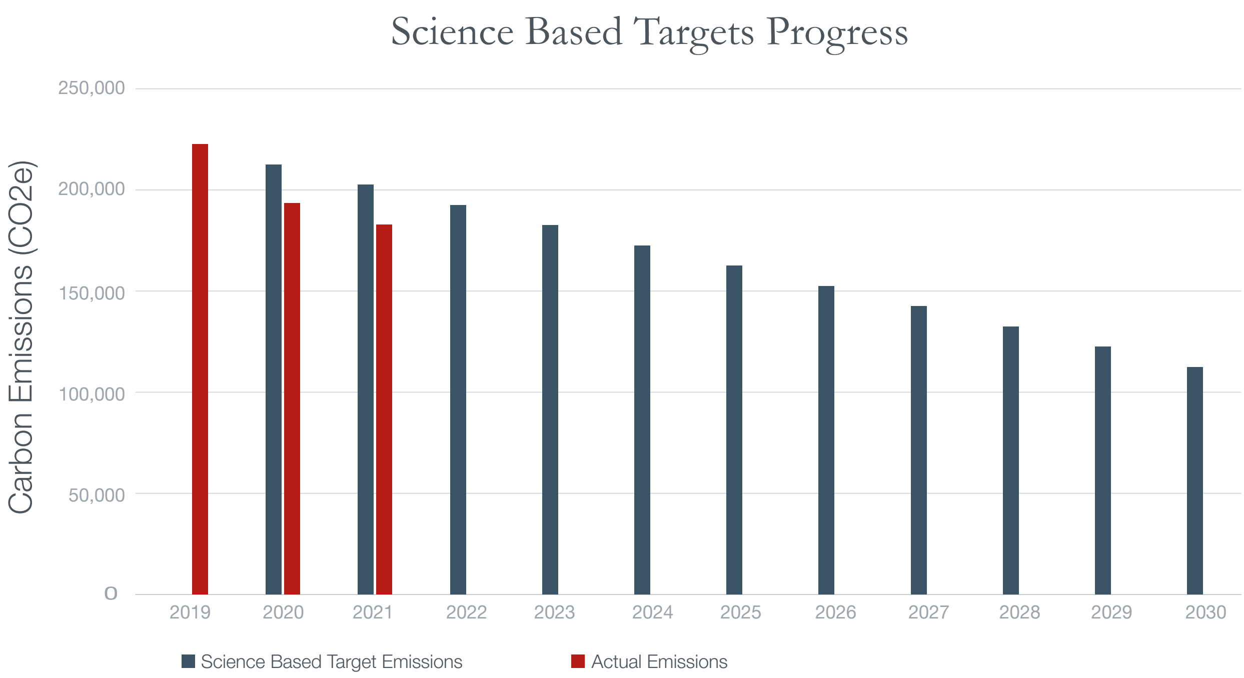
Leadership and Commitment

In April 2021 our global carbon reduction target was approved by the Science-Based Targets Initiative. Our goals are to reduce emissions overall by 50% from a 2019 baseline by 2030, comprising:

- Reduced Scope 1 & 2 emissions by 50% – primarily buildings related emissions
- Reduced Scope 3 emissions by 50% – primarily emissions from purchased goods and services

During the year, the firm followed up on its commitment to a Science Based Target (**SBT**) by establishing a programme management structure to develop our strategic approach and implementation. Six working groups have been established under a Strategy & Governance working group, reporting to our ExCo.

Our progress against these targets for 2020 and 2021 is summarised below. Note that these reported emissions should be taken against the context of Covid-19, which has significantly affected ways of working across our global offices during calendar years 2020 and 2021.



Legal Sustainability Alliance

We continue to be an executive member of the Legal Sustainability Alliance, a collaborative UK based network of law firms sharing best practice to enable law firms to address the risks and opportunities that the climate emergency and other economic and environmental trends present.

ISO 14001

Just under 52% of our carbon footprint is within the scope of our ISO 14001 and 50001 Environmental and Energy Management Systems at our London, Belfast and Amsterdam offices.

Carbon Offsetting & Renewable Energy

We purchased Verified Carbon Standard/CCB-Gold carbon offsets from the REDD+ Project for Caribbean Guatemala Conservation Coast to offset the CO2e from our Scope 1 & 2 and buildings and business travel related Scope 3 residual emissions in 2020[1].

Just under 80% of our global electricity consumption was supplied from renewable sources in 2021.

Real Estate Sustainability

During the year the Real Estate working group integrated a sustainability appraisal into the firm's decision making process, with potential new buildings appraised on a range of criteria including energy performance, climate mitigation, operations and accessibility. Where available in the marketplace, our aspiration is to select buildings with a minimum environmental certification of BREEAM Excellent or LEED Gold, and wellbeing certification of WELL Gold.

In early 2027, our London office will move to 2 Broadgate, London, which is designed to be a minimum BREEAM (Shell and Core) 'Excellent' rated and WELL Gold certified building. The building is currently on track to exceed these standards, and reach BREEAM Outstanding/ WELL Platinum. We are targeting the same standards for our fit-out of the space. The new office space is a step-change in terms of energy consumption and better reflects the way we want the firm to work in the future. The building will contribute to an estimated 80% reduction in our annual London office carbon emissions.

1 Emissions are offset from all Scope 1 (e.g. gas use, refrigerant losses, company vehicles), Scope 2 (i.e. purchased electricity which is not 100% renewable sourced) and the following Scope 3 emission sources; water, waste, paper, hotel stays and business travel including plane, train and taxi journeys.

Greenhouse Gas (GHG) Emissions data and performance 2021

Scope 1, 2 and buildings and travel related Scope 3 emissions:

Our reported global carbon footprint has decreased from 18,224 tCO_2 equivalent[2] (using location based emissions factors for grid electricity) in calendar year 2020, to 16,025 tCO_2 equivalent in calendar year 2021. This decrease of 12% should be seen in the context of Covid-19, and the continued impact on our business travel and buildings related emissions. However, over the year employee numbers and occupied floor space varied by +3% and -1.5% respectively. This carbon footprint has therefore reduced on an absolute, per capita and per unit area basis.

The most significant reason for our reduced carbon footprint is reduced air travel (-38%), offsetting increased electricity and fuel consumption (1% and 23%), and waste production (13%) as a result of increased office occupancy during the year.

Taking into account our consumption of renewable electricity (using market based emissions factors[3] for grid electricity) our carbon footprint was 9,112 tCO_2 equivalent.

2 Rebaselined to take into account radiative forcing for aviation emissions
3 Following the GHG Protocol Scope 2 guidance

Scope 1,2 and Scope 3 SBT aligned emissions:

This is the first annual report to include reporting against our SBT. Our reported emissions have reduced from our 2019 baseline[4] by 13% in 2020, and by 6% between 2020 and 2021. A breakdown of emissions by scope in accordance with the Greenhouse Gas Emissions Protocol is provided below:

Value Chain	Scope	Scope 3 Category	Emission Source	CY19 Emissions (tCO2e)	CY20 Emissions (tCO2e)	Year on Year Analysis (CY20 v CY19)	CY21 Emissions (tCO2e)	Year on Year Analysis (CY21 v CY20)
Direct Operations	Scope1	–	Fuel, company vehicles and fugitive emissions	2,179	1,589	*-27%*	2,028	*28%*
	Scope 2 (location-based)	–	Electricity (location-based) and supplied heat	11,765	10,053	*-15%*	9,495	*-6%*
	Scope 2 (market-based)	–	Electricity (market-based) and supplied heat	4,932	3,126	*-37%*	2,583	*-17%*
Upstream	Scope 3	1	Purchased Goods and Services	171,715	163,662	*-5%*	158,856	*-3%*
		2	Capital Goods	2,817	10,837	*285%*	7,694	*-29%*
		3	Fuel and energy related activity	2,126	1,659	*-22%*	1,904	*15%*
		4	Upstream transportation and distribution	961	544	*-43%*	521	*-4%*
		5	Waste generated in operations	1,896	720	*-62%*	1,039	*44%*
		6	Business travel	15,196	5,787	*-62%*	3,360	*-42%*
		7	Employee commuting	17,692	4,643	*-74%*	4,318	*-7%*
		13	Downstream leased assets	3,026	916	*-70%*	527	*-42%*
Total market-based				**222,540**	**193,483**	***-13%***	**182,830**	**-6%**
Total location-based				**229,373**	**200,410**	***-13%***	**189,742**	**-5%**

4 Our SBT uses the market based approach for Scope 2 electricity emissions

Energy and Carbon Report

The UK government's Streamlined Energy and Carbon Reporting (**SECR**) policy was implemented on 1 April 2019, when the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. The Group's SECR disclosures for the current financial year are shown below along with comparative information for the year ended 30 April 2021.

	Year ended 30 April 2022 UK and offshore	Comparison with year ended 30 April 2021	Year ended 30 April 2021 UK and offshore
Energy consumption used to calculate emissions: *Transport combustion of fuel has been estimated from business mileage claims, and cannot be reliably converted to kWh.	Gas: 7,296,456 kWh Electricity: 23,239,513 kWh Transport Fuel: 6,509 miles*	14% 4% -54%	Gas: 6,394,633 kWh Electricity: 22,310,029 kWh Transport Fuel: 14,033 miles*
Emissions from combustion of gas tCO2e (Scope 1)	1,336 tCO2e	14%	1,176 tCO2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	1.8 tCO2e	-53%	3.9 tCO2e
Emissions from purchased electricity (Scope 2, location/market based)/tCO2e	4,934 tCO2e (location based) 3 tCO2e (market based)	-5% -95%	5,201 tCO2e (location based) 64 tCO2e (market based)
Total gross tCO2e based on the above (using location based Scope 2 emissions)	6,273 tCO2e	-2%	6,381 tCO2e
Intensity ratio: tCO2e (gross Scope 1 + 2)/m^2 & FTE	0.11 tCO2e/m^2	-7%	0.12 tCO2e/m^2

Methodology

We have used the GHG Protocol reporting guidelines on scope to determine our approach.

We have used the UK Government GHG Conversion Factors for Company Reporting 2021 edition for emissions factors used for calculations.

Emissions factors for natural gas have used a gross CV basis.

We have reported our electricity supply using a market based emissions factor, where it is supplied via a contractual instrument externally verified as being compliant with GHG Protocol Scope 2 guidance on market based emissions for England, or the Green Source Product Verification process in Northern Ireland.

Energy efficiency action

In the period covered by the report, we have reviewed the control of the chillers in our London office and recommissioned the photovoltaic panels on the roof.

The Energy and Carbon report on this page was approved by the partners and signed on their behalf on 17 August 2022 by

The names of the persons who, at any time during the financial year, were Members of the LLP can be viewed at Companies House: https://www.gov.uk/government/organisations/companies-house.

Statement of Members' responsibilities in respect of the financial statements

The Members are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the **Regulations**), requires the Members to prepare financial statements for each financial year. Under that law the Members have prepared the Group and the LLP financial statements in accordance with UK-adopted international accounting standards.

Under company law, as applied to limited liability partnerships, Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group for that period. In preparing the financial statements, the Members are required to:

– select suitable accounting policies and then apply them consistently;

– state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

– make judgements and accounting estimates that are reasonable and prudent; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the LLP will continue in business.

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

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

The Members are responsible for the maintenance and integrity of the LLP's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on disclosure of information to auditors

In so far as the Members are aware at the date of approval of this report:

– there is no relevant audit information of which the LLP's auditors are unaware; and

– the Members have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Report to Members was approved by the partners and signed on their behalf on 17 August 2022 by

Responsible Business Goals

This is the first year for which we are reporting our progress against the UN Sustainable Development Goals (SDG). Our business is well positioned to directly contribute to and effectively support ten of the 17 goals. This is where, as part of our business strategy, we can achieve the most significant impact. Refer to page 8 for more detail.

We have structured our contribution to meeting the SDGs around six key objectives. These are supported by 11 dedicated responsible business goals, each of which is linked directly to a specific SDG and at least one underlying SDG Target; and would contribute to global impact measurable by the UN using at least one specific SDG Indicator.

Objectives	Number of goals	Number of targets	Supported SDGs
Improve livelihoods, equality, security and access to justice through Pro Bono and Community Investment for those in need, as well as responsible business operations.	5	6	4 5 8 10 16
Reduce our environmental impacts and meet our formal Science-Based Targets.	1	3	7 13
Create supportive and socially inclusive work environments based on our impeccable professional and social standards.	2	4	3 8
Put Diversity, Equity and Inclusion at the forefront of everything we do as a driving force for sustainable future.	1	2	5 10
Channel our expertise to support effective global Net-Zero transition and Sustainable Economy.	1	3	7 9
Operate as a Responsible Business across both our own activities and our supply chain.	1	2	8 12

SDG goals key

1 No poverty
2 Zero hunger
3 Good health and well-being
4 Quality education
5 Gender equality
6 Clean water and sanitation
7 Affordable and clean energy
8 Decent work and economic growth
9 Industry, innovation and infrastructure
10 Reduced inequalities
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action
14 Life below water
15 Life on land
16 Peace, justice and strong institutions
17 Partnerships for the goals

Our specific goals and targets, together with their linked SDG Targets and Indicators, are listed below.

Improve livelihoods, equality, security and access to justice through pro bono and community investment for those in need, as well as responsible business operations.

Goal	Supporting Target (if applicable)	SDG	SDG Target	SDG Indicator	Related information
Support access to education and development of employability skills.	Drive engagement through our partner charity Street Child.	4	4.1, 4.3	4.1.2, 4.3.1	See page 27
Fight structural racism, forced displacement and modern slavery in all their forms.	Dedicate a steady or increasing proportion of pro bono activities to human rights and modern slavery cases.	10	10.3	10.3.1	See pages 24 to 28
	Constantly increase our knowledge and ability to actively support human rights efforts and fight modern slavery through structured and targeted training.	8	8.7	8.7.1	See pages 24 to 28
Empower and protect girls and women.	Reach 50% women in our partnership and 50% women at every level below partner.	5	5.5	5.5.2	See page 23
Increase access to fair financial services for individuals and enterprises through our social finance and impact investment work.	N/A	8	8.10	8.10.2	See pages 24 to 28
Promote the rule of law and equal access to justice for all.	At least maintain or increase the provision of free legal advice, research, training and public legal education through our pro bono activities.	16	16.3	16.3.3	See page 24

Reduce our environmental impacts and meet our formal Science-Based Targets.

Goal	Supporting Target (if applicable)	SDG	SDG Target	SDG Indicator	Related information
Reduce our Carbon Footprint by 50% by 2030 across our own operations and our value chain.	Increase proportion of global renewable energy supply to our buildings by 10% to 85% by April 2024.	7	7.2	7.2.1	See pages 30 to 34
	Engage the business on understanding detailed impact of air travel and undertake mitigation measures.	13	13.2	13.2.2	See pages 30 to 34
	Develop a supply chain carbon reduction strategy, and engage with our 20 most material suppliers by April 2023.	13	13.2	13.2.2	See pages 30 to 34

Create supportive and socially inclusive work environments based on our impeccable professional and social standards.

Goal	Supporting Target (if applicable)	SDG	SDG Target	SDG Indicator	Related information
Increase the scope and scale of our employability and social mobility initiatives globally.	N/A	8	8.5, 8.6		See pages 24 to 28
Wherever possible, provide mental and physical health and wellbeing support to all our employees, especially where anxiety, depression and social exclusion are indicated.	Increase health and wellbeing training and awareness of existing support mechanisms.	3	3.4	3.4.2	See page 22
	Drive local initiatives targeting reducing unnecessary stress leading to anxiety and depression.	3	3.4	3.4.2	See page 22
	Build and deliver health and wellbeing support mechanisms such as support lines, activities and support groups.	3	3.4	3.4.2	See page 22

Put diversity, equity and inclusion at the forefront of everything we do as a driving force for a sustainable future.

Goal	Supporting Target (if applicable)	SDG	SDG Target	SDG Indicator	Related information
Constantly scrutinise, increase commitment and funding directed towards both internal and external inclusion programmes, including gender, race and ethnicity, social mobility, LGBTQ+, and disability initiatives.	Reach 50% women in our partnership and 50% women at every level below partner.	5	5.5	5.5.2	See page 23
	Screen and report on diversity indicators across our supply chain.	10	10.3	10.3.1	See page 23

Channel our expertise to support effective global net-zero transition and sustainable economy.

Goal	Supporting Target (if applicable)	SDG	SDG Target	SDG Indicator	Related information
Increase our advisory work in the areas of Energy, Infrastructure and Business Transformation.	Advise our clients on the development of sustainable and resilient infrastructure.	9	9.4	9.4.1	
	Find innovative solutions for our global clients, including through our Advanced Delivery & Solutions services.	9	9.5	9.5.1	
	Advise our clients on Net-Zero transition and Renewable Energy projects.	7	7.2, 7.a, 7.b	7.2.1, 7.a.1, 7.b.1	

Operate as a responsible business across both our own activities and our supply chain.

Goal	Supporting Target (if applicable)	SDG	SDG Target	SDG Indicator	Related information
Keep on improving our responsible supply chain engagement and operations.	Maintain the highest standards required through our supplier code of conduct and constantly review them in line with the latest legislation, trends and issues material to the firm.	8	8.7	8.7.1	
	Drive supplier engagement toward material reductions in carbon dioxide emissions and materials use for any services delivered to Allen & Overy.	12	12.2, 12.6	12.2.1, 12.2.2, 12.6.1	

Independent auditors’ report to the Members of Allen & Overy LLP

Report on the audit of the financial statements

Opinion

In our opinion, Allen & Overy LLP’s Group financial statements and LLP financial statements (the “financial statements”):

– give a true and fair view of the state of the Group’s and of the LLP’s affairs as at 30 April 2022 and of the Group’s profit and the Group’s and LLP’s cash flows for the year then ended;

– have been properly prepared in accordance with UK-adopted international accounting standards; and

– have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual report and Financial Statements (the “Annual Report”), which comprise: the Consolidated and Limited Liability Partnership balance sheets as at 30 April 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Limited Liability Partnership cash flow statements, the Consolidated and Limited Liability Partnership statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 the LLP’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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the LLP's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Members with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The Members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities of the Members for the financial statements

As explained more fully in the Statement of Members' responsibilities in respect of the financial statements, the Members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Members are also responsible for such internal control as they 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 LLP'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 LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to SRA Regulation, data protection and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results, inappropriate recognition of revenue through an inappropriate valuation of unbilled revenue and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Evaluation of the design of management's controls designed to prevent and detect irregularities;
- Discussions with the Group and entity level management teams, internal audit, internal legal counsel and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates, in particular the estimate made in relation to the valuation of unbilled revenue, and certain provisions;
- Identifying and testing unusual journal entries, in particular those journal entries posted with an unusual account combination; and
- Performing unpredictable procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLP financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

ory Auditor)
eCoopers LLP
ry Auditors

17 August 2022

Annual Financial Statements

Consolidated income statement – year ended 30 April 2022

	Notes	2022 £m	2021 £m
Revenue from contracts with clients	5	1,942.4	1,770.8
Operating costs			
Staff costs	8	(724.2)	(664.6)
Depreciation, amortisation and impairment		(111.7)	(111.6)
Net impairment reversal on financial and contract assets		1.0	14.4
Other operating expenses		(200.3)	(181.3)
Operating profit		907.2	827.7
Other income		1.8	4.8
Finance income	9	2.5	2.6
Finance costs	9	(11.7)	(12.8)
Profit before taxation		899.8	822.3
Taxation	10	(44.7)	(38.7)
Profit before partners' remuneration and profit shares		855.1	783.6
Partners' remuneration charged as an expense		(326.0)	(263.6)
Profit for the financial year available for division among full partners		529.1	520.0

Consolidated statement of comprehensive income – year ended 30 April 2022

	Notes	2022 £m	2021 £m
Profit for the financial year available for division among full partners		529.1	520.0
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss: Exchange gain/(loss) on translation of foreign operations		22.1	(5.6)
Items that will not be reclassified to profit or loss: Actuarial gain/(loss) on defined benefit pension scheme	24	11.3	(5.5)
Other comprehensive income/(loss) for the year		33.4	(11.1)
Total comprehensive income for the year		562.5	508.9

Consolidated balance sheet – at 30 April 2022

	Notes	At 30 April 2022 £m	At 30 April 2021 £m
Assets			
Non-current assets			
Intangible assets	11	17.3	23.7
Property, plant and equipment	12	53.7	61.0
Right of use assets	14	340.9	376.5
Client and other receivables	17	40.7	53.3
Investments	16	0.5	0.5
Retirement benefit surplus	24	60.5	48.2
		513.6	563.2
Current assets			
Client and other receivables	17	916.2	791.5
Amounts due from partners	25	49.6	28.0
Cash and cash equivalents	18	302.8	352.1
		1,268.6	1,171.6
Total assets		1,782.2	1,734.8
Liabilities			
Current liabilities			
Trade and other payables	19	(375.9)	(379.7)
Current tax liabilities		(6.9)	(5.1)
Lease liabilities	14	(136.6)	(95.6)
Provisions for other liabilities and charges	20	(9.2)	(9.1)
Partners' capital	25	(9.4)	(7.1)
		(538.0)	(496.6)
Non-current liabilities			
Trade and other payables	19	(127.7)	(109.2)
Lease liabilities	14	(280.9)	(371.4)
Provisions for other liabilities and charges	20	(89.7)	(82.4)
Partners' capital	25	(171.8)	(167.6)
		(670.1)	(730.6)
Total liabilities		(1,208.1)	(1,227.2)
Net assets		574.1	507.6
Equity			
Partners' other reserves		559.3	514.9
Translation reserve		14.8	(7.3)
		574.1	507.6
Total partners' interests			
Amounts due from partners	25	(49.6)	(28.0)
Partners' capital classed as a liability	25	181.2	174.7
Total partners' other interests	25	574.1	507.6
		705.7	654.3

The financial statements on pages 43 to 93 were authorised for issue by the partners and signed on their behalf on 17 August 2022 by:

[illegible]ons Director

Allen & Overy LLP
Registered no. OC306763

Limited Liability Partnership balance sheet – at 30 April 2022

	Notes	At 30 April 2022 £m	At 30 April 2021 £m
Assets			
Non-current assets			
Intangible assets	11	17.3	23.7
Property, plant and equipment	13	27.4	29.5
Right of use assets	15	235.3	264.0
Client and other receivables	17	40.5	52.7
Investments	16	10.2	10.2
Retirement benefit surplus	24	60.5	48.2
		391.2	428.3
Current assets			
Client and other receivables	17	866.3	753.1
Amounts due from Members	25	26.1	8.6
Cash and cash equivalents	18	246.2	300.1
		1,138.6	1,061.8
Total assets		1,529.8	1,490.1
Liabilities			
Current liabilities			
Trade and other payables	19	(387.8)	(379.2)
Current tax liabilities		(4.8)	(9.0)
Lease liabilities	15	(76.4)	(75.5)
Provisions for other liabilities and charges	20	(8.9)	(8.8)
Members' capital	25	(9.1)	(7.1)
		(487.0)	(479.6)
Non-current liabilities			
Trade and other payables	19	(88.3)	(70.7)
Lease liabilities	15	(228.6)	(272.2)
Provisions for other liabilities and charges	20	(84.3)	(78.6)
Members' capital	25	(167.2)	(162.3)
		(568.4)	(583.8)
Total liabilities		(1,055.4)	(1,063.4)
Net assets		474.4	426.7
Equity			
Members' other reserves at 1 May		432.6	370.6
Profit for the financial year attributable to Members		434.3	437.9
Other changes in Members' other reserves		(402.6)	(375.9)
Members' other reserves at 30 April		464.3	432.6
Translation reserve		10.1	(5.9)
		474.4	426.7
Total Members' interests			
Amounts due from Members	25	(26.1)	(8.6)
Members' capital classed as a liability	25	176.3	169.4
Total Members' other interests	25	474.4	426.7
		624.6	587.5

The financial statements on pages 43 to 93 were authorised for issue by the Members and signed on their behalf on 17 August 2022 by:

ons Director

Allen & Overy LLP
Registered no. OC306763

Consolidated cash flow statement – year ended 30 April 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operations	22	924.4	976.2
Tax paid		(43.2)	(35.6)
Net cash inflow from operating activities		881.2	940.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(15.0)	(12.6)
Purchase of intangible assets		–	(0.1)
Interest received		0.3	0.3
Proceeds on disposal of property, plant & equipment		0.2	–
Receipts for finance lease receivables		14.0	10.3
Net cash used in investing activities		(0.5)	(2.1)
Cash flows from financing activities			
Partners' capital introduced	25	6.7	40.6
Capital repayments to partners	25	(13.2)	(11.0)
Payments to and on behalf of partners		(830.6)	(727.4)
Movement on subordinated loans	19	14.3	25.3
Principal elements of lease payments	14	(97.1)	(94.7)
Lease interest paid	14	(8.4)	(10.1)
Interest paid		(1.7)	(1.2)
Net cash used in financing activities		(930.0)	(778.5)
Net (decrease)/increase in cash and cash equivalents		(49.3)	160.0
Cash and cash equivalents at beginning of year		352.1	197.1
Effects of foreign exchange rate changes		–	(5.0)
Cash and cash equivalents at end of year	18	302.8	352.1

Limited Liability Partnership cash flow statement – year ended 30 April 2022

	Notes	2022 £m	2021 restated £m
Cash flows from operating activities			
Cash generated from operations	23	676.7	768.2
Tax paid		(37.0)	(21.3)
Net cash inflow from operating activities		639.7	746.9
Cash flows from investing activities			
Purchase of property, plant and equipment		(11.6)	(6.9)
Purchase of intangible assets		–	(0.1)
Interest received		0.1	0.2
Proceeds on disposal of property, plant & equipment		0.1	–
Receipts for finance lease receivables		13.7	9.9
Net cash inflow in investing activities		2.3	3.1
Cash flows from financing activities			
Members' capital introduced	25	6.2	40.4
Capital repayments to Members	25	(12.3)	(10.9)
Payments to and on behalf of Members		(620.8)	(552.1)
Movement on subordinated loans	19	14.3	19.5
Principal elements of lease payments	15	(77.2)	(75.2)
Lease interest paid	15	(6.2)	(7.5)
Interest paid		(1.5)	(1.0)
Net cash used in financing activities		(697.5)	(586.8)
Net (decrease)/increase in cash and cash equivalents		(55.5)	163.2
Cash and cash equivalents at beginning of year		300.1	139.1
Effects of foreign exchange rate changes		1.6	(2.2)
Cash and cash equivalents at end of year	18	246.2	300.1

Consolidated statement of changes in equity – year ended 30 April 2022

	Equity 2022			Equity 2021		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	514.9	(7.3)	507.6	442.9	(1.7)	441.2
Profit for the financial year available for division among partners	529.1	–	529.1	520.0	–	520.0
Exchange gain/(loss) on translation of foreign operations	–	22.1	22.1	–	(5.6)	(5.6)
Actuarial gain/(loss) on pension scheme	11.3	–	11.3	(5.5)	–	(5.5)
Total comprehensive income for the year	540.4	22.1	562.5	514.5	(5.6)	508.9
Profit allocated to partners	(496.0)	–	(496.0)	(442.5)	–	(442.5)
Total transactions with partners recognised directly in equity	(496.0)	–	(496.0)	(442.5)	–	(442.5)
Equity at 30 April	559.3	14.8	574.1	514.9	(7.3)	507.6

Limited Liability Partnership statement of changes in equity – year ended 30 April 2022

	Equity 2022			Equity 2021		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at 1 May	432.6	(5.9)	426.7	370.6	(1.5)	369.1
Profit for the financial year attributable to Members	434.3	–	434.3	437.9	–	437.9
Exchange gain/(loss) on translation of foreign operations	–	16.0	16.0	–	(4.4)	(4.4)
Actuarial gain/(loss) on pension scheme	11.3	–	11.3	(5.2)	–	(5.2)
Total comprehensive income for the year	445.6	16.0	461.6	432.7	(4.4)	428.3
Profit allocated to Members	(413.9)	–	(413.9)	(370.7)	–	(370.7)
Total transactions with Members recognised directly in equity	(413.9)	–	(413.9)	(370.7)	–	(370.7)
Equity at 30 April	464.3	10.1	474.4	432.6	(5.9)	426.7

Notes to the Financial Statements

Year ended 30 April 2022

1 Basis of preparation

These financial statements consolidate the financial statements of Allen & Overy LLP (the **LLP**) and its subsidiary undertakings (the **Group)** for the year ended 30 April 2022. **Allen & Overy** is the collective name for an international legal practice comprising the LLP and its subsidiary undertakings. In these financial statements the terms 'the Group' and 'Allen & Overy' are interchangeable.

The term **partner** in these financial statements refers to a Member of the LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of the LLP's subsidiary undertakings. The term **Member** refers only to a Member of the LLP. The term **full partner** refers to partners remunerated entirely by profit sharing points.

Where a partner receives their remuneration as an employee or a consultant, this is shown under the heading 'Partners' remuneration charged as an expense' in the consolidated income statement.

No individual income statement is presented for the LLP as permitted by section 408 of the Companies Act 2006 (the **Act**) as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the **Regulations**).

2 Adoption of new and revised standards

The Group and the LLP have applied the following standards and amendments for the first time for the annual reporting period commencing 1 May 2021:

- *Covid-19-related Rent Concessions – Amendments to international financial reporting standard (**IFRS**) 16*
- *Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period commencing 1 May 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group or the LLP in the current or future reporting periods and on foreseeable future transactions.

3 Significant accounting policies

Going concern

The Group had £302.8 million of cash and cash equivalents at 30 April 2022 (2021: £352.1 million). In common with other businesses, global economic and political conditions could affect demand for our services and may create liquidity pressure on our clients and subtenants, which would affect the recoverability of our assets. However, the Group has performed well during the financial year and has maintained its considerable financial resources. The Group also benefits from being international, having a large client base spread across different industry sectors and providing legal services for a diversified range of transactions, hence spreading our risk. In addition, the Group has considerable discretion over the amount and timing of any cash distributions to partners.

The Board has assessed the prospects of the firm over the period of at least 12 months from the date of approval of the annual report in the context of its current operating performance, its internal business plan and the risks facing the business. The firm has prepared a sensitivity analysis on its business plan and evaluated the impact of a severe but plausible downside scenario impacting our clients, our staff and our operations, together with mitigating actions that could be implemented in such circumstances. As part of that assessment, the Board has also considered the availability of funding arrangements.

Having considered the above factors, the Board has a reasonable expectation that the Group has adequate financial resources to meet its operational needs for a period of at least 12 months from the date of approval of the annual report and therefore the going concern basis has been adopted in preparing the financial statements.

Basis of accounting

These financial statements have been prepared on a going concern basis in accordance with UK adopted international accounting standards and in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. The financial statements have been prepared on the historical cost basis. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the LLP and its subsidiary undertakings.

Subsidiary undertakings are all entities over which the Group has control, which may be partnerships or separate corporate entities. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group balances and transactions are eliminated in the consolidated financial statements.

Revenue from contracts with clients

Revenue from contracts with clients represents amounts chargeable to clients for professional services provided during the financial year, including legal services, client placements and subscriptions to information solutions provided through electronic formats to clients. Revenue includes billed soft costs where the Group acts as principal and excludes billed disbursements where the Group acts as agent and sales tax.

Legal services are provided under variable, time-based contracts, or fixed, capped or alternative success/abort based billing arrangements. Revenue from providing these services is recognised in the accounting period in which the services are rendered because the client receives and uses the benefit simultaneously. For variable, time-based contracts, revenue is recognised in the amount to which the Group has a right to invoice. For fixed or capped fee arrangements, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of total services to be provided. Where the right to receive payment is contingent on factors outside the control of Allen & Overy, revenue is only recognised (over and above any agreed minimum fee) when the contingent event occurs. Revenue from client placements is recognised once services have been provided and is billed on a monthly basis or other client-agreed terms. For subscriptions' revenue, where the performance obligation in the contract is transferred at the point access is provided to the online content, revenue is recognised on time-based recognition principles, matching the delivery of the subscription service.

Services provided to clients that have not been billed at the balance sheet date have been recognised as revenue. Unbilled revenue is a contract asset that is included in *'Client and other receivables'*. Where individual on-account billings exceed revenue on client assignments, the excess is classified as a contract liability held within *'Trade and other payables'*.

Other income

Other income mainly represents operating lease rental income received from the sublease of surplus office space.

Exceptional items

Exceptional items are disclosed separately in the financial statements, where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material, either because of their size or nature, and that are non-recurring. Exceptional items are presented within the line items to which they best relate.

Other operating expenses

Other operating expenses comprise overheads including property costs, IT, marketing, insurance, professional fees, irrecoverable disbursements and office expenses as well as exchange rate gains and losses that are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost (original purchase price and construction costs), net of depreciation and any provision for impairment.

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 the income statement.

Depreciation is provided to write off the cost, less the estimated residual value, of the relevant assets by equal instalments over their estimated useful economic lives, which are as follows:

Leasehold improvements	The shorter of the period of the lease, the expected use of the property, and ten years
Furniture, fixtures and fittings	The shorter of five years and the expected use of the asset
Computer equipment	Two to five years
Motor vehicles	Five years

The assets' residual values and useful economic lives are reviewed, and if necessary adjusted, at each balance sheet date.

Internally generated intangible assets

Costs associated with maintaining computer software programs are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to sell or use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or then sell software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful life, which does not exceed five years. Computer software under development is not amortised. Amortisation starts from the date on which the software is available for use. If a decision is made to abandon development then the cost is immediately expensed.

Impairment of property, plant and equipment, intangible assets and right of use assets

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment, intangible assets and right of use 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 cash generating unit (**CGU**) to which the asset belongs is estimated in order to determine the extent of any impairment loss. If the recoverable amount of the CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount and the impairment loss recognised as an expense immediately.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, administrative purposes; or sale in the ordinary course of business. Investment property generates cash flows that are largely independent of the other assets held by an entity. Therefore, when the Group sublets office space that is either owned or leased and held as a right of use asset, it determines whether the relevant asset or portion of that asset should be designated as investment property. This is only applicable when the sublease is an operating lease. If the sublease has been classified as a finance lease, then the relevant asset is not investment property.

A property, or portion of owned or leased property that is sublet under operating lease arrangements, is classified as investment property if:

– it could be sold separately, or leased out separately under a finance lease;

– only an insignificant portion of that property is held for use by the Group in the supply of services or for administrative purposes; and

– any ancillary services provided to the occupants of the property are insignificant to the arrangement as a whole.

Owner-occupied property (including property occupied by employees), property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, and owner-occupied property awaiting disposal are not classified as investment property.

Investment properties are accounted for under the cost model.

Leases

Group as lessee

The Group leases various offices, equipment and vehicles. Rental contracts are typically made for fixed periods of six months to 25 years but may have extension periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased asset that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments) less any lease incentives receivable;

– variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable by the Group under residual value guarantees;

– the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

– payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate that is then adjusted for characteristics specific to the lease; for example term, country, currency and security and credit risk of the lease holding entity.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost, with both elements being presented within cash flows from financing activities in the cash flow statement. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date less any lease incentives received;

– any initial direct costs; and

– restoration costs.

Right of use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases, i.e. those with a lease term of 12 months or less, are recognised on a straight-line basis as an expense in profit or loss, as are lease payments associated with low-value assets. These payments are presented within cash flows from operating activities in the cash flow statement.

Group as lessor

The Group sublets certain parts of its office premises. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemptions described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of '*Other income*'. Initial direct costs incurred in negotiating and arranging an operating lease and any benefits payable as an incentive to enter into the operating lease are also spread on a straight line basis over the lease term.

When the Group has determined that the lease is a finance lease, upon lease commencement it recognises a lease receivable at an amount equal to the net investment in the lease; this is the present value of the aggregate of lease payments receivable by the lessor and any unguaranteed residual value. Lease receivables are included within '*Client and other receivables*' on the face of the balance sheet. The Group assesses, on a forward-looking basis, the expected credit losses associated with lease receivables, applying the general approach as permitted by IFRS 9. An expected 12 month credit loss is recognised upon initial recognition of the lease receivable and at each reporting date thereafter, provided there had been no significant increase in credit risk. When credit risk is determined to have increased significantly since the last reporting date, an expected lifetime credit loss is recognised (see note 27 for further details on how expected lifetime losses are measured). Lease receivables are written off in whole or in part where there is no reasonable expectation of recovery. Loss allowances and impairment losses are recognised in the income statement within ‘Net impairment reversal/(losses) on financial and contract assets’.

The Group recognises finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment. Finance income on lease receivables is included within '*Finance income*'.

Investments

Investments in subsidiaries 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. Quoted and unquoted shares classified as at fair value through profit or loss are measured at fair value through the income statement.

Client and other receivables and intercompany balances

Client and other receivables are initially recognised at the amount of consideration that is unconditional. The Group holds client receivables with the objective of collecting the contractual cash flows, and so they are subsequently measured at amortised cost using the effective interest method.

The Group assesses, on a forward-looking basis, the expected credit losses associated with client and other receivables carried at amortised cost. The Group applies the simplified approach permitted by IFRS 9 (other than to lease receivables where the general method is applied, as noted above). The simplified method requires expected lifetime credit losses to be recognised from initial recognition of the receivables (see note 27 for further details on how expected lifetime losses are measured). Client and other receivables are specifically provided for or written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include significant financial difficulties of the debtor and default or delinquency in payments. Loss allowances and impairment losses are recognised in the income statement within *‘Net impairment reversal/(losses) on financial and contract assets’*.

The LLP initially measures intercompany receivables at the amount of consideration that is unconditional. The LLP holds intercompany receivables with the objective of collecting the contractual cash flows, and so they are subsequently measured at amortised cost using the effective interest method. The LLP assesses, on a forward-looking basis, the expected credit losses associated with intercompany loans carried at amortised cost using the general method and recognises 12 month or lifetime expected credit losses as appropriate.

Cash and cash equivalents

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

Trade and other payables

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

Taxation

In most locations, including the UK, the taxation payable on the profits of limited liability partnerships is the personal liability of the equity partners and hence is not shown in these financial statements. A retention from profit distributions is made to fund the taxation payments on behalf of equity partners. These retentions are included within *'Amounts due from partners'* in the consolidated balance sheet and in *'Amounts due from Members'* in the LLP balance sheet.

The tax expense in the consolidated income statement represents the sum of the current and deferred tax relating to the corporate subsidiaries and branches that are subject to tax based on their profits.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantially 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.

The carrying amount of deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date in the relevant country. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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**).

Transactions denominated in currencies other than the functional currency of the operation are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities not denominated in the functional currency at the balance sheet date are translated at the rates ruling at that date. Translation differences to functional currencies are dealt with in the income statement.

For the purpose of the consolidated financial statements the results and financial position of each operation are expressed in Sterling, which is the functional currency of the largest branch of the LLP, and the presentation currency for the consolidated financial statements.

The results of 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 ruling at the balance sheet date. Differences arising on translation of the opening net assets and results of such operations are reported in the consolidated statement of comprehensive income. Where loans are made from the UK branch of the LLP to international branches or subsidiaries, these are not deemed to be permanent in nature and therefore any exchange differences on consolidation are recorded in the income statement.

Partners' capital denominated in currencies other than Sterling is translated at the rates ruling on the balance sheet date. Any translation differences are reported in the consolidated income statement.

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 and that a reliable estimate can be made. 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 year 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 (see note 20 for further details on the specific recognition and measurement criteria applied to each main category of provision).

Claims and regulatory proceedings

In common with other law firms, the Group may be involved in a number of disputes in the ordinary course of business which give rise to claims by clients or regulatory bodies. The Group will defend such claims unless and until it is appropriate to settle or otherwise resolve them. Where liability or costs are likely to be incurred by the Group in defending and ultimately concluding such matters, and those costs can be measured reliably, they are provided for in the financial statements. Amounts provided for are based on management's assessment of the specific circumstances in each case and after offsetting and relevant insurance cover. The Group carries professional indemnity insurance and no separate disclosure is made of the detail of any claims or proceedings, or the costs recovered by insurance, as to do so could seriously prejudice the position of the Group and breach the confidentiality of clients.

Retirement benefit obligations

The Group operates various post-employment schemes which include both defined benefit and defined contribution pension plans.

A defined benefit plan sets out an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in the income statement.

For defined contribution plans the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Partners' and Members' capital and reserves

Partners are required to contribute capital or make subordinated loans in proportion to the number of profit sharing points allocated to them and by reference to the Capital Unit per profit sharing point. The value of the Capital Unit is assessed annually, and agreed by the Board, with any changes becoming effective on 1 May. Capital or subordinated loans are repaid to partners following their retirement from Allen & Overy.

In the event of the LLP going into administration or being wound up, partner capital and subordinated loans within the LLP generally rank after debts due to unsecured creditors who are not Members.

Amounts due to partners whose remuneration is charged as an expense are included in *'Trade and other payables'*.

The *'Translation reserve'* comprises all foreign exchange translation differences arising on the results and financial position of subsidiaries and overseas branches which do not report in the Group's reporting currency.

'Other reserves' comprise principally undistributed profits arising in the current and previous periods available for distribution in the future.

4 Critical accounting estimates and judgements

The preparation of consolidated and LLP financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities.

The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and that constitute management's best judgement at the date of the financial statements. In the future, actual outcomes could differ from those estimates and adjustments could be required in future periods. Where appropriate, present values are calculated using discount rates reflecting the maturity of items being valued.

Management considers the key judgement impacting the financial statements to be the judgement regarding the extension and termination options for leases, which involves assessing the lease term based on the likelihood of lease options being exercised. This judgement is set out in the relevant accounting policy (see note 14 for the impact of the judgement).

Management also applies judgement in determining whether the defined benefit pension surplus can be recognised on the balance sheet (see note 24).

The principal estimate that could have a significant effect on the Group's financial results is as follows:

– Revenue recognition and the valuation of unbilled client work (see note 17) – estimating the stage of contract completion, including estimating the costs still to be incurred, assessing the likely engagement outcome and assessing the unbilled amounts for client work.

In addition, management uses estimates in the following areas (though the impact on the financial results is not individually significant and therefore the firm does not consider these estimates to give rise to a significant risk of material adjustment in the next financial year):

– Defined benefit schemes (see note 24) and former partner annuities (see note 20) – determining the actuarial assumptions to be applied in estimating the defined benefit obligation for each scheme, with the key actuarial assumptions being discount rate, inflation and life expectancy.

– Provisions for early retirement of partners/former partners (see note 20) – estimating the level of profit for future years.

– Provisions for claims – assessing the probable outcome of claims and estimating the level of costs incurred in defending and concluding such matters.

– Impairment of client receivables, lease receivables and contract assets (see note 27) – assessing risk of default and estimating expected loss rates.

– Impairment of right of use assets – assessing future sublet income in determining the recoverable amount of the relevant cash generating unit.

– Impairment of property, plant and equipment and intangible assets – assessing the remaining useful life and recoverable amount.

Further details of the above are set out in the related notes to the financial statements.

5 Revenue from contracts with clients

The Group derives revenue from professional services and subscriptions in the following major geographical regions:

	2022 £m	2021 £m
UK	719.0	697.0
Continental Europe	610.6	584.2
Asia Pacific	257.7	239.2
Americas	252.4	161.2
Middle East & Africa	102.7	89.2
	1,942.4	1,770.8

6 Profit before taxation

	2022 £m	2021 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	21.8	24.7
Depreciation of right of use assets	80.0	79.7
Amortisation of intangible assets	6.4	6.4
Loss on sale of property, plant and equipment	–	0.5
Impairment charge on right of use assets	3.5	0.8
Net impairment reversal on financial and contract assets	(1.0)	(14.4)
Net foreign exchange loss	9.9	15.6
Sublease rental income	(1.7)	(3.5)

7 Auditors' remuneration

Fees payable to PricewaterhouseCoopers LLP and their associates are shown below:

	2022 £m	2021 £m
Fees payable to the LLP's auditors for the audit of the LLP's and the Group's consolidated financial statements:	0.8	0.8
Fees payable to the LLP's auditors and its associates for other services:		
– The audit of the LLP's subsidiary undertakings pursuant to legislation	0.2	0.2
– Other services pursuant to legislation	0.2	0.3
– Taxation compliance services	0.2	0.4
– Taxation advisory services	0.3	0.4
– Other assurance and transaction services	0.2	0.6
	1.9	2.7

8 Staff and staff costs

	Consolidated		Limited Liability Partnership	
	2022 No.	2021 No.	2022 No.	2021 No.
The average number of partners and employees during the year was:				
Partners	594	560	432	406
Lawyers and other fee earners	2,792	2,713	1,873	1,812
Support staff	2,396	2,334	1,393	1,372
	5,782	5,607	3,698	3,590

	2022 £m	2021 £m	2022 £m	2021 £m
Staff costs incurred during the year were:				
Salaries (non-partner, including staff bonuses)	582.5	543.5	413.1	383.9
Social security costs	51.3	48.6	40.1	38.4
Pension costs	23.9	21.0	19.3	16.8
Other short term employee benefits	35.1	32.2	33.4	31.6
Employee costs	692.8	645.3	505.9	470.7
Other costs (such as staff development, recruitment, medical expenses, and the cost of temporary staff)	31.4	19.3	25.1	15.2
	724.2	664.6	531.0	485.9

9 Finance income and costs

	2022 £m	2021 £m
Finance income		
Interest receivable on bank deposits	0.2	0.3
Finance income on lease receivables (note 14)	1.3	1.5
Net finance income on retirement benefits plan (note 24)	1.0	0.8
	2.5	2.6
Finance costs		
Interest payable on bank loans and overdrafts	(1.6)	(1.2)
Unwinding of discount on lease liabilities (note 14)	(8.4)	(10.1)
Unwinding of discount and effect of change in discount rate on provisions (note 20)	(1.7)	(1.5)
	(11.7)	(12.8)

10 Taxation

	2022 £m	2021 £m
Current tax on profits for the year	44.1	38.8
Adjustments in respect of prior years	0.6	(0.1)
Total current tax	44.7	38.7

In most locations, including the UK, any income tax payable on the profits allocated to partners is the personal liability of the partners and hence is not shown within the tax charge in these financial statements.

In some other locations the income tax payable on the allocation of profits to partners is the personal liability of the partners resident in that location but the element payable by the partners not resident in that location is the liability of the LLP. Only the latter amounts are reflected in these financial statements.

	2022 £m	2021 £m
Profit before taxation	899.8	822.3
Less: Amounts subject to personal tax	(756.0)	(681.6)
Profits subject to taxation	143.8	140.7

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the average UK corporation tax rate applicable to profits of the Group as follows:

	2022 £m	2021 £m
Profits subject to tax	143.8	140.7
At UK corporation tax of 19% (2019 – 19%)	27.3	26.7
Tax effects of:		
Different tax rates and bases in other jurisdictions	15.8	10.2
Unrelieved losses	1.0	1.9
Adjustment in respect of prior years	0.6	(0.1)
Current year charge for the year	44.7	38.7

UK corporation tax payable is provided for on taxable profits at the current rate (19%). In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%. The Finance Bill 2021 was substantively enacted on 24 May 2021, however there was no impact of the future increase in the UK Corporation tax rate to 25% in these financial statements.

11 Intangible assets

	Consolidated and Limited Liability Partnership	
	2022 £m	2021 £m
Internally generated IT software		
Cost		
At 1 May	51.0	50.9
Additions	–	0.1
At 30 April	51.0	51.0
Accumulated amortisation		
At 1 May	27.3	20.9
Charge for year	6.4	6.4
At 30 April	33.7	27.3
Net book value		
At 30 April	17.3	23.7

The cost and net book value of assets under development was £nil (2021: £nil).

12 Property, plant and equipment – Consolidated

	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 May 2020	232.7	61.4	46.9	0.3	341.3
Currency translation adjustments	(4.4)	(1.0)	(0.8)	–	(6.2)
Additions	5.6	1.6	5.4	–	12.6
Disposals	(2.2)	(2.1)	(5.2)	–	(9.5)
At 1 May 2021	231.7	59.9	46.3	0.3	338.2
Currency translation adjustments	1.5	0.1	0.2	–	1.8
Additions	6.7	2.9	5.4	–	15.0
Disposals	(1.0)	(2.5)	(1.9)	(0.1)	(5.5)
At 30 April 2022	238.9	60.4	50.0	0.2	349.5
Accumulated depreciation					
At 1 May 2020	183.1	50.4	33.2	0.2	266.9
Currency translation adjustments	(3.6)	(1.0)	(0.8)	–	(5.4)
Charge for year	11.5	3.7	9.5	–	24.7
Disposals	(1.8)	(2.0)	(5.2)	–	(9.0)
At 1 May 2021	189.2	51.1	36.7	0.2	277.2
Currency translation adjustments	1.7	0.2	0.2	–	2.1
Charge for year	11.2	3.2	7.4	–	21.8
Disposals	(1.0)	(2.4)	(1.8)	(0.1)	(5.3)
At 30 April 2022	201.1	52.1	42.5	0.1	295.8
Net book value					
At 30 April 2022	37.8	8.3	7.5	0.1	53.7
At 30 April 2021	42.5	8.8	9.6	0.1	61.0

13 Property, plant and equipment – Limited Liability Partnership

	Leasehold improvements £m	Furniture, fixtures and fittings £m	Computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 May 2020	192.7	41.6	32.2	–	266.5
Currency translation adjustments	(3.7)	(1.0)	(0.7)	–	(5.4)
Additions	2.3	0.6	4.0	–	6.9
Disposals	(1.5)	(1.3)	(4.9)	–	(7.7)
At 1 May 2021	189.8	39.9	30.6	–	260.3
Currency translation adjustments	1.9	0.4	0.3	–	2.6
Additions	6.0	2.2	3.5	–	11.7
Disposals	(1.0)	(1.8)	(1.2)	–	(4.0)
At 30 April 2022	196.7	40.7	33.2	–	270.6
Accumulated depreciation					
At 1 May 2020	168.6	37.1	21.0	–	226.7
Currency translation adjustments	(3.2)	(0.9)	(0.7)	–	(4.8)
Charge for year	7.3	1.7	7.4	–	16.4
Disposals	(1.3)	(1.3)	(4.9)	–	(7.5)
At 1 May 2021	171.4	36.6	22.8	–	230.8
Currency translation adjustments	1.8	0.3	0.2	–	2.3
Charge for year	7.0	1.4	5.5	–	13.9
Disposals	(1.0)	(1.7)	(1.1)	–	(3.8)
At 30 April 2022	179.2	36.6	27.4	–	243.2
Net book value					
At 30 April 2022	17.5	4.1	5.8	–	27.4
At 30 April 2021	18.4	3.3	7.8	–	29.8

14 Leases – consolidated

The Group leases various offices and equipment under non-cancellable leases expiring within one month to 13 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Group as a lessee

Right of use assets	Property £m	Equipment and vehicles £m	Total £m
Cost			
At 1 May 2020	534.0	3.4	537.4
Currency translation adjustments	(13.1)	(0.2)	(13.3)
Additions	13.3	0.6	13.9
Disposals	(3.9)	–	(3.9)
At 1 May 2021	530.3	3.8	534.1
Currency translation adjustments	5.3	0.1	5.4
Additions	49.3	0.4	49.7
Disposals	(9.0)	–	(9.0)
At 30 April 2022	575.9	4.3	580.2
Accumulated depreciation and impairment charges			
At 1 May 2020	80.5	0.9	81.4
Currency translation adjustments	(4.1)	(0.1)	(4.2)
Depreciation charge for year	78.7	1.0	79.7
Depreciation on disposals	(0.1)	–	(0.1)
Impairment loss	0.8	–	0.8
At 1 May 2021	155.8	1.8	157.6
Currency translation adjustments	2.6	0.1	2.7
Depreciation charge for year	79.1	0.9	80.0
Depreciation on disposals	(4.5)	–	(4.5)
Impairment loss	3.5	–	3.5
At 30 April 2022	236.5	2.8	239.3
Net book value			
At 30 April 2022	339.4	1.5	340.9
At 30 April 2021	374.5	2.0	376.5

Lease liabilities	2022 £m	2021 £m
Maturity analysis – contractual undiscounted cash flows		
Less than one year	103.9	102.8
One to five years	282.7	311.3
More than five years	48.0	96.7
Total undiscounted lease liabilities	434.6	510.8
Lease liabilities included in the statement of financial position		
Current	136.6	95.6
Non-current	280.9	371.4
	417.5	467.0

Leases that have not yet commenced

In addition to the contractual undiscounted cash flows disclosed above in relation to lease liabilities that are recognised on the balance sheet because the lease has commenced, the Group is committed to undiscounted future cash flows totalling £85.7m (2021: £5.2m) in respect of leases that have not yet commenced and are therefore not yet recognised on the balance sheet.

Movements in the lease liability during the year were as follows:	2022 £m	2021 £m
Lease liability at 1 May	467.0	559.3
Cash flows	(105.5)	(104.8)
Interest expense	8.4	10.1
Acquisitions and lease reassessments	46.7	13.9
Disposals	(2.2)	(0.4)
Foreign exchange adjustments	3.1	(11.1)
Lease liability at 30 April	417.5	467.0

The total cash outflow in the year ended 30 April 2022 for all leases, including short-term leases that are not capitalised, was £107.1m (2021: £106.7m).

Amounts recognised in the statement of profit or loss for lease contracts where the Group acts as lessee:	2022 £m	2021 £m
Depreciation charge for right of use assets	80.0	79.7
Impairment loss on right of use property	3.5	0.8
Interest expense (within finance costs)	8.4	10.1
Rent expense for short term leases (within operating expenses)	1.4	3.3
Rent expense for low value leases (within operating expenses)	0.2	0.2

Significant judgements or estimates

Extension and termination options are included in a number of property and equipment leases across the Group. These are used for operational flexibility. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In determining the likelihood of extension or termination, consideration is made of termination penalties, the remaining value of leasehold improvements, and the costs and business disruption required to replace the leased asset. For leases of office premises and equipment, most extension options have not been included in the lease liability because the Group would not suffer significant termination penalties.

As at 30 April 2022, potential future cash outflows of £202.5m (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in lease liabilities and right of use assets of £29.0m (2021: £2.0m).

Group as lessor

Operating leases

The Group subleases some of its office premises. The Group has classified certain of these leases as operating leases, as they do not transfer substantially all of the risks and rewards incidental to ownership of the assets. The carrying value as at 30 April 2022 of right of use property assets that are sublet under operating leases is £1.6m (2021: £2.2m).

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2022 £m	2021 £m
Less than one year	1.4	1.0
One to two years	–	0.7
Total undiscounted lease payments	1.4	1.7

Finance leases

The Group has also classified certain subleases as finance leases, because the sublease is for the whole or substantially all of the remaining term of the head lease.

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2022 £m	2021 £m
Less than one year	14.3	11.3
One to two years	13.2	16.1
Two to three years	12.5	13.7
Three to four years	12.5	12.7
Four to five years	4.5	12.7
More than five years	–	4.5
Total undiscounted lease payments	57.0	71.0
Unearned finance income	(2.2)	(3.4)
Net investment in the lease	54.8	67.6
Loss allowance on finance lease receivables (note 27)	(0.8)	(5.9)
	54.0	61.7
Lease receivables		
Current	13.3	8.4
Non-current	40.7	53.3

Amounts recognised in the statement of profit or loss for lease contracts where the Group acts as lessor:	2022 £m	2021 £m
Operating lease – lease income	1.7	3.5
Finance lease – finance income on the net investment in the lease	1.3	1.5
Finance leases – loss allowance (note 27)	4.4	(5.9)

See note 27 for further details regarding the Group's impairment policies and the calculation of the loss allowance on finance lease receivables, along with information about the Group's and the LLP's exposure to credit risk and foreign currency risk.

The total cash inflow in the year ended 30 April 2022 from all leases (including those classified as both operating leases and finance leases) was £15.9m (2021: £11.9m).

15 Leases – Limited Liability Partnership

Right of use assets	Property £m	Equipment and vehicles £m	Total £m
Cost			
At 1 May 2020	392.8	1.2	394.0
Currency translation adjustments	(9.6)	–	(9.6)
Additions	2.6	0.5	3.1
Disposals	(3.6)	–	(3.6)
At 30 April 2021	382.2	1.7	383.9
Currency translation adjustments	5.8	–	5.8
Additions	32.7	0.2	32.9
Disposals	(5.4)	–	(5.4)
At 30 April 2022	415.3	1.9	417.2
Accumulated depreciation			
At 1 May 2020	62.5	0.4	62.9
Currency translation adjustments	(2.7)	–	(2.7)
Depreciation charge for year	58.6	0.4	59.0
Depreciation on disposals	(0.1)	–	(0.1)
Impairment loss	0.8	–	0.8
At 30 April 2021	119.1	0.8	119.9
Currency translation adjustments	2.2	–	2.2
Depreciation charge for year	59.4	0.4	59.8
Depreciation on disposals	3.2	–	3.2
Impairment loss	(3.2)	–	(3.2)
At 30 April 2022	180.7	1.2	181.9
Net book value			
At 30 April 2022	234.6	0.7	235.3
At 30 April 2021	263.1	0.9	264.0

Lease liabilities	2022 £m	2021 £m
Current	76.4	75.5
Non-current	228.6	272.2
	305.0	347.7

Movements in the lease liability during the year were as follows:	2022 £m	2021 £m
Lease Liability at 1 May	347.7	428.6
Cash flows	(83.4)	(82.7)
Interest expense	6.2	7.5
Acquisitions and lease reassessments	30.3	3.1
Disposals	–	(0.2)
Foreign exchange adjustments	4.2	(8.6)
Lease liability at 30 April	305.0	347.7

Lease receivables	2022 £m	2021 £m
Current	12.8	7.9
Non-current	40.5	52.7
	53.3	60.6

16 Investments

The LLP has investments in the following subsidiaries:

Name of entity	Address of the registered office	Activity	Proportion of ordinary shares or ownership
Allen & Overy (Asia) Pte. Ltd	50 Collyer Quay, #09-01 OUE Bayfront, Singapore, 049321	Supply of legal services	100%
Allen & Overy (Hong Kong) Limited	9th Floor, Three Exchange Square, Central, Hong Kong	Service company	100%
Allen & Overy Legal Services	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	100%
Allen & Overy Service Company Limited	One Bishops Square, London E1 6AD, United Kingdom	Service company	100%
Allen & Overy Services Italy srl	Via Ansperto 5, 20123 Milan, Italy	Service company	100%
Allen & Overy Serviços de Consultoria Ltda.	Rua das Olimpíadas, 100, 10° andar, Conj. 101A, Sala B, Vila Olímpia, São Paulo – SP, CEP: 04551-000	Service company	100%
Allen & Overy (SSF) Limited	One Bishops Square, London E1 6AD, United Kingdom	Service company	100%
Allen & Overy (Holdings) Limited	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	100%
Cong Ty Luat Trach Nhiemhuu Han Allen & Overy (Vietnam)	a) 39th Floor, Bitexco Financial Tower, 2 Hai Trieu, District 1, Ho Chi Minh City, Vietnam; and (b) Level 5, Leadvisors Place Building, 41A Ly Thai To Street, Ly Thai To Ward, Hoan Kiem District, Hanoi, Vietnam	Supply of legal services	100%
A.O. Services	One Bishops Square, London E1 6AD, United Kingdom	Trustee company	100%
First Combined Trust	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Allen & Overy (Trustee) Limited	One Bishops Square, London E1 6AD, United Kingdom	Trustee company	100%
Allen & Overy (London) Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Fleetside Legal Representative Services Limited	One Bishops Square, London E1 6AD, United Kingdom	Holding company	100%
Allen & Overy Pension Trustee Limited	One Bishops Square, London E1 6AD, United Kingdom	Trustee company	100%
Alnery Incorporations No. 1 Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Alnery Incorporations No. 2 Limited	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
Peerpoint Limited	One Bishops Square, London E1 6AD, United Kingdom	Service company	100%
Allen & Overy (Legal Advisers) Limited	One Bishops Square, London E1 6AD, United Kingdom	Holding company	100%
A&O (Legal Advisers) Limited	One Bishops Square, London E1 6AD, United Kingdom	Holding company	100%
Newchange Limited [1]	One Bishops Square, London E1 6AD, United Kingdom	Dormant	100%
The Allen & Overy Foundation	One Bishops Square, London E1 6AD, United Kingdom	Charitable company	100%
Alnery Secretarial (Hong Kong) Limited	9th Floor, Three Exchange Square, Central, Hong Kong	Company secretarial services	100%
Allen & Overy Holdings (Thailand) Limited	23rd Floor, Sindhorn Tower III, 130-132 Wireless Road Lumpini, Pathumwan, Bangkok 10330, Thailand	Holding company	47%
Allen & Overy (Thailand) Co. Limited	23rd Floor, Sindhorn Tower III, 130-132 Wireless Road Lumpini, Pathumwan, Bangkok 10330, Thailand	Supply of legal services	35%
Allen & Overy (Australia) Pty Ltd	Level 25, 85 Castlereagh Street, Sydney, NSW 2000, Australia	Trustee company	100%
Allen & Overy Africa – Sarl AU	Regus, Bureau N°642 Cowork 02, Twin Center, 5th and 6th floors, Angle Bd Zerktouni et Bd Al Massira, 20100, Casablanca, Morocco	Dormant	100%
Allen & Overy (Africa) (Pty) Ltd	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Dormant	100%
Allen & Overy (South Africa) Inc.	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Dormant	100%
Allen & Overy (Pty) Ltd	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Dormant	100%
Allen & Overy Management Services Company Limited	38F Roppongi Hills Mori Tower 6-10-1 Roppongi, Minato-ku, Tokyo, 106-6138, Japan	Service company	100%
Allen & Overy Service GmbH	Haus am Opernturm, Bockenheimer Landstraße 2, 60306 Frankfurt am Main, Germany	Service company	100%

1. Subject to proposal to strike off

The LLP is exposed to, or has rights to, variable returns from its involvement with the following entities and undertakings and has the ability to affect those returns through its power to direct the activities of those entities and undertakings and therefore considers the following to be subsidiary undertakings:

Name of entity	Address of the registered office or principal place of business	Activity	Proportion of ordinary shares or ownership
Allen & Overy (an English general partnership operating in Australia)	(a) Level 25, 85 Castlereagh Street, Sydney, NSW 2000, Australia; and (b) Level 12, Exchange Tower, 2 The Esplanade, Perth WA 6000, Australia	Supply of legal services	–
Allen & Overy (an English general partnership operating in Hong Kong)	9th Floor, Three Exchange Square, Central, Hong Kong	Supply of legal services	–
Allen & Overy (an English general partnership operating in Spain)	Serrano 73, 28006 Madrid, Spain	Supply of legal services	–
Allen & Overy, A. Pędzich sp.k.	Grzybowska 56, Warsaw, 00-844, Poland	Supply of legal services	–
Allen & Overy Bratislava s.r.o	Eurovea Central 1, Pribinova 4, Bratislava, 81109, Slovakia	Supply of legal services	–
Allen & Overy LLP – Consultores em Direito Estrangeiro/Direito Norte-Americano	Rua das Olimpíadas, 100, 10° andar, Conj. 101A, Sala B, Vila Olímpia, São Paulo – SP, CEP: 04551-000	Supply of legal services	–
Allen & Overy (Czech Republic) LLP	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	–
Allen & Overy Danişmanlik Hizmetleri Avukatlik Ortakliği	River Plaza, Floor 17, Büyükdere Caddesi, Bahar Sokak no. 13, TR-34394 Levent, Istanbul, Turkey	Supply of legal services	–
Allen & Overy Gaikokuho Kyodo Jigyo Horitsu Jimusho	38F Roppongi Hills Mori Tower 6-10-1 Roppongi, Minato-ku, Tokyo, 106-6138, Japan	Supply of legal services	–
Allen & Overy, société en commandite simple	5 Avenue John F. Kennedy, L-1855, Luxembourg	Supply of legal services	–
Allen & Overy (South Africa) LLP	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	–
aosphere LLP	One Bishops Square, London E1 6AD, United Kingdom	Development and marketing of legal software	–
Allen & Overy Kádár Ügyvédi Iroda	Madách Trade Centre, Madách Imre utca 13-14, H-1075 Budapest, Hungary	Supply of legal services	–
Naciri & Associés Allen & Overy	Anfaplace, Centre d'Affaires, Immeuble A, Boulevard de la Corniche, Casablanca, Morocco	Supply of legal services	–
Studio Legale Associato	a) Via Ansperto 5, 20123 Milan, Italy; and (b) Corso Vittorio Emanuele II 284, 00186, Rome, Italy	Supply of legal services	–
Allen & Overy (Belgium) LLP	One Bishops Square, London E1 6AD, United Kingdom	Supply of legal services	–
Allen & Overy (a South African partnership)	6th Floor, 90 Grayston, 90 Grayston Drive, Sandton, Johannesburg, 2196 South Africa	Supply of legal services	–
Allen & Overy Limited	Suite 539/540, Inya Lake Hotel, 37 Kaba Aye Pagoda Road, Mayangone Township, Yangon 11061, Myanmar	Supply of legal services	–
Allen & Overy Spain (No 1) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Spain (No 2) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy (Australia) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Hong Kong (No 1) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Hong Kong (No 2) LLP	One Bishops Square, London E1 6AD, United Kingdom	Holding entity	–
Allen & Overy Strategy Group LLP [2]	One Bishops Square, London E1 6AD, United Kingdom	Dormant	–

2. Subject to proposal to strike off

The LLP has branches in the People's Republic of China, France, Germany, Japan, South Korea, the Netherlands, Singapore, the United Arab Emirates, the United Kingdom and the United States of America.

The LLP has also entered into association agreements with Ginting & Reksodiputro, an Indonesian law firm, and Gedik & Eraksoy, a Turkish Attorney Partnership, pursuant to which legal services are provided in relation to Indonesian law and Turkish law respectively.

The LLP has also entered into a joint operation in the China (Shanghai) Pilot Free Trade Zone with Shanghai Lang Yue Law Firm. Services in relation to the laws of the People's Republic of China are provided through Allen & Overy Lang Yue (FTZ) Joint Operation Office.

	Consolidated	Limited Liability Partnership		
	Other Investments £m	Group Interests £m	Other Investments £m	Total £m
Cost				
At 1 May 2020	0.6	10.2	–	10.2
Disposals	(0.1)	–	–	–
At 1 May 2021	0.5	10.2	–	10.2
Carrying amount at 30 April 2022	0.5	10.2	–	10.2
Carrying amount at 30 April 2021	0.5	10.2	–	10.2

Other investments include quoted and unquoted shares which are classified as at fair value through profit or loss and are measured at fair value through the income statement. All other investments are stated at cost, less provision for impairment.

The investment in Group interests represents the conversion of an inter-company loan to share capital in Cong Ty Luat Trach Nhiemhuu Han Allen & Overy (Vietnam).

17 Client and other receivables

	Consolidated		Limited Liability Partnership	
	2022 £m	2021 £m	2022 £m	2021 £m
Client receivables	589.3	521.3	440.0	378.6
Loss allowance (note 27)	(23.8)	(31.2)	(17.0)	(21.1)
	565.5	490.1	423.0	357.5
Contract assets – unbilled revenue	277.1	240.3	202.3	172.5
Loss allowance (note 27)	(1.3)	(0.5)	(0.7)	(0.2)
	275.8	239.8	201.6	172.3
Lease receivables (note 14)	54.8	67.6	54.1	66.5
Loss allowance (note 27)	(0.8)	(5.9)	(0.8)	(5.9)
	54.0	61.7	53.3	60.6
Amounts due from other Group undertakings	–	–	190.6	183.7
Other receivables	30.6	23.0	16.8	8.3
Prepayments	31.0	30.2	21.5	23.4
	956.9	844.8	906.8	805.8

	Consolidated		Limited Liability Partnership	
	2022 £m	2021 £m	2022 £m	2021 £m
Included in current assets	916.2	791.5	866.3	753.1
Included in non-current assets	40.7	53.3	40.5	52.7
	956.9	844.8	906.8	805.8

The amounts included in non-current assets above represent the non-current element of lease receivables.

Client receivables are amounts due from clients for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Client receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the client receivables with the objective of collecting the contractual cash flows and therefore subsequently measures them at amortised cost using the effective interest method.

Due to their short-term nature, there is no difference between the carrying value of the consolidated or the LLP's client and other receivables and their fair value.

As at 30 April 2022 there are £0.8m (2021: £0.6m) of unsecured interest-bearing loans due from Group undertakings which are repayable within 12 months. Interest is charged based on EURIBOR plus a margin ranging from 1.0% to 3.0%. The remaining amounts due from Group undertakings are unsecured, interest-free and repayable on demand.

The carrying amount of financial assets recorded in the financial statements, which is net of any impairment losses, represents the Group's maximum exposure to credit risk. Financial assets include client receivables, contract assets relating to unbilled revenue, finance lease receivables and other receivables. The Group does not hold collateral over these balances.

See note 27 for further details of the Group's impairment policies and the calculation of the loss allowance, along with information about the Group's and the LLP's exposure to credit risk and foreign currency risk.

18 Cash and cash equivalents

	Consolidated		Limited Liability Partnership	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash and cash equivalents	302.8	352.1	246.2	300.1

Cleared funds are monitored on a daily basis and surplus funds are placed on short-term deposit.

There is no material difference between the book value of cash and cash equivalents and their fair values.

19 Trade and other payables

	Consolidated		Limited Liability Partnership	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	45.6	61.7	33.5	50.1
Amounts due to other Group undertakings	–	–	81.6	70.0
Employment and sales taxes	35.6	37.9	30.8	31.0
Other payables	22.6	18.3	28.8	25.6
Partners' subordinated loans	95.3	81.0	68.5	54.2
Other amounts due to partners remunerated as employees or consultants	154.9	159.5	124.0	120.1
Accruals	149.5	130.3	108.9	98.9
Deferred rent	0.1	0.2	–	–
	503.6	488.9	476.1	449.9

	Consolidated		Limited Liability Partnership	
	2022 £m	2021 £m	2022 £m	2021 £m
Included in current liabilities	375.9	379.7	387.8	379.2
Included in non-current liabilities	127.7	109.2	88.3	70.7
	503.6	488.9	476.1	449.9

Non-current liabilities comprise partners' subordinated loans (£90.7m, 2021: £78.0m), other amounts due to partners remunerated as employees or consultants (£27.1m, 2021: £18.2m), accruals (£9.3m, 2021: £9.1m) and deferred rent and other payables (£0.6m, 2021: £3.9m).

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

There is no difference between the carrying value of the consolidated Group or the LLP's trade and other payables and their fair values.

As at 30 April 2022, the LLP had committed bank loan facilities of £150.0m (2021: £150.0m). At the balance sheet date, no amounts were outstanding under these facilities.

The committed facilities expire as follows:	£m
Between one and two years	100.0
Between three and five years	50.0
	150.0

The borrowing facilities arranged vary from overdraft facilities to cover short-term fluctuations in the timing of payments and receipts to revolving credit facilities spanning several years. All borrowing facilities are arranged through the LLP. It is the Group's policy to have in place short-term borrowing facilities that comfortably exceed forecast borrowing requirements for the following 12 months.

Interest on short-term borrowings would be payable at floating rates linked to the base rate and its currency equivalent while any amounts drawn down in respect of the longer-term borrowing facilities would incur interest at floating rates linked to the relevant risk free rate.

20 Provisions

Provision for annuities

The LLP has made conditional commitments to pay annuities to certain individuals who are either former partners of Allen & Overy or the widows of those partners. The annuities are payable only out of future profits of the LLP on which they constitute a first allocation of profits. Further entitlement to these arrangements was withdrawn in 1994. An actuarial valuation of the net present value of the expected liability for the future payments to these individuals is obtained at each year 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 utilised 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 24.

Provision for early retirement of partners/former partners

Partners satisfying certain conditions may elect to take early retirement in exchange for future payments, which are normally spread over five years. These payments are determined by the profits of future years. The present value of the best estimate of the expected liabilities for future payments under this scheme is provided in full in the year in which a partner elects to take early retirement, with the charge included in 'Partners' remuneration charged as an expense' in the consolidated income statement. Any subsequent changes in the provision for liabilities under this scheme arising from changes in financial estimates while the individual is still a partner are charged or credited under this heading. Once the partner retires any changes are recorded in 'Other operating expenses' in the income statement.

The provision for partners'/former partners' payments has been made using an estimated level of profit for future years, based on current best estimates. This provision has been discounted to the present value using a 2.0% (2021: 2.0%) discount factor. It is expected that the early retirement provision will be paid over the next six years.

Provision for onerous contracts and dilapidations

A provision is recognised for onerous contracts where obligations for non-rent related property costs, such as service charges, are not expected to be recovered through subletting.

The provision for dilapidations is in respect of property leases which contain a requirement for the premises to be returned to their original state prior to the conclusion of the lease term. The leases to which this provision relates are all due to expire by the end of 2030. These provisions have been discounted to the present value using a discount rate of 3.5% (2021: 3.5%). The discount rate has been determined based upon observable market inputs performed by external advisors for the premises type and lease term.

	Consolidated			
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2022 £m
At 1 May 2021	11.3	34.4	45.8	91.5
Currency translation adjustments	–	–	0.2	0.2
Provision utilised	(1.6)	(8.0)	(0.1)	(9.7)
	9.7	26.4	45.9	82.0
Charged to the income statement	–	–	(1.1)	(1.1)
Charge for the year:				
– former partners	–	1.2	–	1.2
– current partners	–	12.8	–	12.8
Unwind of discount and change in discount rate	–	0.2	1.5	1.7
Actuarial adjustment	1.8	–	–	1.8
Provision released:				
– current partners	–	(1.5)	–	(1.5)
Increase in dilapidation provision	–	–	2.0	2.0
	1.8	12.7	2.4	16.9
At 30 April 2022	11.5	39.1	48.3	98.9

	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2022 £m
Included in current liabilities	1.3	5.6	2.3	9.2
Included in non-current liabilities	10.2	33.5	46.0	89.7
At 30 April 2022	11.5	39.1	48.3	98.9

	Consolidated			
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2021 £m
At 1 May 2020	15.8	32.2	43.4	91.4
Currency translation adjustments	–	–	(0.3)	(0.3)
Provision utilised	(1.6)	(7.4)	–	(9.0)
	14.2	24.8	43.1	82.1
Charged to the income statement	–	–	1.2	1.2
Charge for the year:				
– former partners	–	4.0	–	4.0
– current partners		6.1	–	6.1
Unwind of discount and change in discount rate	–	0.2	1.3	1.5
Actuarial adjustment	(2.9)	–	–	(2.9)
Provision released:				
– current partners	–	(0.7)	–	(0.7)
Increase in dilapidation provision	–	–	0.2	0.2
	(2.9)	9.6	2.7	9.4
At 30 April 2021	11.3	34.4	45.8	91.5

	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2021 £m
Included in current liabilities	1.2	5.5	2.4	9.1
Included in non-current liabilities	10.1	28.9	43.4	82.4
At 30 April 2021	11.3	34.4	45.8	91.5

	Limited Liability Partnership			
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2022 £m
At 1 May 2021	11.3	34.4	41.7	87.4
Currency translation adjustments	–	–	0.1	0.1
Provision utilised	(1.6)	(8.0)	(0.1)	(9.7)
	9.7	26.4	41.7	77.8
Charged to the income statement	–	–	(1.1)	(1.1)
Charge for the year:				
– former partners	–	1.2	–	1.2
– current partners	–	12.0	–	12.0
Unwind of discount and change in discount rate	-	0.2	1.3	1.5
Actuarial adjustment	1.8	–	–	1.8
Provision released:				
– current partners	–	(1.4)	–	(1.4)
Increase in dilapidation provision	–	-	1.4	1.4
	1.8	12.0	1.6	15.4
At 30 April 2022	11.5	38.4	43.3	93.2

	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2022 £m
Included in current liabilities	1.3	5.7	1.9	8.9
Included in non-current liabilities	10.2	32.7	41.4	84.3
At 30 April 2022	11.5	38.4	43.3	93.2

	Limited Liability Partnership			
	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2021 £m
At 1 May 2020	15.8	32.2	39.3	87.3
Currency translation adjustments	–	–	(0.2)	(0.2)
Provision utilised	(1.6)	(7.4)	-	(9.0)
	14.2	24.8	39.1	78.1
Charged to the income statement	–	–	1.2	1.2
Charge for the year:				
– former partners	–	4.0	–	4.0
– current partners	–	6.1	–	6.1
Unwind of discount and change in discount rate	–	0.2	1.2	1.4
Actuarial adjustment	(2.9)	–	–	(2.9)
Provision released:				
– current partners	–	(0.7)	–	(0.7)
Increase in dilapidation provision	–	–	0.2	0.2
	(2.9)	9.6	2.6	9.3
At 30 April 2021	11.3	34.4	41.7	87.4

	Provision for annuities £m	Provision for early retirement of partners/ former partners £m	Provision for onerous contracts and dilapidations £m	Total 2021 £m
Included in current liabilities	1.2	5.5	2.1	8.8
Included in non-current liabilities	10.1	28.9	39.6	78.6
At 30 April 2021	11.3	34.4	41.7	87.4

21 Capital commitments

The following amounts have been contracted for but not provided in the financial statements:

	2022 £m	2021 £m
Computer, telecommunications and other equipment	2.8	-
Property fit-out costs	3.6	1.1
	6.4	1.1

22 Reconciliation of profit to net cash inflow from operating activities – Consolidated

	Consolidated	
	2022 £m	2021 £m
Profit before taxation	899.8	822.3
Adjustments for:		
Depreciation of property, plant and equipment	21.8	24.7
Depreciation of right of use assets	80.0	79.7
Amortisation of intangible assets	6.4	6.4
Impairment of right of use assets	3.5	0.8
Expected credit profit on lease receivables	(4.4)	(10.8)
Foreign exchange loss on operating activities	18.4	11.5
Net finance costs	9.2	10.2
Loss on disposal of property, plant and equipment	–	0.5
Operating cash flows before movement in working capital	1,034.7	945.3
Increase/(decrease) in provisions	5.6	(1.1)
Increase in receivables	(111.3)	(20.9)
(Decrease)/increase in payables	(4.6)	52.9
Cash generated by operations	924.4	976.2

23 Reconciliation of profit to net cash inflow from operating activities – Limited Liability Partnership

	Limited Liability Partnership	
	2022 £m	2021 £m
Profit before taxation	669.5	614.5
Adjustments for:		
Depreciation of property, plant and equipment	13.9	16.4
Depreciation of right of use assets	59.8	59.0
Amortisation of intangible assets	6.4	6.4
Impairment of right of use assets	3.2	0.8
Expected credit profit on lease receivables	(4.4)	(10.8)
Foreign exchange loss on operating activities	10.3	5.9
Net finance costs	6.8	7.4
Loss on disposal of property, plant and equipment	–	0.2
Operating cash flows before movement in working capital	765.5	699.8
Increase/(decrease) in provisions	4.8	(1.2)
(Increase)/decrease in receivables	(100.2)	38.6
Increase in payables	6.6	31.0
Cash generated by operations	676.7	768.2

24 Retirement benefit obligations

The LLP operates a pension scheme which includes a defined benefit section and a defined contribution section for its UK based staff. The defined benefit section was closed to new entrants in 1998 and closed to future year accruals in 2007. The assets of the pension scheme are held separately from those of the LLP.

Employees in jurisdictions outside the UK are usually members of insured schemes into which the LLP pays contributions. These contributions are included in amounts shown under the 'Defined contribution section and schemes' heading below.

Defined contribution section and schemes

The cost of contributions to the defined contribution section of the UK pension scheme plus contributions to non-UK pension schemes included in the income statement for the year was £23.9m (2021 – £21.0m). The cost charged represents contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit section

The LLP sponsors a funded defined benefit pension scheme for qualifying UK employees. The scheme is administered by a separate board of Trustees which is legally separate from the LLP. The Trustees are composed of representatives of both the LLP and scheme members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

Under the scheme, employees are entitled to annual pensions in retirement based on their salary and service. Benefits are also payable on death and following other events such as withdrawal from the scheme.

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 around 16-17 years.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by an independent qualified actuary from Lane Clark & Peacock LLP (the Actuary) as at 1 January 2020 and showed a surplus of £1.2 million on a technical provisions basis. The next funding valuation is due as at 1 January 2023.

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

Asset volatility: The liabilities under IAS 19 are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will worsen the IAS 19 funding position with all else equal. The scheme holds a significant proportion of growth assets (such as equities, diversified growth funds and property funds) which, though expected to outperform corporate bond returns 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 liabilities for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Inflation risk: The scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. A significant proportion of the scheme's assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will reduce the funding position with all else equal.

Life expectancy: The majority of the scheme's obligations are to provide benefits for the life of the member and his or her dependants, so increases in life expectancy will result in an increase in liabilities.

The LLP and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the scheme by investing in assets such as index-linked government bonds which are intended to move in line with the liabilities of the scheme, so as to protect, for example, against inflation being higher than expected.

The Trustees insure certain benefits payable on death before retirement.

The liabilities have been updated from the most recently completed funding valuation, as at 1 January 2020, by the Actuary.

The principal assumptions used for valuing the liabilities were as follows:

	2022 %	2021 %
Discount rate	3.2	2.0
RPI inflation	3.6	3.2
CPI inflation	3.0	2.6
Salary increases	3.6	3.2
Pension increase in deferment	3.0	2.6
Pension increases in payment:		
RPI-linked	3.6	3.2
CPI-linked	3.0	2.6

The post-retirement mortality assumptions are based on standard mortality tables which allow for future improvements in life expectancy resulting in the following life expectancies:

	2022 Years	2021 Years
Current pensioners at age 65 – Male	23.0	22.9
Current pensioners at age 65 – Female	24.4	24.4
Future pensioners at age 65* – Male	24.2	24.2
Future pensioners at age 65* – Female	25.8	25.8

* for non-pensioners currently aged 45

The allocation and market value of the scheme assets at the balance sheet date was as follows:

	2022 £m	2021 £m
Performance assets (non-property):		
Global equities (quoted)	44.6	53.6
Diversified growth funds (primarily quoted)	24.2	31.4
Property (unquoted)	12.6	10.6
Inflation opportunities fund (unquoted)	13.2	12.9
Bonds:		
Liability-driven investment (quoted)	71.3	73.4
Other fixed income (quoted)	49.0	53.6
Multi-Asset credit	18.5	–
Cash and other assets (quoted)	11.7	21.7
Defined benefit assets at end of the year	245.1	257.2

The scheme does not invest directly in property occupied by Allen & Overy or in financial securities issued by Allen & Overy.

The amounts recognised in the consolidated and LLP balance sheets are as follows:

	2022 £m	2022 £m
Fair value of scheme assets	245.1	257.2
Present value of defined benefit obligations	(184.6)	(209.0)
Retirement benefit surplus	60.5	48.2

No adjustment has been made to restrict the surplus recognised, since under the scheme rules the firm could receive a refund of surplus if the scheme is run on until the last member has died.

The amounts recognised in the consolidated income statement are as follows:

	2022 £m	2021 £m
Finance credit:		
Interest on pension scheme assets	5.1	3.9
Finance cost:		
Interest on pension scheme defined benefit obligations	(4.1)	(3.1)
Net finance income for the year	1.0	0.8
Past service cost	–	–
Total credit recognised in profit and loss	1.0	0.8

The past service cost in the consolidated income statement for the year ended 30 April 2021 relates to benefit increases that were identified during the year.

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2022 £m	2021 £m
(Reduction)/return on scheme assets in excess of that recognised in net interest	(9.3)	15.7
Actuarial gains/(losses) due to changes in financial assumptions	26.6	(19.6)
Actuarial gains due to changes in demographic assumptions	0.3	0.5
Actuarial losses due to liability experience	(6.3)	(2.1)
	11.3	(5.5)

Changes in the fair value of plan assets are as follows:

	2022 £m	2021 £m
Opening fair value of scheme assets	257.2	243.1
Interest income on scheme assets	5.1	3.9
Remeasurement (losses)/gains on scheme assets	(9.3)	15.7
Benefits paid	(7.9)	(5.5)
Closing fair value of scheme assets	245.1	257.2

The actual return on the scheme assets during the year was a £4.2m loss (2021: £19.6m gain).

Changes in the present value of the defined benefit obligations are as follows:

	2022 £m	2021 £m
Opening defined benefit obligation	(209.0)	(190.5)
Interest cost	(4.1)	(3.1)
Gain from change in demographic assumptions	0.3	0.5
Gain/(loss) from change in financial assumptions	26.6	(19.3)
Experience losses	(6.3)	(2.1)
Past service cost	–	–
Benefits paid	7.9	5.5
Closing defined benefit obligation	(184.6)	(209.0)

The value of insured pensions has been excluded from both the assets and liabilities on the grounds of materiality. As the value of the obligations and assets in respect of the insured pensions would be the same under IAS 19, including them would not change the balance sheet position.

Sensitivity analysis

The principal actuarial assumptions all have an effect on the IAS 19 accounting valuations. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

	Defined benefit obligation increase £m
0.25% decrease in the assumed discount rate	8.0
0.25% increase in the expected rate of increase in salaries	0.4
0.25% increase in the assumed rate of inflation	7.9
One-year increase in average life expectancy	6.0

Future cash funding

The most recently completed full actuarial valuation was as at 1 January 2020 and was completed in 2020 using the Projected Unit valuation method. The valuation revealed a surplus at the valuation date. Accordingly, the expected contributions by the LLP to the defined benefit section of the scheme following this valuation are nil. The next actuarial valuation is due as at 1 January 2023.

25 Total equity partners'/members' interests

Allen & Overy is financed through a combination of partners' capital, subordinated loans and undistributed profits. The Board reviews the projected financing requirements annually when agreeing the Group's budget and based on this review sets the value of the Capital Unit. The cash flow forecast for the entire Group is updated regularly and compared to the budget, with any significant variance being reported to the Board. The below tables disclose both the cash and non-cash movements in the Group and the LLP's liabilities arising from financing activities. Amounts shown as Amounts due to/(from) partners and Amounts due to/(from) Members relate to amounts due to and from Members of the LLP or partners of its subsidiary undertakings. Balances due to partners remunerated as employees or consultants are shown within *'Trade and other payables'*.

	Consolidated				
	Amounts due to/ (from) partners £m	Partners' capital classified as a liability £m	Equity £m	Total 2022 £m	Total 2021 £m
Total partners' interests at 1 May	(28.0)	174.7	507.6	654.3	579.6
Total comprehensive income for the year	–	–	562.5	562.5	508.9
Profit allocated to partners	496.0	–	(496.0)	–	–
Drawings and distributions	(504.6)	–	–	(504.6)	(463.8)
Capital introduced	(13.0)	19.7	–	6.7	40.6
Capital repaid	–	(13.2)	–	(13.2)	(11.0)
	(49.6)	181.2	574.1	705.7	654.3

	Limited Liability Partnership				
	Amounts due to/ (from) Members £m	Members' capital classified as a liability £m	Equity £m	Total 2022 £m	Total 2021 £m
Total Members' interests at 1 May	(8.6)	169.4	426.7	587.5	535.8
Total comprehensive income for the year	–	–	461.6	461.6	428.3
Profit allocated to Members	413.9	–	(413.9)	–	–
Drawings and distributions	(418.4)	–	–	(418.4)	(406.1)
Capital introduced	(13.0)	19.2	–	6.2	40.4
Capital repaid	–	(12.3)	–	(12.3)	(10.9)
	(26.1)	176.3	474.4	624.6	587.5

Capital due to partners/Members retiring within one year is shown as current, as it will be repaid within 12 months of the reporting date. Total partners'/Members' capital analysed by repayable dates is as follows:

	Consolidated		Limited Liability Partnership	
	2022 £m	2021 £m	2022 £m	2021 £m
Included in current liabilities	9.4	7.1	9.1	7.1
Included in non-current liabilities	171.8	167.6	167.2	162.3
	181.2	174.7	176.3	169.4

The carrying value of partners' and Members' capital is consistent with fair value in the current and prior years.

26 Related party transactions

The key management personnel comprise the Senior Partner and Managing Partner, the heads of the main global practice groups and the support directors. The majority of partners in key management positions maintain significant client responsibilities. The share of the profit and the salaries (including post-employment benefits) awarded to these key management personnel for the year ended 30 April 2022 amount to £19.8m (2021: £18.7m).

The Group and the LLP are related parties because they are both controlled by the Board. Related party transactions between the Group and the LLP are disclosed below.

Services in respect of client engagements

Arrangements are in place for the LLP to supply services to other Group undertakings in connection with client assignments and vice versa. For the year ended 30 April 2022, there was a net provision of services to the LLP from other Group undertakings to the value of £54.7m (2021: £39.8m).

Administrative support provided within the Group

Global and regional management charges are levied across the Group for the cost of services provided by central support functions. The staff that perform global and regional roles are based in a number of locations as determined by the directors responsible for the global support functions. For the year ended 30 April 2022, there was a net provision of administrative support to the LLP from other Group undertakings to the value of £5.7m (2021: £5.3m).

Balances outstanding

The balances outstanding between the LLP and other Group undertakings are disclosed as *'Amounts due from other Group undertakings'* in note 17 and as *'Amounts due to other Group undertakings'* in note 19.

27 Financial risk management objectives and policies

Management's objective in managing financial risk is to ensure the long term sustainability of the Group. As the Group's principal financial instruments comprise cash, client receivables, unbilled revenue, other payables, accruals, provisions and partners' capital that arise directly from operations, the main risks are those that relate to credit in regard to receivables, the Group's liquidity in relation to the payables, and foreign currency risk.

Credit risk

(i) Risk management

Cash deposits with banks and financial institutions give rise to counterparty risk. The Group manages this counterparty risk by reviewing the credit ratings regularly and by limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating, market capitalisation and relative credit default swap price. The minimum long term credit rating of all banks and financial institutions which held any significant short-term deposits during the year was BBB+.

Although the Group has a policy of performing credit checks on all new clients, its main protection against a significant charge to its income statement for non-recoverability of a client receivable lies in its wide client base. The Group's large client base of reputable corporations and entities is both geographically diverse and spread across different industry sectors. This ensures that no one client accounts for a significant element of the combined client receivables and unbilled revenue balance. Management regularly reviews the concentration of specific clients to assess whether the level of credit risk is acceptable.

(ii) Impairment of financial assets

The Group has four types of financial asset that are subject to impairment in accordance with IFRS 9 *'Financial Instruments'*:

– client receivables;

– contract assets related to unbilled revenue;

– finance lease receivables; and

– other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses on client receivables and unbilled revenue. Under the simplified approach the Group recognises a lifetime expected loss allowance for all client receivables and unbilled revenue at each reporting date.

The Group applies the IFRS 9 general method for measuring expected credit losses on finance lease receivables. Under the general method an expected 12 month credit loss is recognised upon initial recognition of the lease receivable and at each reporting date thereafter, provided there has been no significant increase in credit risk. When credit risk is determined to have increased significantly since the last reporting date, an expected lifetime credit loss is recognised.

Client receivables, contract assets related to unbilled revenue and finance lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include significant financial difficulties on the part of the debtor and default or delinquency in payments. Impairment losses on client receivables, unbilled revenue and finance lease receivables are presented within *'Net impairment reversal/(losses) on financial and contract assets'*. Subsequent recoveries of amounts which were written off previously are credited against the same line item.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss on cash and cash equivalents was immaterial.

Client receivables and contract assets

Client receivables and contract assets are written off in full when there is no reasonable expectation of recovery. A specific loss allowance is recognised when the Group has assessed that there is significant credit risk. For all remaining client receivables and contract assets, a lifetime expected credit loss is recognised.

To measure the lifetime expected credit loss, client receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of bills raised over a period of 24 months before 30 April 2022 and the corresponding historical credit loss experienced within this period. The historical loss rate has then been adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of clients to settle the receivables. The Group has identified the industry sector that the client operates in and GDP of the countries in which it sells its services to be the most relevant factors for this assessment.

The Group's unbilled revenue relates to work in progress which has substantially the same risk characteristics as the client receivables for the same types of contracts. The Group therefore concluded that the expected loss rates for client receivables that are not past due are a reasonable approximation of the loss rates for unbilled revenue and applied the same calculation methodology.

On that basis, the loss allowance as at 30 April 2022 was determined as follows for client receivables and contract assets relating to unbilled revenue:

	Consolidated				
	Not past due	Past due 0-30 days	Past due 31-120 days	Past due greater than 120 days	Total £m
30 April 2022					
Expected loss rate	0.5%	0.8%	2.0%	25.1%	2.9%
Gross carrying amount – client receivables	309.9	100.7	101.1	77.6	589.3
Gross carrying amount – unbilled revenue	277.1	–	–	–	277.1
Loss allowance	(2.8)	(0.8)	(2.0)	(19.5)	(25.1)
30 April 2021					
Expected loss rate	0.2%	0.4%	2.9%	39.2%	4.2%
Gross carrying amount – client receivables	276.7	87.6	86.6	70.4	521.3
Gross carrying amount – unbilled revenue	240.3	–	–	–	240.3
Loss allowance	(1.2)	(0.4)	(2.5)	(27.6)	(31.7)

	Limited Liability Partnership				
	Not past due	Past due 0-30 days	Past due 31-120 days	Past due greater than 120 days	Total £m
30 April 2022					
Expected loss rate	0.4%	0.7%	1.8%	26.9%	2.8%
Gross carrying amount – client receivables	238.4	75.2	73.3	53.1	440.0
Gross carrying amount – unbilled revenue	202.3	–	–	–	202.3
Loss allowance	(1.6)	(0.5)	(1.3)	(14.3)	(17.7)
30 April 2021					
Expected loss rate	0.2%	0.4%	1.3%	45.3%	3.9%
Gross carrying amount – client receivables	222.7	56.0	56.6	43.3	378.6
Gross carrying amount – unbilled revenue	172.5	–	–	–	172.5
Loss allowance	(0.7)	(0.3)	(0.7)	(19.6)	(21.3)

Finance lease receivables

To measure the expected credit loss, lease receivables have been individually assessed to determine whether they are credit impaired or whether there has been a significant increase in credit risk. The Group has performed this assessment by considering the industry sector that the tenant operates in, past payment history and available information about the financial position of the tenant. Specific arrangements such as requests or requirements for landlords to offer rent reductions or extended payment terms that came into force due to Covid-19 were also considered.

When the conclusion of that assessment is that there is no significant increase in credit risk, an expected 12 month credit loss is recognised. When credit risk is determined to have increased significantly since the last reporting date, an expected lifetime credit loss is recognised. The expected credit loss is calculated as the probability weighted average loss across a range of possible default scenarios, based on management's judgement. The loss has been discounted using the same discount rates applied in calculating the carrying value of the lease receivable.

A summary of the assumptions underpinning the Group's and the LLP's expected credit loss model for lease receivables is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Credit risk is in line with original expectations	12-month expected credit loss (stage 1)
Underperforming	Significant increase in credit risk has occurred compared to original expectations	Lifetime expected loss (stage 2)
Non-performing (credit impaired)	Repayments are 180 days past due or it becomes probable that a tenant will enter bankruptcy	Lifetime expected loss (stage 3)
Write-off	No reasonable expectation of recovery	Asset is written off

On that basis, the loss allowance as at 30 April 2022 was determined as follows for finance lease receivables:

	Consolidated		
	Gross carrying value	Loss allowance	Lease receivable net of expected credit losses
30 April 2022			
Performing	38.0	(0.2)	37.8
Underperforming	16.3	(0.4)	15.9
Non-performing	0.5	(0.2)	0.3
Total lease receivable	54.8	(0.8)	54.0
30 April 2021			
Performing	43.9	(0.2)	43.7
Underperforming	22.3	(4.6)	17.7
Non-performing	1.4	(1.1)	0.3
Total lease receivable	67.6	(5.9)	61.7

	Limited Liability Partnership		
	Gross carrying value	Loss allowance	Lease receivable net of expected credit losses
30 April 2022			
Performing	38.0	(0.2)	37.8
Underperforming	15.6	(0.4)	15.2
Non-performing	0.5	(0.2)	0.3
Total lease receivable	54.1	(0.8)	53.3
30 April 2021			
Performing	43.9	(0.2)	43.7
Underperforming	21.2	(4.6)	16.6
Non-performing	1.4	(1.1)	0.3
Total lease receivable	66.5	(5.9)	60.6

Other receivables and amounts due from Group undertakings

The Group and LLP determined that the expected credit loss on other receivables and amounts due from Group undertakings was not material to the financial statements and so no loss allowance for expected credit loss has been recognised. These balances are considered to have low credit risk and the loss is limited to a 12 month credit loss.

The closing loss allowances for client receivables, contract assets and finance lease receivables as at 30 April 2022 reconciles to the opening loss allowance as follows:

Movement in loss allowance:

	Consolidated					
	Client receivables		Contract assets		Finance lease receivables	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 May	(31.2)	(38.3)	(0.5)	(3.3)	(5.9)	(16.7)
Currency translation adjustment	(0.1)	–	0.2	–	–	–
Provision utilised	9.9	5.3	–	–	0.7	1.0
Increase in loss allowance recognised in profit or loss during the year	(18.8)	(13.7)	(1.0)	–	–	(0.9)
Provision released	16.4	15.5	–	2.8	4.4	10.7
At 30 April	(23.8)	(31.2)	(1.3)	(0.5)	(0.8)	(5.9)

	Limited Liability Partnership					
	Client receivables		Contract assets		Finance lease receivables	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At 1 May	(21.1)	(26.4)	(0.2)	(2.3)	(5.9)	(16.7)
Currency translation adjustment	(0.1)	–	0.2	–	–	–
Provision utilised	6.2	4.0	–	–	0.5	1.0
Increase in loss allowance recognised in profit or loss during the year	(13.4)	(8.5)	(0.7)	–	–	(0.9)
Provision released	11.4	9.8	–	2.1	4.6	10.7
At 30 April	(17.0)	(21.1)	(0.7)	(0.2)	(0.8)	(5.9)

(iii) Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions in addition to forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed above.

Group financial assets and liabilities by category

Assets	2022 £m	2021 £m
Net client receivables	565.5	490.1
Net contract assets – unbilled revenue	275.8	239.8
Net finance lease receivables	54.0	61.7
Other receivables	30.6	23.0
Cash	302.8	352.1
	1,228.7	1,166.7

The carrying amounts of financial assets are denominated in the following currencies:

	2022 £m	2021 £m
Euro	301.9	315.8
Sterling	520.0	514.7
U.S. Dollar (or currencies linked to U.S. Dollar)	313.5	252.2
Other currencies	93.3	84.0
	1,228.7	1,166.7

Liabilities	2022 £m	2021 £m
Lease liabilities	417.5	467.0
Trade payables	45.6	61.7
Employment and other charges	35.6	37.9
Other payables	22.6	18.3
Partners' subordinated loans	95.3	81.0
Other amounts due to partners remunerated as employees or consultants	154.9	159.5
Accruals	149.5	130.3
Partners' capital	181.2	174.7
Provision for onerous contracts and dilapidations	48.3	45.8
Provision for early retirement of partners/former partners	39.1	34.4
Provision for annuities	11.5	11.3
	1,201.1	1,221.9

The carrying amounts of financial liabilities are denominated in the following currencies:

	2022 £m	2021 £m
Euro	255.6	250.1
Sterling	729.7	767.8
U.S. Dollar (or currencies linked to U.S. Dollar)	199.1	186.7
Other currencies	16.7	17.3
	1,201.1	1,221.9

Liquidity risk

In terms of ability to meet obligations, whether trade creditors, other payables or accruals, the Group carefully monitors its cash flow against its projections. It has a policy of setting its capital and drawings policy to enable the Group's cash funds to be sufficient to meet the Group's obligations. The Group also maintains borrowing facilities to cover any unforeseen cash demands.

Foreign currency risk

The presentation currency of the Group is Sterling. However, with offices in many different countries, the Group's operations are conducted in many different currencies. In addition, the Group is willing, at a client's request, to invoice in a currency other than the functional currency of the location from which the bill is sent. The principal currencies, other than Sterling, to which the Group is exposed are the Euro and the U.S. Dollar, along with other currencies that are linked to the U.S. Dollar.

The effect of foreign currency fluctuations having a material impact on each entity's results is mitigated by the income and costs incurred by that entity being principally in the functional currency of the location. The Group does not hedge or enter into forward derivative transactions because of the cost of these instruments. However, it does retain currency cash balances which it monitors closely to ensure that the balances in each currency match the currency of the expected future payments.

If the Euro and U.S. Dollar (including currencies linked to the U.S. Dollar) had weakened against all other currencies, the impact on profit before tax and net assets as a result of retranslating financial assets and liabilities would have been as set out below:

	2022		2021	
	Profit £m	Net assets £m	Profit £m	Net assets £m
Euro 5% weaker	2.5	(21.6)	1.2	(20.3)
U.S. Dollar (including linked currencies) 5% weaker	(0.8)	(18.3)	(1.5)	(11.4)

The above analysis includes the impact on profit before tax resulting from retranslating intercompany balances that are eliminated within the consolidated balance sheet and which are therefore not included within the above table of Group financial assets and liabilities.

The effect of foreign currency fluctuations on the conversion of the entities' results into Sterling is borne by the partners as the profit for the year is determined in Sterling.

Partners based outside London receive their profit shares in Sterling, converted at their request into local currency with an internal protection mechanism equivalent to a collar. Partners based outside London may elect to receive their undistributed profits for the year in their local currency.

Awards highlights

We're committed to supporting a culture that drives diversity, equity and inclusion and enriches the communities we work in. Every day, we're working hard to create an environment where everyone feels that they can bring their authentic selves to work. To be comfortable and confident to be who they are in the workplace. To feel like they belong. To be All In.

- Recognised by Stonewall as a Top Global Employer for LGBTQ+ staff globally
- Been included in The Times Top 50 Employers for Women for the fourth year in a row
- Received the Law Firm Diversity Award 2022 by the Asian American Bar Association of New York ('AABANY').
- Been ranked 24th in The Social Mobility Foundation's UK Social Mobility Index 2021
- Been named as a Top 10 Employer for Investing in Ethnicity in the UK for the last three years

Top 10

- Recognised by Accenture as one of five law firms with their Outside Counsel Diversity Award, which celebrates firms making tangible progress in inclusion, diversity and equity
- Been awarded Best Places to Work for LGBTQ+ Equality 2022, Human Rights Campaign Foundation's (HRC Foundation) 2022 Corporate Equality Index (CEI)
- Received Gold in the 2021 Hong Kong Community Business LGBTQ+ inclusion index
- Been awarded Corporate Citizenship Law Firm of the Year, by Asian Legal Business for the fifth year running
- Been Mansfield Certified since 2019, achieving Mansfield Plus Certification in July 2020, and more recently Diversity Lab Mansfield Certified 5.0 plus in 2022. We are again enrolled in the 2021-2022 iteration. The London office has also joined the UK Pilot of the Mansfield Rule, 2021-2022

The Greece Pro Bono Collaborative Project, which brought together volunteer lawyers from A&O, five other firms and European Lawyers in Lesvos, won five major awards for its support of refugees stranded on the Greek Islands

"Greater diversity enriches us as individuals, teams and as a business. It's also a fundamental responsibility"

ALL IN

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Global presence

Allen & Overy is an international legal practice with approximately 5,600 people, including some 580 partners, working in more than 40 offices worldwide. A current list of Allen & Overy offices is available at www.allenovery.com/global_coverage.

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