ALLEN & OVERY

Annual Report and Financial Statements

for the year ended 30 April 2023

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STANHOPE

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 2023.

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 2023. **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', 'the firm' 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 activities

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


THE TIMES
Rudd fuels
Tory unrest
over Brexit

Strategy

At the heart of our strategy is a clear ambition: to be at the forefront of legal thinking and build 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 significantly in our business in the U.S. while building our U.S. law capabilities around the world. Additionally, in May 2023 we announced our plans to merge with U.S. based firm Shearman & Sterling to create an integrated global elite firm. Our focus in Asia over many years has created depth and breadth across the region, so we are well positioned to take advantage of those growth opportunities that emerge through the current period of geo-political dislocation. 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 the EU 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 and market leadership. Our practice and geographic diversity enable us to originate work and advise clients in the best possible way in each of our markets. Our focus on sectors helps us tailor that advice to meet the changing needs of different industry groups. By concentrating on our client relationships and market leadership, we can maximise the opportunity to connect clients to new parts of our business. 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 inclusive 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.

Innovation

Whether supporting clients to select and deploy the optimal legal tech solution, take advantage of our flexible resourcing options, or navigate today's complex and dynamic regulatory and compliance worlds with confidence, Allen & Overy's market-leading Advanced Delivery & Solutions teams allow us and our clients to deliver projects effectively and efficiently, without compromising on quality and without the risk associated with using multiple third party providers.

Examples include our Markets Innovation Group who not only excel at creating industry-wide scaled solutions but also paved the way for Allen & Overy to become the world's first law firm, and one of the few firms of any sort, to roll out 'Harvey' GPT4 across our entire organisation and over 43 jurisdictions; A&O Consulting whose highly experienced senior team are trusted advisors to business leaders on a variety of topics including governance, risk and regulatory strategy, as well as corporate purpose and organisational culture; aosphere who have been providing high quality online legal risk management products since 2002; and Advanced Delivery Legal teams who provide support across global time zones; and industry renowned Peerpoint which offers top tier talent on an interim basis.

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 sharing our knowledge from global practices and sectors widely, we will originate more matters and deliver to a higher standard for our clients. This in turn builds an environment that allows ideas to be safely explored and shared to benefit the whole business.

Business and financial performance

Revenue

Our revenue grew by 7% to £2,080m (2022: £1,942m), despite a challenging global economic backdrop that reduced demand for legal services in some of the practices and markets in which we operate.

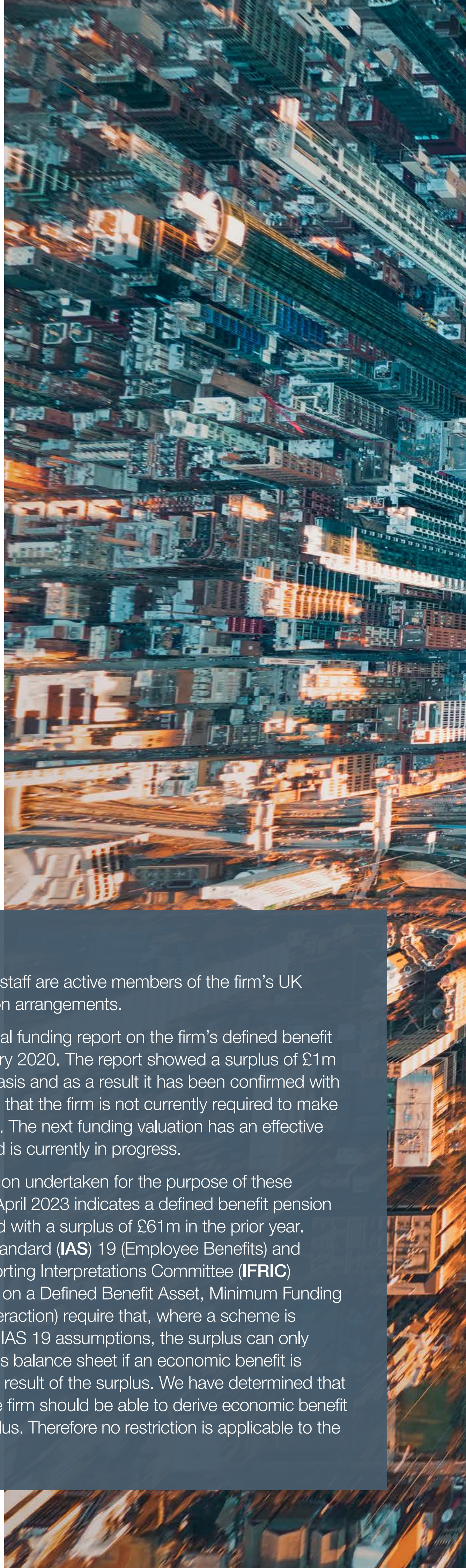
Our Banking, Corporate and Litigation practices delivered double digit growth, while our International Capital Markets practice was negatively impacted by the slowdown in capital markets. On a geographic basis, we grew revenue in most of our regions. Our Middle East operations performed very strongly and revenue from our U.S. business continued to grow, benefitting from our continuing expansion in the region as well as favourable movements in exchange rates from financial year 2022 to 2023.

Profit for the financial year

Profit before taxation was £892m (2022: £900m). The result reflects the impact of softening market demand on productivity as well as an increase in our cost base as a result of competitive pressure on salaries, general price inflation on overheads and a return to pre-pandemic activity levels of travel, marketing and other costs.

Operating costs

Our total staff costs increased by £106m to £830m (2022: £724m), reflecting the impact of rising average employee headcount from 5,188 to 5,454 and increases in total staff financial reward. Other operating expenses increased by £32m to £232m (2022: £200m), reflecting price inflation and the increased levels of travel, marketing and business development activities following the pandemic.



Staff pensions

2,531 (2022: 2,482) 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 £1m 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 has an effective date of 1 January 2023 and is currently in progress.

The separate annual valuation undertaken for the purpose of these financial statements at 30 April 2023 indicates a defined benefit pension surplus of £31m, compared with a surplus of £61m 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. Therefore no restriction is applicable to the balance sheet.

Net assets and financing

Our consolidated balance sheet remains strong, with net assets of £518m (2022: £574m).

The Group is financed through a combination of partners' capital, partners' subordinated loans and undistributed profits. Partners' capital contributions totalling £199m (2022: £181m) and partners' subordinated loans totalling £97m (2022: £95m) 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 a 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 2023, the Group had unused committed bank facilities of £175m. 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.

Post balance sheet events

After the balance sheet date, in May 2023, the firm announced a planned merger with Shearman & Sterling, to create an integrated global elite firm. The planned merger has had no impact on these financial statements.

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 Global CFO & Operations Director and is subject to scrutiny by the Audit Committee and the Board.

Tax contribution

Allen & Overy 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 by the collection of taxes from others. The total contributions are approximately £743m (2022: £713m).

Allen & Overy and its partners have paid, or will pay, taxes of over £447m in relation to the year ended 30 April 2023. Globally this amount comprises approximately £367m of profit taxes, £61m of employer's social security contributions, £9m of property taxes and £10m of other taxes.

In addition, Allen & Overy has collected approximately £296m of taxes on behalf of the governments of the jurisdictions in which we practise. £188m was collected by way of payroll and social security deductions from remuneration paid to our staff and £108m of VAT, GST and similar taxes was collected from clients.

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.

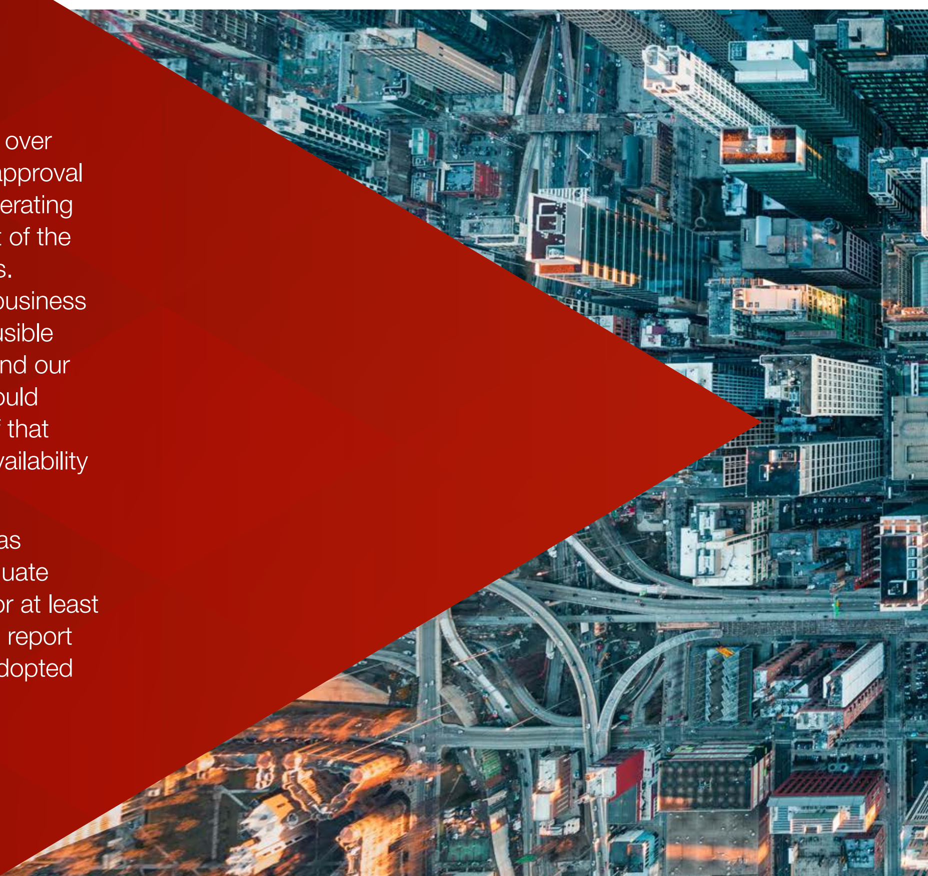
Auditors

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, the impact of the proposed merger 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.

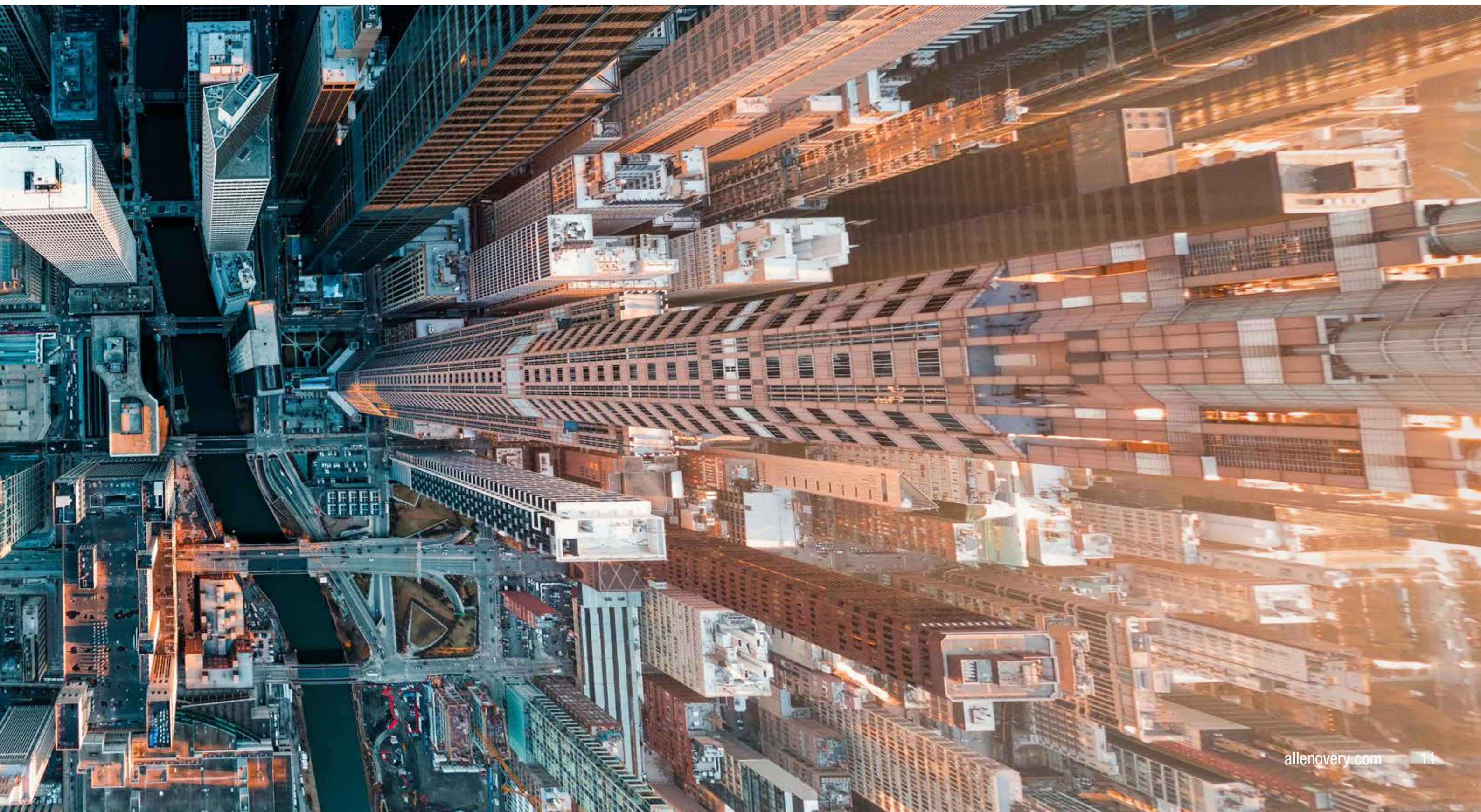


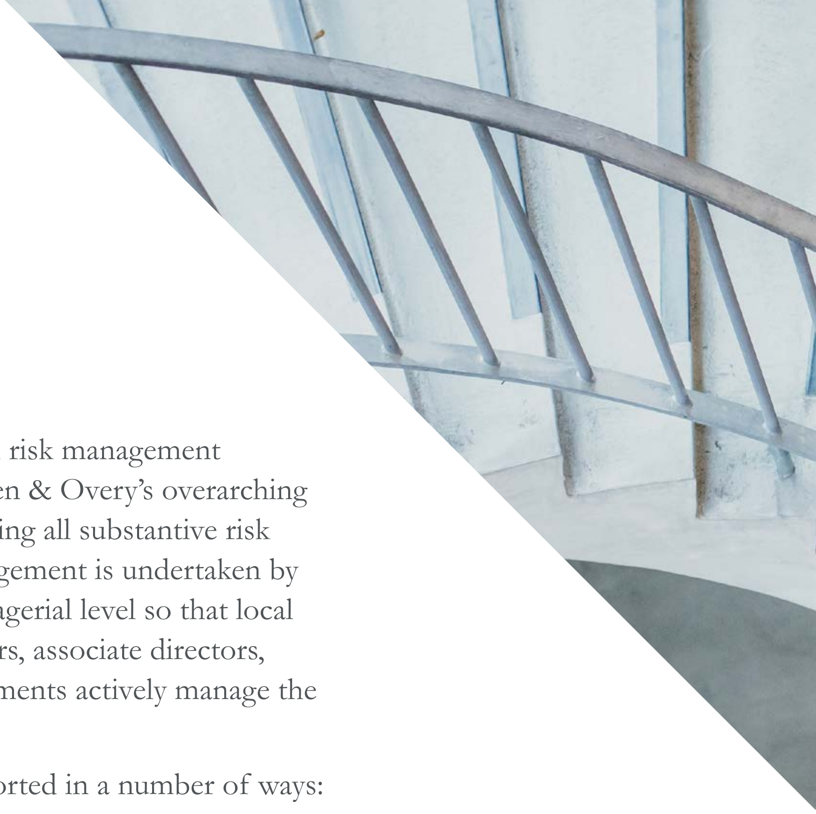
Governance

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, six independent directors (**IDs**) who are elected to the positions for a four-year term, and one co-opted member. For the year ended 30 April 2023, the Board comprised Wim Dejonghe (Senior Partner), Gareth Price (Managing Partner) and the six IDs: Parya Badie, Tim Conduit, Shamita Etienne-Cummings, Roger Lui, Peter Myners and Ken Rivlin. Sally Dewar was a co-opted member. In addition, during the financial year, the Board also benefitted from the advice of the Global CFO & Operations Director, Jason Haines, who attended all Board meetings. Since the year end, the Board appointed Wim Dejonghe as acting Managing Partner following the retirement of Gareth Price. Subsequently the Board appointed Khalid Garousha as Interim Global Managing Partner until a new Global Managing Partner is appointed by election (which involves a vote of the partners). Khalid's appointment is effective 1 September 2023, for an eight-month period to 30 April 2024. The Board also appointed Bethan Chatters as Global CFO & Operations Director, following the planned retirement of Jason Haines. Jason has continued to work for the firm part-time from 1 May 2023 to 30 September 2023, and as the person responsible for the firm's financial affairs in the period 1 May 2022 to 30 April 2023, is co-signing the financial statements with the firm's nominated designated member, Wim Dejonghe.

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 2023, Exco comprised the Senior Partner and Managing Partner plus 13 other partners from across the firm: David Broadley, Philip Bowden, Angela Clist, Emma Dwyer, Hervé Ekué, David Esseks, Khalid Garousha, Dave Lewis (Resigned as Exco member 1 April 2023), Vicki Liu, David Lucking, 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: the Global CIO and SSC Director, the Global Chief Marketing Officer, the Global CFO & Operations Director and the Global Chief HR Officer.





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, associate directors, chief global officers 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 teams staffed by lawyers and analysts in a number of countries including the UK, the U.S. and Singapore, further supported by subject matter experts across the business. 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, 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 comprises 11 partners (including the Chair, the Managing Partner, the General Counsel and the Risk & Compliance Partner and seven other partners), the Global Head of Regulation and Conduct, the Head of In-House Legal, the Global Chief HR Officer, the Global CIO and SSC Director, the Global CFO & Operations Director and the CEO of A&O Consulting. It does not have executive powers and responsibilities but its role is to identify and assess the Group's material non-financial risks, including cyber risk, 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.

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 or central functions 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, Risk & Compliance Partner and eight other partners), the CIO and SSC Director, the Chief Information Security Officer, the Global CFO & Operations Director, the Global Chief HR Officer, the Global Chief Marketing 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.

Climate-related risks and opportunities

For the year ended 30 April 2023, the Environmental Sustainability team advised the Managing Partner and owns the process for reviewing and updating the list of climate-related risks and opportunities. Each newly identified climate-related risk or opportunity is assessed in consultation with subject matter experts across the Group.

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 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:

Our principal risks

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 designed to take account of increasing regulatory scrutiny. – Crisis management and public relations plans. – Management of PI cases/complaints.
Geopolitical risks and uncertainty: Regionalisation and increasing macroeconomic and political tensions, including relating to Russia's invasion of Ukraine.	– The wind-down of our operations located in Moscow. – 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.

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 and the risks (and opportunities) of hybrid working.	– Recruitment strategies to identify, attract and select talent. – Training and development programmes, including regular feedback and on-going 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. – Well-being resources for staff. – Maintaining close relationships with teams, making sure our people remain connected and informed, and appropriate supervision policies and procedures.
Service: Delivery of service which does not meet the high quality required and the risks (and opportunities) of new technologies.	– 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™, MarginMatrix™ ContractMatrix and generative AI tools such as Harvey. – ISO 22301 certification in the UK for business continuity management. – Scope of work and terms of business agreed. – Institutionalising client relationships. – Integration with Fuse, our tech innovation hub.
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.

People and performance

We are facing an increasingly competitive talent landscape with new generations entering the workforce who have different expectations and aspirations. To have the best people working for us, we need to offer an outstanding employee experience – one that meets the needs of a diverse range of colleagues.

We have reviewed our value proposition to our people to ensure it is fit for purpose, and that it clearly and compellingly articulates who we are, and why Allen & Overy is a great place to build a career – that it provides a resounding answer to the questions 'why choose us?' and 'what expectations do we have of you?'

In the last financial year, we have implemented a new employee value proposition (EVP) that answers those questions and articulates what our people value about working here and how our employee experience differentiates us.

We sought the views of stakeholders across our international network, and almost everyone described a consistent experience.

We used this insight to develop our employer brand and EVP, building on the existing positives of life at Allen & Overy. The result is 'Belong.Excel.' It reflects a focus on belonging and connection, and how we can contribute to success in all aspects of our employees' lives. It is authentic to where we are today, as we need to live it, day in, day out, but it is also aspirational. It encapsulates our values, purpose and long-term vision, capturing the strengths of our employee offer, the demands of our ambitions, and the flexibility that today's world requires.

'Belong' articulates the pride our people feel in being part of a supportive and collaborative team with a dynamic culture and a strong commitment to diversity, equity and inclusion and social responsibility. 'Excel' captures the experience of working with ambitious people on the world's most complex legal challenges and striving for excellence in a high performance environment, using advanced technology and our international network. All of this is underpinned by our investment in people through professional and personal development, training, mentoring and practical support.

'Belong. Excel.' will help us stand out in the marketplace, while making sure we protect and enhance our culture to attract and retain talent. The sentiments of 'Belong.Excel.' aim to capture Allen & Overy at its best while showing a collective responsibility to improve on that experience for our people every day. We want to bring 'Belong.Excel.' to life for everyone who interacts with Allen & Overy, from potential recruits to alumni, making sure there is consistency from a person's first interactions with us, throughout their development here, and beyond. We are now having conversations across the firm to identify what we are doing well and where there is an opportunity to improve, so that, collectively, we take steps to make positive changes.

We are committed to building a working environment that celebrates and embraces difference and promotes diversity of thought. We focus on doing this in a way that responds to local challenges; for example, this year we ran allyship training in Belgium; implemented a Reconciliation Action Plan in Australia; explored the role of male allies with colleagues and clients in the Middle East; introduced reverse mentoring in South Africa; expanded the work of our award-winning Asian Affinity network in the U.S.; and piloted a workplace adjustment passport in the UK so that colleagues with disabilities who need specific equipment and adjustments to perform their role can record their requirements in one place.

> "We are committed to building a working environment that celebrates and embraces difference."

Optimising wellbeing to sustain a high performance culture

Looking after our colleagues' wellbeing is another crucial element of our employee experience. At Allen & Overy, we have high expectations of one another, and our clients expect us to perform at our best. To do this, we need to be at our best.

We nurture an environment and ways of working that care for our wellbeing and sustain high performance. Our strategy for improving workplace mental health focuses on creating a culture of psychological safety, ensuring our work environment supports positive mental health, and providing resources, tools and support. We measure our progress in these areas through our employee engagement survey, and our 2023 results show improvements in all three categories. We have introduced global standards and proactively support individual offices to implement and measure progress against these. Local wellbeing plans are in development in every office, along with wellbeing KPIs to improve accountability.

We encourage people to speak openly about their wellbeing and to seek help should they need it. A number of our people have shared their experiences openly – for example, we held a discussion on the topic of addiction in 2022. We also organise regular talks with subject matter experts. In March 2023, we invited Dr Julie Smith – clinical psychologist and author of Why Has Nobody Told Me This Before? – to share techniques to help us optimise our mental wellbeing. These events help to break down the stigma that is associated with mental health and encourage open conversation.

We have reinforced a culture of psychological safety and a supportive work environment through initiatives such as 'Mindful Leader' training for our partners and the senior sponsorship of over 40 Mental Health Advocates. Many teams have reviewed their working practices and identified simple ways to reduce unnecessary sources of stress, such as comprehensive handovers prior to annual leave, and more effective meetings and email communications.

We provide comprehensive support for wellbeing and have intervention strategies to avoid people reaching crisis. We encourage our people to proactively look after their mental wellbeing with the support of wellbeing apps that offer evidence-backed tools and information, and colleague support via our growing network of 200 mental health allies. Should they need it, all our people, wherever they are based, have free access to professional counselling for them and their families through our private healthcare cover and/or our employee assistance programme.

We recognise that each of us, through our awareness of and interactions with one another, has a positive role to play. The more our wellbeing improves, the more we can help those around us, ensuring our teams are flourishing and fulfilled in a place where we can all 'Belong.Excel.'

> "We encourage people to speak openly about their wellbeing and to seek help should they need it."

Pro bono and community investment

Pro bono and community investment (**PBCI**) work is embedded at the centre of our business, with lawyers' legal pro bono recognised in the same way as fee-earning work. We recorded 77,980 hours of PBCI work by our lawyers last year. This is an increase on the prior year of 20%.

This increase in pro bono hours is in part down to large-scale programmes of support for asylum seekers fleeing the conflicts in Afghanistan and Ukraine, as well as longer-term work to assist asylum applicants in Greece and on access to family reunion pathways. Last year, we continued to support forcibly displaced people and related organisations through both direct case work and advisory work.

We approach PBCI not as something separate from our day-to-day work but as something we deliver in the same way, and with the same success, as our fee-earning work. We encourage practice groups and offices to take ownership for driving their own PBCI strategies and making it a core part of their business planning. This aligns projects with our teams' interests and skills.

It also helps us to maximise the positive impact we have on the communities we touch.

Allen & Overy partners contributed a total of £3.9m to charitable funds during the year, including £2.4m via the Allen & Overy Foundation, a charitable entity 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 programme, along with emergency relief donations, represents approximately 25% of The Allen & Overy Foundation's grants, with the rest being distributed by our network of offices to support their local communities.

Aiding and supporting the forcibly displaced

Our work for forced displacement projects has nearly tripled in the last three years. Over the past year, we have continued to support Ukrainian and Afghan refugees.

In the immediate aftermath of the invasion of Ukraine, our Warsaw office worked alongside the Polish Bar Association, NGOs and other firms to assist refugees. Nearly 1,500 lawyers volunteered in Poland, providing information on issues including work permits and accommodation. In Slovakia, our Bratislava office contributed specialist asylum law expertise via the Human Rights League's information line; others volunteered at the border in Blue Dot safe spaces set up by the UNHCR and UNICEF. We also mobilised a wider international team of 170 lawyers to help refugees wanting to resettle outside Poland.

In the months that followed, we worked with our existing NGO partners, European Lawyers in Lesvos (**ELIL**) and Safe Passage International (**SPI**), and other law firms to set up two longer-term projects to support refugees. These involve deploying Polish and England and Wales qualified lawyers on two-week secondments to ELIL and SPI, respectively, to provide legal advice to refugees in Warsaw-based collective shelters and support centres. To date, the SPI project has assisted 259 clients and their 172 dependants, and of these, 42 clients have received visas to travel to the UK. The ELIL project has supported more than 3,600 people with Polish law advice.

We are also assisting Afghan refugees across many of our U.S., EMEA and APAC offices. In the U.S., our lawyers have helped more than 200 individuals and their families, advising on Afghanistan Special Immigrant Visa (**SIV**) cases and asylum, refugee and other visa pathways for the International Refugee Assistance Project and other partner NGOs. Obtaining a green card is a slow process, even for those who qualify for a SIV, but our Afghan clients and their families have been resettling at a greater pace than in 2021-22. Alongside our immigration work, our U.S. lawyers have provided Afghans with other essential legal support, including drafting FAQs on U.S. tax filing requirements to help Afghans who have received state and federal benefits.

We are helping Afghans reunite with their families in Europe too. For example, we're collaborating with seven other law firms and the International Rescue Committee (**IRC**) to help Afghans come to Germany, with 20 lawyers volunteering 400 hours. In France, we are supporting Safe Passage International – France, alongside 11 other law firms. Last year, five of our lawyers were involved in three family reunification matters, volunteering 168 hours. Another two lawyers helped research and draft legal advice on specific aspects of the family reunification procedure. In the UK we are doing this work through our collaboration with Refugee Legal Support (**RLS**), Safe Passage International (**SPI**) and 13 other firms. In Australia, we continue to work with the Refugee Advice and Casework service to support the preparation of protection visa applicants for their interviews, which involves similar work to our longstanding collaborative pro bono project in Greece with ELIL.

In the UK, in July 2022, we helped launch a project with our long-term partner Bail for Immigration Detainees to process bail applications for asylum seekers being held in immigration detention. Every asylum seeker helped through the project was successfully granted bail, or bail in principle, and our work was highly commended at the LawWorks Pro Bono Awards 2022.

"We approach PBCI not as something separate from our day-to-day work but as something we deliver in the same way, and with the same success, as our fee-earning work."

Supporting victims of sexual violence and harassment

We are working with clients to help victim-survivors of sexual violence and sexual harassment.

In August 2022, our Hong Kong colleagues delivered a training workshop to counsellors and officers from the Association Concerning Sexual Violence Against Women (the **Association**) on the practical considerations and challenges that victim-survivors may face in commencing a civil action for image-based sexual violence (the taking, distributing, selling, or threatening to distribute, of intimate images of a person and sexualised photo editing without consent).

We were engaged by the Association in August 2021 to conduct a research project into the civil liabilities that perpetrators may owe to victim-survivors, and the relevant causes of action. The second stage, which examined the civil relief and relevant procedural considerations, was completed in April 2022.

To date, 13 lawyers from Allen & Overy's Hong Kong office have dedicated 823 hours to the project. The aim is to provide a legal toolkit setting out the rights, protections and remedies that civil law may afford to victim-survivors, so the Association can better advise and support them. Our research report also highlights gaps in the law and identifies areas for potential reform. We're now exploring further opportunities with the client, including taking part in its civil legal clinic and/or offering pro bono legal services to victim-survivors.

We are also creating a report on sexual harassment in the workplace for The Cyrus R. Vance Center for International Justice in New York. The Vance Center has partnered with the Africa End Sexual Harassment Initiative and the Pan Africa Lawyers Union to analyse the local and international legal protections against workplace sexual harassment in Sub-Saharan Africa. We are working with local law firms to review the situation across 25 jurisdictions, and with our aosphere colleagues to review the gaps and trends in the law and implementation.

> "13 lawyers from Allen & Overy's Hong Kong office have dedicated 823 hours to the project."

Assisting social mobility

We ranked 13th in the UK's Social Mobility Foundation Employer Index 2022 – up from 24th place the previous year and our fourth consecutive year of improvement.

We are continuing our efforts to remove barriers to employment. In 2023, we supported 27 people through ReStart, our employability programme for over-50's who have been out of work for up to a year. The programme, which has been running since 2017, offers tailored support in the form of coaching and mentoring, as well as workshops on topics including personal resilience and wellbeing, and using LinkedIn.

Of those who participated, 100% would recommend the programme, with one participant saying ReStart had given him back his self-worth and dignity. An impact report will be published later this year. We also launched two free, virtual legal work experience programmes.

Designed by our lawyers and developed in conjunction with Forage, a career education platform for high school and college students, the programmes can be accessed from anywhere in the world.

Each programme incorporates skills and experiences to prepare people for the world of work, while also giving them an insight into the day-to-day work of a commercial lawyer. Participants get the opportunity to see what legal reasoning looks like on a practical level and practise interpreting contracts, working with clients, demonstrating lateral thinking and applying legal principles – all at their own pace.

Ranked 13th in the UK's Social Mobility Foundation Employer Index 2022

Supporting fair use of legal systems

We have been supporting a project to promote reform of investigative interview practices by law enforcement officials in Kenya, where there are growing concerns about human rights violations, including torture and other ill-treatment.

We were asked by Fair Trials, an international criminal justice NGO, and the African Policing Civilian Oversight Forum (**APCOF**) to identify areas of Kenyan law, policy, operations and training related to interviewing by law enforcement officials where compliance with international human rights standards can be strengthened. We analysed the international legal framework underpinning the Méndez Principles and the East African Police Chiefs Cooperation Organisation Standard Operating Procedure, as well as the Kenyan legal framework with the help of Anjarwalla & Khanna, a Kenyan law firm.

We then helped to deliver a training session to 34 senior members of the International Commission of Jurists, Kenyan Section, alongside Fair Trials' Veronica Hinestroza, Sean Tait from APCOF, and Dr Gavin Oxburgh, who sits on the UN committee on torture prevention that helped create the Méndez Principles.

The session, which took place in Mombasa in March 2023, was also used to get input from participants – senior practitioners in the Kenyan legal system – on the specific challenges and opportunities that they face.

We are using this feedback to inform the next stage of the project. We are carrying out research to understand the gaps and strengths of the Kenyan legal framework in relation to the international and regional standards; identifying examples of good practice in other jurisdictions; and developing practical recommendations for reform. Our final report – which can be used as a basis for advocacy and training purposes – will be completed later this year.

A&O and Street Child Partnership

Our Global Charity Partnership with Street Child ended on 31 July 2023 and has surpassed our fundraising target of £1m. Our total stands at £1.48m – in part thanks to 1,000 colleagues who donated £703,000 through our First Hour, First Day campaign in January 2023. In addition we have provided £1m in in-kind, pro bono and professional skills advice.

Our fundraising total includes over £40,000 raised by 12 colleagues who took part in the Sierra Leone Marathon, Street Child's flagship fundraising event, in May 2023. A portion of this money is funding Street Child's work in Sierra Leone to tackle educational and socioeconomic barriers to learning; the rest is being given as unrestricted funding to use where it's most needed.

To date, we have supported the enrolment of 1,500 girls into secondary school, including 244 teenage mothers, with school uniforms and learning materials, as well as baby formula so families can provide childcare. The girls' families – 1,000 in all – have received business grants and training so they can afford the on-going costs of their education. In the first year of the programme, 98% were able to set aside savings at target levels, meaning all 750 girls supported were able to re-enrol for the next academic year.

We have also funded teaching and learning materials for 40 rural primary schools, as well as training for 160 teachers to improve foundational literacy and numeracy. This training benefitted 2,654 children in the first year, with over 84% passing the National Primary School Exam.

As we surpassed our fundraising target, we have been able to support 2,000 rural families in Sierra Leone with Income Generating Initiatives in the form of seed loans. These are paid back with interest, and the profits are used to fund teachers' salaries and other associated costs until a school can be approved for government funding.

“

To date, we have supported the enrolment of **1,500** girls into secondary school, including **244** teenage mothers”

Environmental sustainability

Leadership and commitment

Progressing towards meeting our Science-based Targets (SBT) has been a top priority for our Environmental Sustainability team. We spent 2022 working on developing existing and new processes and programs which are supporting our carbon reduction initiatives. The most significant focus is on our supply chain engagement, real estate, internal communications and data quality.

Our target of reducing absolute Scope 1, 2 and 3 emissions by 50% by 2030 (from a 2019 baseline) was approved by the Science-based Targets Initiative in April 2021 and we have now entered the third year of action during which we are looking to solidify our approach and start accelerating progress.

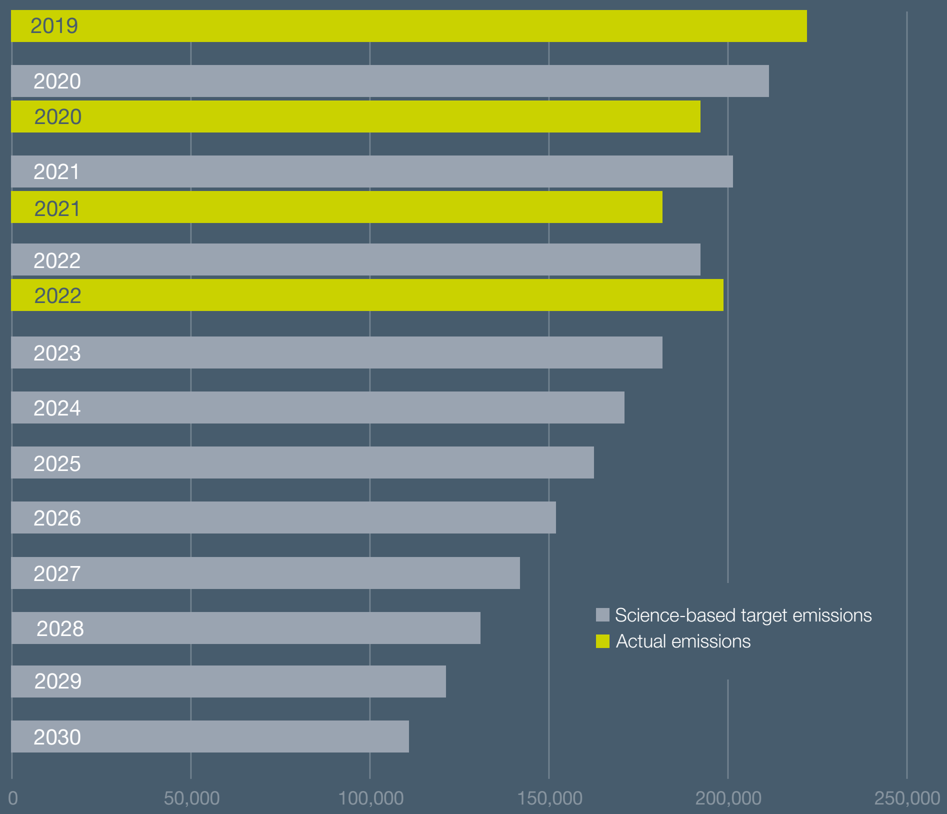
We have continued with our six working groups – dedicated to governance, data and reporting, supply chain, business travel, real estate and communications – prioritising the challenges of improving relevant management reporting data and information, and engaging with our supply chain in order to further understand the priority areas for collaboration. In 2022 the environmental working groups supported four out of ten of our Sustainable Development Goals (**SDGs**), being SDGs 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 12 (Responsible Consumption and Production) and 13 (Climate Action).

Our progress against the targets for 2020, 2021 and 2022 against our baseline emissions of 2019 are summarised in the chart opposite. Note that these reported emissions should be taken in the context of the global Covid-19 pandemic that significantly affected ways of working across our global offices during 2021-22.

We also continue to be certified to ISO 14001:2015 Environmental Management Systems in London, Belfast and Amsterdam. Those three locations are currently responsible for 44% of our Scope 1, 2 and business travel related Scope 3 carbon footprint covered by our certifications.

Science-based targets progress

Carbon Emissions (CO_2e)



Renewable Energy

78% of our global electricity consumption was supplied from renewable sources in 2022, including on-site generation at our London and Brussels offices.

The percentage of renewable electricity supply over the past four years was as follows:

2019	76%
2020	76%
2021	80%
2022	78%

Carbon Offsetting

We continued to purchase Verified Carbon Standard/ CCB-Gold carbon offsets from the REDD+ Project for Caribbean Guatemala: The Conservation Coast, to offset the CO_2e from our Scopes 1 & 2, and buildings and business travel related Scope 3 residual emissions in 2021[1].

[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.

Real Estate Sustainability

Real Estate is the only significant contributor to our Scope 1 & 2 emissions. As we measure impacts across all three scopes, we are rolling out a number of initiatives to help us manage the footprint of our offices, and to minimise future consumption, resource use and emissions. We are also working to improve the quality of data we use to calculate the impact and track progress against our SBTs. In particular:

- Revisions and improvements to our sustainability appraisal tool, bringing much needed standardisation of new site assessments and removing subjectivity of interpretation of real estate credentials
- Development of improved green lease clauses, providing our Real Estate team with tools to effectively leverage our Environmental Sustainability agenda in negotiation of property leases
- Improvements to our processes for mapping of emission sources and identifying other relevant data and information related to the operation, management and reporting on environmental impacts across our global estate

Our aspiration is also to select buildings with a minimum environmental certification of BREEAM Excellent / LEED Gold, and wellbeing certification of WELL Gold. During the year our new Budapest office obtained LEED Gold certification for our fit-out and almost every other ongoing real estate project has been actively pursuing certification.

Greenhouse Gas Emissions 2022

Our main areas of impact in terms of CO_2 equivalent emissions are:

– In Scope 1 – buildings

– In Scope 2 – buildings

– In Scope 3 – purchased goods and services, employee commuting (including homeworking emissions) and business travel

We noted a significant year-on-year increase in our business travel emissions related to global recovery from the Covid-19 pandemic. Our air travel-related emissions are nonetheless still 30% below the 2019 baseline and in line with reductions required to meet our targets. Our employee commuting emissions have also increased compared to the previous year, indicative of changing global patterns of agile working.

The emissions related to goods and services required to run the business operations (Purchased Goods and Services category) increased slightly year-on-year but are 5% below the 2019 baseline.

The small overall reduction is reflective of limited availability of primary data from our supply chain but on track against our supplier engagement program designed to help us meet the reduction targets.

The overall reported emissions are 10% below our 2019 baseline[2] and have increased by 10% between 2021 and 2022. A breakdown of emissions by scope in accordance with the Greenhouse Gas Protocol are summarised below:

Value Chain	Scope	Scope 3 Category	Emission Source	CY19 Emissions (tCO_2e)	CY21 Emissions (tCO_2e)	Year on Year Analysis (CY21 v CY19)	CY22 Emissions (tCO_2e)	Year on Year Analysis (CY22 v CY21)
Direct	Scope 1	-	Fuel, company vehicles and fugitive emissions	2,179	2,028	-7%	2,095	+3%
Operations	Scope 2 (location-based)	-	Electricity (location-based) and supplied heat	11,765	9,495	-19%	9,083	-4%
	Scope 2 (market-based)	-	Electricity (market-based) and supplied heat	4,932	2,583	-48%	2,931	+13%
Upstream	Scope 3	1	Purchased Goods and Services	171,715	158,856	-7%	162,892	+3%
		2	Capital Goods	2,817	7,694	173%	11,559	+50%
		3	Fuel and energy related activity	2,126	1,904	-10%	1,947	+2%
		4	Upstream transportation and distribution	961	521	-46%	519	0%
		5	Waste generated in operations	1,896	1,039	-45%	1,438	+38%
		6	Business travel	15,196	3,360	-78%	10,589	+215%
		7	Employee commuting	17,692	4,318	-76%	5,707	+32%
Downstream		13	Downstream leased assets	3,026	527	-83%	1,363	+159%
Total market-based				**222,540**	**182,830**	**-18%**	**201,040**	**+10%**
Total location-based				**229,373**	**189,742**	**-17%**	**207,192**	**+9%**

[2] Our SBT uses the market-based approach for Scope 2 electricity emissions.

Environmental Performance 2022

Our global performance for our most material metrics through calendar year 2022 (and a comparison to prior years) are summarised below:

Metric	Units	2019	2020	2021	2022
Air Travel	Passenger km	74,168,060	17,686,890	11,048,010	37,656,212
Electricity Consumption (Grid)	kWh	39,089,741	35,807,517	36,263,021	36,447,107
Renewable Electricity Consumption (Grid)	%	76%	76%	80%	78%
Fuel Consumption (Natural Gas)[1]	kWh	10,436,825	7,970,641	9,815,863	10,404,392
Refrigerant Losses	tonne	0.07	0.01	0.04	0.06
Hotels	nights	18,568	4,418	1,230	12,437
Rail Travel	Passenger km	2,520,781	1,130,643	1,238,148	3,001,985
Road Travel	km	2,440,440	953,125	715,667	846,570
Waste	tonne	1,603	669	754	883
Waste Recycled or Recovered[2]	(%)	73%	69%	72%	86%
Water Consumption	litre	201,381,297	124,501,227	114,488,022	171,827,868

Legal Sustainability Alliance

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

[1] Excluding liquefied natural gas

[2] This includes recycling, composting, anaerobic digestion and energy recovery

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 ending 30 April 2022.

	Year ended 30 April 2023 UK	Comparison with year ended 30 April 2022	Year ended 30 April 2022 UK
Energy consumption used to calculate emissions			
Energy from combustion of natural gas used in buildings	8,178,302 kWh	12%	7,296,456 kWh
Energy from purchased electricity used in buildings	23,501,710 kWh	1%	23,239,513 kWh
Energy from combustion of transport fuel *Transport combustion of fuel has been estimated from business mileage claims, and cannot be reliably converted to kWh.	20,995 miles*	223%	6,509 miles*
Total gross energy (building related energy)	**31,680,012 kWh**	**4%**	**30,535,969 kWh**
Energy intensity ratio (building related energy)	**562 kWh/m²**	**4%**	**541 kWh/m²**
Greenhouse gas emissions from energy (GHG)			
Emissions from combustion of natural gas used in buildings (Scope 1)	1,493 tCO_2e	12%	1,336 tCO_2e
Emissions from purchased electricity used in buildings (Scope 2, location/market based)	4,545 tCO_2e (location based)	-8%	4,934 tCO_2e (location based)
	149 tCO_2e (market based)	-35%	230* tCO_2e (market based)
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the transport fuel (Scope 3)	6 tCO_2e	233%	1.8 tCO_2e
Total gross GHG emissions (using location based Scope 2 emissions)	**6,044 tCO_2e**	**-4%**	**6,271.8 tCO_2e**
GHG emissions intensity ratio (gross scope 1 & 2 emissions)	**0.11 tCO_2e/ m^2**	**-%**	**0.11 tCO_2e/m^2**

*Restated based on actual data in place of estimates

Methodology

We have used the Greenhouse Gas Protocol and the UK Government's reporting guidelines on scope and definitions to determine our approach. The UK Government's Greenhouse Gas Conversion Factors 2022 edition and European Residual Mix 2022 have been used for emission calculations. Emissions factors for natural gas have been used on 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 our building heating and cooling systems and operational times at our London office with adjustments made to improve efficiency.

In line with compliance with Energy Savings Operational Scheme Phase 3 we have carried out energy audit assessments at our Belfast and London offices.

Climate-related risk and opportunity assessment

Each climate-related risk or opportunity is analysed under two Shared Socioeconomic Pathway scenarios, as derived from the Intergovernmental Panel on Climate Change (**IPCC**) Sixth Assessment Report and referenced against the following time periods:

Time Period	From	To	Rationale
Short-term	0	1 year	The Group undertakes financial and operational planning for each six months to one year ahead.
Medium-term	1 year	3 / 5 years	Resource planning, recruitment and implementation of core strategic objectives all focus on the up-to-five years' horizon.
Long-term	3 / 5 years	10 / 20 years	Long term horizon is related to partnership tenure and guardianship of our culture and most significant physical assets.

The assessment scenarios used are as follows:

Scenario	2100 temperature increase	IPCC Description	Rationale
SSP1-1.9	1.5 deg C	Sustainability – Taking the Green Road – The world shifts gradually, but pervasively, toward a more sustainable path, emphasising more inclusive development that respects perceived environmental boundaries.	This is the scenario targeted globally under the Paris Agreement. It is used to help the firm understand the most material market and regulatory change projections that may be required for the world to limit the temperature increase to 1.5 deg. C by 2100 by achieving net zero carbon emissions by 2050.
SSP2-4.5	2.7 deg C	Middle of the Road (Medium challenges to mitigation and adaptation). The world follows a path in which social, economic, and technological trends do not shift markedly from historical patterns.	This is the scenario most likely to materialise without further development of climate change-supporting legislation, significantly impacting markets in which the firm operates. Further socioeconomic developments are likely to impact workforce and supply chains and their ability to respond to physical risks of climate change.

Material climate-related risks and opportunities

Once assessed, climate-related risks and opportunities are governed by the same rules and criteria as all other risks across the Group. The process identifies risks and opportunities for escalation to the Risk Committee and to the Board. Any unmitigated climate-related risks rated as high in the medium and long term are considered material.

The Group's main climate-related risks relate to increasing market pressure on net zero commitments, coupled with the volatility of the voluntary carbon credits and offsets market leading to further increasing cost of decarbonisation.

This is further linked to growing uncertainty of energy supply, especially in areas and regions highly dependent on fossil fuel-related energy generation.

The main opportunities relate to increased demand for climate-related mitigation and adaptation representation across the Group's client base.

More generally, the principal climate-related risks and opportunities faced by the Group and the ways in which management respond to them are as follows:

No.	Risk / Opportunity	Time horizon	Response	Screening metric
1	**Risk**: Temporary, localised decreases in productivity due to instances or effects of severe weather events	Short-Long	– Facilitation and promotion of agile working – Communication on appropriate responses to and impacts of severe weather events	Hours billed (hr)
2	**Risk**: Damage to assets and infrastructure due to severe weather events	Short-Long	– Real Estate Sustainability Strategy and Project Principles – Office selection in low risk areas and active protection	Spend on recovery (GBP)
3	**Risk**: Price and supply volatility of energy, carbon credits and offsets	Medium-Long	– Group energy purchasing and Power Purchasing Agreements – Advance purchasing of carbon credits and offset project development – SBTs and rollout of Real Estate and Sustainable Procurement programs	Spend on energy (GBP); CO_2e emissions (tCO_2e)
4	**Risk**: Client loss due to inability to deliver across all client climate needs in high climate-focused markets	Medium-Long	– Further investment in and promotion of our world class team of experts working on climate-related matters for our clients – Sharing of knowledge across the firm so that climate considerations, within the framework of just transition, are front of mind for all of our lawyers	–
5	**Risk**: Stigmatisation and scrutiny of legal sector as working for 'carbon majors'	Medium-Long	– Business acceptance processes that take into account the diverse needs of different markets and clients as part of a just transition that does not damage the energy security and affordability objectives of national governments – Awareness building of the timeframes involved in effecting a just transition and transition to a net zero economy without damaging energy security and affordability objectives of national governments	–
6	**Opportunity**: Increase in client representation across ESG related matters	Short-Long	– Further investment in and promotion of our world class team of experts working on climate-related matters for our clients – Sharing of knowledge across the firm so that climate considerations, within the framework of just transition, are front of mind for all of our lawyers	–

Climate-related risk and opportunity limitations

While Allen & Overy proactively manages all risks through mitigation and regular screening of residual risk, none of the aspects identified at this point are considered to have a material impact on the Group's business strategy. This is due to the fact that, as a representative of the professional services sector, we do not have any operations which would be considered high energy intensive or which result in the generation of products with high potential climate change impact.

Furthermore, the delivery of advice from our current locations and the development of agile working further mitigate physical risks which could impact us to the point where adjustments to business strategy would be required.

We only consider our carbon impact as a targetable metric, addressed through our SBTs (more information on page 26).

The Energy and Carbon report was approved by the partners and signed on their behalf on 16 August 2023 by

Wim Dejonghe
Senior Partner

The names of the persons who, at any time during the financial year, were Members of the LLP can be viewed at Companies House: 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 16 August 2023 by

Wim Dejonghe
Senior Partner

Our responsible business goals

Last year was a year of progress accompanied by unprecedented environmental and social challenges. Our commitment to the UN SDGs helps us navigate those challenges and reflect on the value of our contribution to our clients, our people and society.

As a responsible business, we believe in fair and just transition, meaning greening the economy in a way that is as fair and inclusive as possible to everyone concerned. This, to us, means supporting SDGs on all fronts; helping to drive transition to a better and more sustainable economy.

While we see action in the wider business community, we believe that law firms are well suited to support a broader range of issues. We support society through traditional PBCI activities, as well as driving initiatives to help support diverse and inclusive communities.

This year we further refined and simplified our goals, targets and KPIs to better reflect on our contribution to meeting the UN SDGs. Our support for the ten SDGs material to the firm converges on six key topics:

– Expertise for fair net zero transition
– Diversity, equity and inclusion as a driving force
– Supportive and inclusive work environment
– Pro bono for life quality
– Environmental impacts
– Responsible operations and supply chain

SUSTAINABLE DEVELOPMENT GOALS

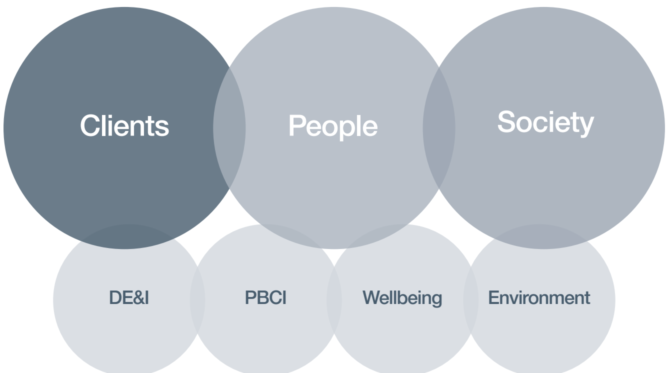
SDGs material to the firm

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		✓	✓	✓		✓	✓	✓	✓		✓	✓			✓	

Converging on six key topics

Expertise for fair net zero transition	Diversity, equity and inclusion as a driving force
Supportive and inclusive work environment	Pro bono for life quality
Environmental impacts	Responsible operations and supply chain

…supported by our purpose



These overarching themes overlap with each other in the ways they support the SDGs. Our related goals and targets, as presented below, are reflective of the contributions we make. We spent the last year redefining how we report on our progress against the SDGs and working on the standardisation of data collection, and its processing and analysis. Several of our activities, however, are still hard to quantify transparently. Where we cannot yet clearly quantify the impact, an explanation is provided.

No.	Goal or target	SDG	KPI / Reporting	Progress update and comments
1	Increase health and wellbeing training and awareness of existing support mechanisms	3	Qualitative	See page 19
2	Drive local initiatives targeting reducing unnecessary stress leading to anxiety and depression	3	Qualitative	See page 19
3	Build and deliver health and wellbeing support mechanisms such as support lines, activities and support groups	3	Qualitative	See page 19
4	Drive engagement through our Global Charity Partnership with Street Child	4	– Number of young people completing primary level education – Number of young people completing secondary level education	We support SDG 4 in a number of ways and will be reviewing KPIs and statistics reported every year. See page 24-25
5	Reach 50% women in our partnership and 50% women at every level below partner	5	– % of women in the partnership – % of women at all levels below partner	On track
6	Increase proportion of global renewable energy supply to our buildings by 10% to 85% by April 2024	7	– Absolute, aggregated Scope 1, 2 and 3 emissions – % of certified renewable electricity directly purchased	– Overall on track, see page 27 Target-specific on track, see page 29
7	Advise our clients on net zero transition and Renewable Energy projects	7	Reporting setup started	We are currently reviewing the ways we register client matters and collect topical information from them to ensure accurate demonstration of our contribution to the SDGs
8	Constantly increase our knowledge and ability to actively support human rights efforts and fight modern slavery through structured and targeted training	8	Qualitative	See page 20-23

No.	Goal or target	SDG	KPI / Reporting	Progress update and comments
9	Increase access to fair financial services for individuals and enterprises through our Social Finance and Impact Investment work	8	Qualitative	See page 20-23
10	Increase the scope and scale of our employability and social mobility initiatives globally	8	Social Mobility Index indicators	See page 23
11	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	Qualitative	We are currently reviewing our supply chain-facing Sustainable Procurement Policy and our Supplier Code of Conduct to strengthen our formal supplier engagement mechanisms and improve quality and quantity of collected information
12	Advise our clients on the development of sustainable and resilient infrastructure	9	Reporting setup underway	We are currently reviewing the ways we register client matters and collect topical information from them to ensure accurate demonstration of our contribution to the SDGs
13	Find innovative solutions for our global clients, including through our Advanced Delivery & Solutions services	9	Reporting setup underway	We are currently reviewing the ways we register client matters and collect topical information from them to ensure accurate demonstration of our contribution to the SDGs
14	Dedicate a steady or increasing proportion of pro bono activities to human rights and modern slavery cases	10	Reporting setup underway	We are currently reviewing the ways we collect pro bono activity information to enable regular and standardised reporting against more matter categories
15	Screen and report on diversity indicators across our supply chain	10	Reporting setup underway	We are currently reviewing our supply chain-facing Sustainable Procurement Policy and our Supplier Code of Conduct to strengthen our formal supplier engagement mechanisms and improve quality and quantity of collected information

No.	Goal or target	SDG	KPI / Reporting	Progress update and comments
16	Drive supplier engagement toward material reductions in carbon dioxide emissions and materials use for any services delivered to Allen & Overy	12	Qualitative	We are currently reviewing our supply chain-facing Sustainable Procurement Policy and our Supplier Code of Conduct to strengthen our formal supplier engagement mechanisms and improve quality and quantity of collected information
17	Engage the business on understanding detailed impact of air travel and undertake mitigation measures	13	– Absolute, aggregated Scope 1, 2 and 3 emissions – Scope 3, Category 6 'Business Travel' emissions	Overall on track, see page 29 Target-specific on track, see page 29
18	Develop a supply chain carbon reduction strategy, and engage with our 20 most material suppliers by April 2023	13	– Absolute, aggregated Scope 1, 2 and 3 emissions – Scope 3, Category 1 'Purchased Goods and Services' emissions – Number of suppliers engaged through supply chain emissions reduction program	Overall on track, see page 29 Target-specific not on track, see page 29
19	At least maintain or increase the provision of free legal advice, research, training and public legal education through our pro bono activities	16	– % of lawyers delivering pro bono legal advice – Number of pro bono hours annually	See page 20

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 2023 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 as applied in accordance with the provisions of the Companies Act 2006; 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 2023; 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 for the financial statements and the audit

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 Solicitors Regulation Authority (SRA) regulation and data protection legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and 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 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.

Darryl Phillips

Darryl Phillips (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 August 2023

Annual Financial Statements

Consolidated income statement
Year ended 30 April 2023

	Notes	2023 £m	2022 £m
Revenue from contracts with clients	5	2,080.4	1,942.4
Operating costs			
Staff costs	8	(829.7)	(724.2)
Depreciation, amortisation and impairment		(111.9)	(111.7)
Net impairment (losses)/gains on financial and contract assets	27	(7.1)	1.0
Other operating expenses		(231.6)	(200.3)
Operating profit		900.1	907.2
Other income		1.2	1.8
Finance income	9	4.4	2.5
Finance costs	9	(13.3)	(11.7)
Profit before taxation		892.4	899.8
Taxation	10	(41.1)	(44.7)
Profit before partners' remuneration and profit shares		851.3	855.1
Partners' remuneration charged as an expense		(323.0)	(326.0)
Profit for the financial year available for division among full partners		**528.3**	**529.1**

Consolidated statement of comprehensive income
Year ended 30 April 2023

	Notes	2023 £m	2022 £m
Profit for the financial year available for division among full partners		528.3	529.1
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss: Exchange (loss)/gain on translation of foreign operations		(28.2)	22.1
Items that will not be reclassified to profit or loss: Actuarial (loss)/gain on defined benefit pension scheme	24	(31.8)	11.3
Other comprehensive (expense)/income for the year		(60.0)	33.4
Total comprehensive income for the year		**468.3**	**562.5**

Consolidated balance sheet as at 30 April 2023

	Notes	At 30 April 2023 £m	At 30 April 2022 £m
Assets			
Non-current assets			*(restated)**
Intangible assets	11	10.9	17.3
Property, plant and equipment	12	63.0	53.7
Right of use assets	14	366.9	340.9
Client and other receivables	17	30.6	40.7
Investments	16	–	0.5
Retirement benefit surplus	24	30.6	60.5
		502.0	**513.6**
Current assets			
Client and other receivables	17	1,026.9	916.2
Amounts due from partners	25	64.4	49.6
Cash and cash equivalents	18	186.9	302.8
		1,278.2	**1,268.6**
Total assets		**1,780.2**	**1,782.2**
Liabilities			
Current liabilities			
Trade and other payables	19	(399.7)	(375.9)
Current tax liabilities		(5.0)	(6.9)
Lease liabilities	14	(86.3)	(100.1)
Provisions for other liabilities and charges	20	(7.9)	(9.2)
Partners' capital	25	(9.4)	(9.4)
		(508.3)	**(501.5)**
Non-current liabilities			
Trade and other payables	19	(130.0)	(127.7)
Lease liabilities	14	(346.8)	(317.4)
Provisions for other liabilities and charges	20	(87.8)	(89.7)
Partners' capital	25	(189.4)	(171.8)
		(754.0)	**(706.6)**
Total liabilities		**(1,262.3)**	**(1,208.1)**
Net assets		**517.9**	**574.1**
Equity			
Partners' other reserves		531.3	559.3
Translation reserve		(13.4)	14.8
		517.9	**574.1**
Total partners' interests			
Amounts due from partners	25	(64.4)	(49.6)
Partners' capital classed as a liability	25	198.8	181.2
Total partners' other interests	25	517.9	574.1
		652.3	**705.7**

* See note 29 for explanation of restatement of previous year financial statements

The financial statements on pages 43 to 108 were authorised for issue by the partners and signed on their behalf on 16 August 2023 by:

Wim Dejonghe
Senior Partner
Registered no. OC306763

Jason Haines
Global CFO & Operations Director
(as at 30 April 2023)

Limited Liability Partnership balance sheet at 30 April 2023

	Notes	At 30 April 2023 £m	At 30 April 2022 £m
Assets			
Non-current assets			
Intangible assets	11	10.9	17.3
Property, plant and equipment	13	39.8	27.4
Right of use assets	15	263.7	235.3
Client and other receivables	17	28.6	40.5
Investments	16	10.2	10.2
Retirement benefit surplus	24	30.6	60.5
		383.8	**391.2**
Current assets			
Client and other receivables	17	961.7	866.3
Amounts due from Members	25	53.3	26.1
Cash and cash equivalents	18	127.6	246.2
		1,142.6	**1,138.6**
Total assets		**1,526.4**	**1,529.8**
Liabilities			
Current liabilities			
Trade and other payables	19	(382.5)	(387.8)
Current tax liabilities		(1.8)	(4.8)
Lease liabilities	15	(65.0)	(76.4)
Provisions for other liabilities and charges	20	(7.4)	(8.9)
Members' capital	25	(8.8)	(9.1)
		(465.5)	**(487.0)**
Non-current liabilities			
Trade and other payables	19	(92.2)	(88.3)
Lease liabilities	15	(257.0)	(228.6)
Provisions for other liabilities and charges	20	(83.4)	(84.3)
Members' capital	25	(184.0)	(167.2)
		(616.6)	**(568.4)**
Total liabilities		**(1,082.1)**	**(1,055.4)**
Net assets		**444.3**	**474.4**
Equity			
Members' other reserves at beginning of the year		464.3	432.6
Profit for the financial year attributable to Members		454.6	434.3
Other changes in Members' other reserves		(461.6)	(402.6)
Members' other reserves at end of the year		**457.3**	**464.3**
Translation reserve		(13.0)	10.1
		444.3	**474.4**
Total Members' interests			
Amounts due from Members	25	(53.3)	(26.1)
Members' capital classed as a liability	25	192.8	176.3
Total Members' other interests	25	444.3	474.4
		583.8	**624.6**

The financial statements on pages 43 to 108 were authorised for issue by the partners and signed on their behalf on 16 August 2023 by:

Wim Dejonghe
Senior Partner
Registered no. OC306763

Jason Haines
Global CFO & Operations Director
(as at 30 April 2023)

Consolidated cash flow statement year ended 30 April 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	22	895.6	924.4
Tax paid		(43.0)	(43.2)
Net cash inflow from operating activities		**852.6**	**881.2**
Cash flows from investing activities			
Purchase of property, plant and equipment		(27.0)	(15.0)
Interest received		0.7	0.3
Proceeds on disposal of property, plant & equipment		0.4	0.2
Receipts for finance lease receivables		14.3	14.0
Net cash outflow investing activities		**(11.6)**	**(0.5)**
Cash flows from financing activities			
Partners' capital introduced	25	18.7	6.7
Capital repayments to partners	25	(15.3)	(13.2)
Payments to and on behalf of partners		(847.9)	(830.6)
Movement on subordinated loans	19	1.8	14.3
Principal elements of lease payments	14	(100.2)	(97.1)
Lease interest paid	14	(8.6)	(8.4)
Interest paid		(4.7)	(1.7)
Net cash outflow financing activities		**(956.2)**	**(930.0)**
Net decrease in cash and cash equivalents		(115.2)	(49.3)
Cash and cash equivalents at beginning of year		302.8	352.1
Effects of foreign exchange rate changes		(0.7)	-
Cash and cash equivalents at end of year	18	**186.9**	**302.8**

Limited Liability Partnership cash flow statement year ended 30 April 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operations	23	658.9	676.7
Tax paid		(33.6)	(37.0)
Net cash inflow from operating activities		**625.3**	**639.7**
Cash flows from investing activities			
Purchase of property, plant and equipment		(23.0)	(11.6)
Interest received		0.5	0.1
Proceeds on disposal of property, plant & equipment		0.2	0.1
Receipts for finance lease receivables		13.9	13.7
Net cash (outflow)/inflow in investing activities		**(8.4)**	**2.3**
Cash flows from financing activities			
Members' capital introduced	25	17.7	6.2
Capital repayments to Members	25	(15.4)	(12.3)
Payments to and on behalf of Members		(651.8)	(620.8)
Movement on subordinated loans	19	2.4	14.3
Principal elements of lease payments	15	(77.9)	(77.2)
Lease interest paid	15	(6.3)	(6.2)
Interest paid		(4.4)	(1.5)
Net cash outflow in financing activities		**(735.7)**	**(697.5)**
Net decrease in cash and cash equivalents		(118.8)	(55.5)
Cash and cash equivalents at beginning of year		246.2	300.1
Effects of foreign exchange rate changes		0.2	1.6
Cash and cash equivalents at end of year	18	**127.6**	**246.2**

Consolidated statement of changes in equity year ended April 2023

	Equity 2023			Equity 2022		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at beginning of the year	559.3	14.8	574.1	514.9	(7.3)	507.6
Profit for the financial year available for division among partners	528.3	-	528.3	529.1	-	529.1
Exchange (loss)/gain on translation of foreign operations	-	(28.2)	(28.2)	-	22.1	22.1
Actuarial (loss)/gain on pension scheme	(31.8)	-	(31.8)	11.3	-	11.3
Total comprehensive income for the year	**496.5**	**(28.2)**	**468.3**	**540.4**	**22.1**	**562.5**
Profit allocated to partners	(524.5)	-	(524.5)	(496.0)	-	(496.0)
Total transactions with partners recognised directly in equity	(524.5)	-	(524.5)	(496.0)	-	(496.0)
Equity at the end of the year	**531.3**	**(13.4)**	**517.9**	**559.3**	**14.8**	**574.1**

Limited Liability Partnership statement of changes in equity year ended April 2023

	Equity 2023			Equity 2022		
	Other reserves £m	Translation reserve £m	Total £m	Other reserves £m	Translation reserve £m	Total £m
Equity at beginning of the year	464.3	10.1	474.4	432.6	(5.9)	426.7
Profit for the financial year attributable to Members	454.6	-	454.6	434.3	-	434.3
Exchange (loss)/gain on translation of foreign operations	-	(23.1)	(23.1)	-	16.0	16.0
Actuarial (loss)/gain on pension scheme	(31.8)	-	(31.8)	11.3	-	11.3
Total comprehensive income for the year	**422.8**	**(23.1)**	**399.7**	**445.6**	**16.0**	**461.6**
Profit allocated to Members	(429.8)	-	(429.8)	(413.9)	-	(413.9)
Total transactions with Members recognised directly in equity	(429.8)	-	(429.8)	(413.9)	-	(413.9)
Equity at end of the year	**457.3**	**(13.0)**	**444.3**	**464.3**	**10.1**	**474.4**

Notes to the Financial Statements

Year ended 30 April 2023

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 2023. **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', 'the firm' 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**).

All amounts presented in the financial statements and accompanying notes are rounded to one decimal place.

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 2022:

– *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to International Accounting Standard (**IAS**) 16;*

– *Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;*

– *Annual Improvements to International Financial Reporting Standard (**IFRS**) 2018-2020; and*

– *Reference to the Conceptual Framework – Amendments to IFRS 3.*

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 2022 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 £186.9m of cash and cash equivalents at 30 April 2023 (2022: £302.8m). 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, the impact of the proposed merger 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 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 the 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, with their carrying value stated at cost less provision for impairment. Investment properties are considered to be impaired when their carrying value is greater than their estimated recoverable amount.

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 (losses)/gains 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 (losses)/gains 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 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 a nd after offsetting any 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 (see note 3) – 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 (see note 14).
- Property, plant and equipment, right of use assets and intangible assets – assessing the remaining useful life and recoverable amount (see note 12).

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:

	2023 £m	2022 £m
UK	762.8	719.0
Continental Europe	644.1	610.6
Asia Pacific	252.6	257.7
Americas	287.5	252.4
Middle East and Africa	133.4	102.7
	2,080.4	**1,942.4**

6. Profit before taxation

	Notes	2023 £m	2022 £m
Profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment	12	21.2	21.8
Depreciation of right of use assets	14	84.3	80.0
Amortisation of intangible assets	11	6.4	6.4
Profit on sale of property, plant and equipment		(0.3)	-
Impairment charge on right of use assets	14	-	3.5
Net impairment losses/(gains) on financial and contract assets	27	7.1	(1.0)
Net foreign exchange (gain)/loss		(17.0)	9.9
Loss on disposal of investment	16	0.5	-
Sublease rental income		(1.2)	(1.7)

7. Auditors' remuneration

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

	2023 £m	2022 £m
Fees payable to the LLP's auditors for the audit of the LLP's and the Group's consolidated financial statements	1.1	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	0.2
– Taxation compliance services	0.4	0.2
– Taxation advisory services	0.2	0.3
– Other assurance and transaction services	0.4	0.2
	2.5	**1.9**

8. Staff and staff costs

	Consolidated		Limited Liability Partnership	
	2023 No.	2022 No.	2023 No.	2022 No.
The average number of partners and employees during the year was:				
Partners	622	594	452	432
Lawyers and other fee-earners	2,916	2,792	1,987	1,873
Support staff	2,538	2,396	1,488	1,393
	6,076	**5,782**	**3,927**	**3,698**

	Consolidated		Limited Liability Partnership	
	2023 No.	2022 No.	2023 No.	2022 No.
Staff costs incurred during the year were:				
Salaries (non-partner, including staff bonuses)	662.5	582.5	481.1	413.1
Social security costs	58.7	51.3	46.7	40.1
Pension costs	27.2	23.9	22.0	19.3
Other short-term employee benefits	37.6	35.1	38.0	33.4
Employee costs	**786.0**	**692.8**	**587.8**	**505.9**
Other costs (such as staff development, recruitment and the cost of temporary staff)	43.7	31.4	33.7	25.1
	829.7	**724.2**	**621.5**	**531.0**

9. Finance income and costs

	2023 £m	2022 £m
Finance income		
Interest receivable on bank deposits	0.7	0.2
Finance income on lease receivables (note 14)	1.0	1.3
Net finance income on retirement benefits plan (note 24)	1.9	1.0
Unwinding of discount and effect of change in discount rate on provisions (note 20)	0.8	-
	4.4	**2.5**
Finance costs		
Interest payable on bank loans and overdrafts	(4.7)	(1.6)
Unwinding of discount on lease liabilities (note 14)	(8.6)	(8.4)
Unwinding of discount and effect of change in discount rate on provisions (note 20)	-	(1.7)
	(13.3)	**(11.7)**

10. Taxation

	2023 £m	2022 £m
Current tax on profits for the year	40.3	44.1
Adjustments in respect of prior years	0.8	0.6
Total current tax	**41.1**	**44.7**

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.

	2023 £m	2022 £m
Profit before taxation	892.4	899.8
Less: Amounts subject to personal tax	(748.8)	(756.0)
Profits subject to taxation	**143.6**	**143.8**

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:

	2023 £m	2022 £m
Profits subject to tax	143.6	143.8
At UK corporation tax of 19.5% (2022 – 19.0%)	28.0	27.3
Tax effects of:		
Different tax rates and bases in other jurisdictions	10.7	15.8
Unrelieved losses	1.6	1.0
Adjustments in respect of prior years	0.8	0.6
Current year charge for the year	**41.1**	**44.7**

UK corporation tax payable on taxable profits is provided at a blended rate of 19.5%. This rate is calculated using the corporate tax rate of 19.0% to 31 March 2023 and the increase in the UK corporate tax rate to 25.0% from 1 April 2023.

11. Intangible assets

	Consolidated and Limited Liability Partnership	
	2023 £m	2022 £m
Internally generated IT software		
Cost		
At beginning of the year	51.0	51.0
At end of the year	**51.0**	**51.0**
Accumulated amortisation		
At beginning of the year	33.7	27.3
Charge for year	6.4	6.4
At end of the year	**40.1**	**33.7**
Net book value		
At end of the year	**10.9**	**17.3**

The cost and net book value of assets under development was £nil (2022: £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 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**
Currency translation adjustments	2.4	0.6	0.5	-	3.5
Additions	15.3	3.1	8.5	0.1	27.0
Disposals	(1.3)	(1.7)	(3.3)	(0.1)	(6.4)
At 30 April 2023	**255.3**	**62.4**	**55.7**	**0.2**	**373.6**
Accumulated depreciation					
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**
Currency translation adjustments	1.4	0.4	0.2	0.1	2.1
Charge for year	10.5	3.3	7.4	-	21.2
Reclassification	(2.2)	-	-	-	(2.2)
Disposals	(1.3)	(1.6)	(3.3)	(0.1)	(6.3)
At 30 April 2023	**209.5**	**54.2**	**46.8**	**0.1**	**310.6**
Net Book Value					
At 30 April 2023	45.8	8.2	8.9	0.1	63.0
At 30 April 2022	**37.8**	**8.3**	**7.5**	**0.1**	**53.7**

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 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**
Currency translation adjustments	1.5	0.5	0.3	-	2.3
Additions	14.0	2.7	6.3	-	23.0
Disposals	(1.2)	(1.5)	(1.8)	-	(4.5)
At 30 April 2023	**211.0**	**42.4**	**38.0**	**-**	**291.4**
Accumulated depreciation					
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**
Currency translation adjustments	1.2	0.3	0.2	-	1.7
Charge for year	6.1	1.7	5.4	-	13.2
Reclassification	(2.2)	-	-	-	(2.2)
Disposals	(1.2)	(1.3)	(1.8)	-	(4.3)
At 30 April 2023	**183.1**	**37.3**	**31.2**	**-**	**251.6**
Net Book Value					
At 30 April 2023	27.9	5.1	6.8	-	39.8
At 30 April 2022	**17.5**	**4.1**	**5.8**	**-**	**27.4**

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 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**
Currency translation adjustments	7.3	0.1	7.4
Additions	108.4	2.2	110.6
Disposals	(16.2)	(1.2)	(17.4)
At 30 April 2022	**675.4**	**5.4**	**680.8**
Accumulated depreciation and impairment charges			
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**
Currency translation adjustments	2.5	-	2.5
Depreciation charge for year	83.4	0.9	84.3
Reclassification	2.2	-	2.2
Depreciation on disposals	(13.6)	(0.8)	(14.4)
At 30 April 2023	**311.0**	**2.9**	**313.9**
Net Book Value			
At 30 April 2023	**364.4**	**2.5**	**366.9**
At 30 April 2022	**339.4**	**1.5**	**340.9**

	2023 £m	2022 £m
Lease liabilities		*(restated)**
Maturity analysis – contractual undiscounted cash flows		
Less than one year	92.2	103.9
One to five years	277.9	282.7
More than five years	110.5	48.0
Total undiscounted lease liabilities	**480.6**	**434.6**
Lease liabilities included in the consolidated balance sheet		
Current	86.3	100.1
Non-current	346.8	317.4
	433.1	**417.5**

* See note 29 for explanation of restatement of previous year financial statements

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 £94.3m (2022: £85.7m) 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:	2023 £m	2022 £m
Lease liability at beginning of the year	417.5	467.0
Cash flows	(108.8)	(105.5)
Interest expense	8.6	8.4
Acquisitions and lease reassessments	115.7	46.7
Disposals	(1.4)	(2.2)
Foreign exchange adjustments	1.5	3.1
Lease liability at end of the year	**433.1**	**417.5**

The total cash outflow in the year ended 30 April 2023 for all leases, including short-term leases that are not capitalised, was £111.1m (2022: £107.1m).

Amounts recognised in the statement of profit or loss for lease contracts where the Group acts as lessee:	2023 £m	2022 £m
Depreciation charge for right of use assets	84.3	80.0
Impairment loss on right of use property	-	3.5
Interest expense (within finance costs)	8.6	8.4
Rent expense for short-term leases (within operating expenses)	1.5	1.4
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 2023, potential future cash outflows of £241.3m (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 £5.5m (2022: £29.0m).

Group as a 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 2023 of right of use property assets that are sublet under operating leases is £1.3m (2022: £1.6m).

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

	2023 £m	2022 £m
Less than one year	0.6	1.4
One to two years	0.6	-
Two to three years	0.3	-
Total undiscounted lease payments	**1.5**	**1.4**

Finance leases

The Group has also classified certain subleases as finance leases, as 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.

	2023 £m	2022 £m
Less than one year	13.8	14.3
One to two years	12.8	13.2
Two to three years	12.6	12.5
Three to four years	4.7	12.5
Four to five years	0.2	4.5
More than five years	1.3	-
Total undiscounted lease payments	**45.4**	**57.0**
Unearned finance income	(1.6)	(2.2)
Net investment in the lease	**43.8**	**54.8**
Loss allowance on finance lease receivables (note 27)	(0.2)	(0.8)
	43.6	**54.0**
Lease receivables		
Current	13.0	13.3
Non-current	30.6	40.7

Amounts recognised in the statement of profit or loss for lease contracts where the Group acts as lessor:	2023 £m	2022 £m
Operating lease – lease income	1.2	1.7
Finance lease – finance income on the net investment in the lease	1.0	1.3
Finance leases – loss allowance (note 27)	0.5	4.4

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 2023 from all leases (including those classified as both operating leases and finance leases) was £15.9m (2022: £15.9m).

15. Leases – Limited Liability Partnership

Right of use assets	Property £m	Equipment and Vehicles £m	Total
Cost			
At 1 May 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**
Currency translation adjustments	5.4	0.1	5.5
Additions	89.0	2.0	91.0
Disposals	(9.0)	(0.8)	(9.8)
At 30 April 2023	**500.7**	**3.2**	**503.9**
Accumulated depreciation and impairment charges			
At 1 May 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**
Currency translation adjustments	2.6	-	2.6
Depreciation charge for year	62.0	0.5	62.5
Reclassification	2.2	-	2.2
Depreciation on disposals	(8.6)	(0.4)	(9.0)
At 30 April 2023	**238.9**	**1.3**	**240.2**
Net Book Value			
At 30 April 2023	**261.8**	**1.9**	**263.7**
At 30 April 2022	**234.6**	**0.7**	**235.3**

Lease liabilities	2023 £m	2022 £m
Current	65.0	76.4
Non-current	257.0	228.6
	322.0	**305.0**

Movements in the lease liability during the year were as follows	2023 £m	2022 £m
Lease Liability at beginning of the year	305.0	347.7
Cash flows	(84.2)	(83.4)
Interest expense	6.3	6.2
Acquisitions and lease reassessments	95.5	30.3
Disposals	(0.4)	-
Foreign exchange adjustments	(0.2)	4.2
Lease liability at end of the year	**322.0**	**305.0**

Lease receivables	2023 £m	2022 £m
Current	12.7	12.8
Non-current	28.6	40.5
	41.3	**53.3**

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	Ceased trading	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, Brazil	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%
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%

Name of entity	Address of the registered office	Activity	Proportion of ordinary shares or ownership
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, T win Center, 5th and 6th floors, Angle Bd Zerktouni and 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	22nd Floor, JP Tower, 2-7-2 Marunouchi Chiyoda-ku, Tokyo 100-7022, Japan	Service company	100%
Allen & Overy Service GmbH	Haus am Opernturm, Bockenheimer Landstraße 2, 60306, Frankfurt am Main, Germany	Service company	100%

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	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, Brazil	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	22nd Floor, JP Tower, 2-7-2 Marunouchi Chiyoda-ku, Tokyo 100-7022, Japan	Supply of legal services	–
Allen & Overy (Ireland) LLP	53 Merrion Square South, Suite 201, Dublin 2, D02 PR63, Ireland	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	Alkotás u. 55-61.1123 Budapest, Hungary	Supply of legal services	–
Naciri & Associés Allen & Overy	Anfaplace, Centre d'Affaires, Immeuble A, Boulevard de la Corniche, Casablanca, 20180 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	No. 3, Corner of Bogyoke Aung San Road and 27th Street, Suite Nos. #15-08 to #15-09, Level 15, Junction City Tower, Pabedan Township, Yangon, Myanmar	Ceased trading	
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	–

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	Partnership
Cost			
At 1 May 2021	0.5	10.2	10.2
At 1 May 2022	0.5	10.2	10.2
Disposals	(0.5)	-	-
Carrying amount at 30 April 2023	-	**10.2**	**10.2**
Carrying amount at 30 April 2022	**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.

During the year the Group disposed of its investment in Nivaura Ltd for proceeds of £nil.

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Client receivables	649.3	589.3	484.6	440.0
Loss allowance (note 27)	(24.8)	(23.8)	(17.8)	(17.0)
	624.5	565.5	466.8	423.0
Contract assets – unbilled revenue	303.5	277.1	231.3	202.3
Loss allowance (note 27)	(1.1)	(1.3)	(0.7)	(0.7)
	302.4	275.8	230.6	201.6
Lease receivables (note 14)	43.8	54.8	41.5	54.1
Loss allowance (note 27)	(0.2)	(0.8)	(0.2)	(0.8)
	43.6	54.0	41.3	53.3
Amounts due from other Group undertakings	-	-	187.0	190.6
Other receivables	39.3	30.6	27.4	16.8
Prepayments	47.7	31.0	37.2	21.5
	1,057.5	**956.9**	**990.3**	**906.8**

	Consolidated		Limited Liability Partnership	
	2023 £m	2022 £m	2023 £m	2022 £m
Included in current assets	1,026.9	916.2	961.7	866.3
Included in non-current assets	30.6	40.7	28.6	40.5
	1,057.5	**956.9**	**990.3**	**906.8**

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 2023 there are £0.3m (2022: £0.8m) 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 and other receivables and cash. 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	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash and cash equivalents	**186.9**	**302.8**	**127.6**	**246.2**

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade payables	60.9	45.6	43.1	33.5
Amounts due to Group undertakings	-	-	52.5	81.6
Employment and sales taxes	28.8	35.6	21.4	30.8
Other payables	26.3	22.6	29.6	28.8
Partners' subordinated loans	97.1	95.3	70.9	68.5
Other amounts due to partners remunerated as employees or consultants	169.2	154.9	151.0	124.0
Accruals	147.3	149.5	106.2	108.9
Deferred rent	0.1	0.1	-	-
	529.7	**503.6**	**474.7**	**476.1**

	Consolidated		Limited Liability Partnership	
	2023 £m	2022 £m	2023 £m	2022 £m
Included in current liabilities	399.7	375.9	382.5	387.8
Included in non-current liabilities	130.0	127.7	92.2	88.3
	529.7	**503.6**	**474.7**	**476.1**

Consolidated non-current liabilities comprise partners' subordinated loans (£91.1m, 2022: £90.7m, other amounts due to partners remunerated as employees or consultants (£26.5m, 2022: £27.1m), accruals (£11.7m, 2022: £9.3m) and deferred rent and other payables (£0.7m, 2022: £0.6m).

LLP non-current liabilities comprise partners' subordinated loans (£67.3m, 2022: £66.7m), other amounts due to partners remunerated as employees or consultants (£15.5m, 2022: £14.9m), accruals (£8.8m, 2022: £6.2m) and deferred rent and other payables (£0.6m, 2022: £0.4m).

Capital and subordinated loans are provided interest-free and are repayable following the partner's retirement.

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 2023, the LLP had committed bank loan facilities of £175.0m (2022: £150.0m). At the balance sheet date, no amounts were outstanding under these facilities.

	Limited Liability Partnership 2023 £m	2022 £m
The committed facilities expire as follows:		
Less than one year	-	-
Between one and two years	50.0	100.0
Between three and four years	125.0	50.0
	175.0	**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 for other liabilities and charges

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 5.8% (2022: 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 5.7% (2022: 3.5%). The discount rate has been determined based upon observable market inputs performed by external advisors for the premises type and lease term.

20. Provisions for other liabilities and charges continued

Consolidated

	Provision for annuities £m	Provision for early retirement of partners/former partner £m	Provision for onerous contracts and dilapidations £m	Total 2023 £m
At 1 May 2022	11.5	39.1	48.3	98.9
Currency translation adjustments	-	-	(0.1)	(0.1)
Provision utilised	(1.4)	(8.5)	(3.3)	(13.2)
	10.1	**30.6**	**44.9**	**85.6**
Credited to the income statement	-	-	(3.5)	(3.5)
Charge for the year:				
– former partners	-	0.8	-	0.8
– current partners	-	14.4	-	12.2
Unwind of discount and change in discount rate	-	(2.2)	1.4	(0.8)
Actuarial adjustment	0.7	-	-	0.7
Provision released:				
– current partners	-	(2.4)	-	(0.2)
Increase dilapidation asset	-	-	0.9	0.9
	0.7	**10.6**	**(1.2)**	**10.1**
At 30 April 2023	**10.8**	**41.2**	**43.7**	**95.7**

	Provision for annuities £m	Provision for early retirement of partners/former partner £m	Provision for onerous contracts and dilapidations £m	Total 2023 £m
Included in current liabilities	1.7	5.3	0.9	7.9
Included in non-current liabilities	9.1	35.9	42.8	87.8
At 30 April 2023	**10.8**	**41.2**	**43.7**	**95.7**

20. Provisions for other liabilities and charges continued

Consolidated

	Provision for annuities £m	Provision for early retirement of partners/former partner £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**
Credited 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 dilapidation asset	-	-	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 partner £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**

20. Provisions for other liabilities and charges continued

Limited Liability Partnership

	Provision for annuities £m	Provision for early retirement of partners/former partner £m	Provision for onerous contracts and dilapidations £m	Total 2023 £m
At 1 May 2022	11.5	38.4	43.3	93.2
Currency translation adjustments	-	-	0.1	0.1
Provision utilised	(1.4)	(8.5)	(2.7)	(12.6)
	10.1	**29.9**	**40.7**	**80.7**
Credited to the income statement	-	-	(3.5)	(3.5)
Charge for the year:				
– former partners	-	0.8	-	0.8
– current partners	-	12.9	-	12.9
Unwind of discount and change in discount rate	-	(2.2)	1.2	(1.0)
Actuarial adjustment	0.7	-	-	0.7
Provision released:				
– current partners	-	(0.2)	-	(0.2)
Increase dilapidation asset	-	-	0.4	0.4
	0.7	**11.3**	**(1.9)**	**10.1**
At 30 April 2023	**10.8**	**41.2**	**38.8**	**90.8**

	Provision for annuities £m	Provision for early retirement of partners/former partner £m	Provision for onerous contracts and dilapidations £m	Total 2023 £m
Included in current liabilities	1.7	5.3	0.4	7.4
Included in non-current liabilities	9.1	35.9	38.4	83.4
At 30 April 2023	**10.8**	**41.2**	**38.8**	**90.8**

20. Provisions for other liabilities and charges continued

Limited Liability Partnership

	Provision for annuities £m	Provision for early retirement of partners/former partner £m	Provision for onerous contracts and dilapidations £m	Total 2023 £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**
Credited 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 dilapidation asset	-	-	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 partner £m	Provision for onerous contracts and dilapidations £m	Total 2023 £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**

21. Capital commitments

The following amounts have been contracted for but not provided in the financial statements for the consolidated Group and the LLP:

	2023 £m	2022 £m
Property fit-out costs	7.8	3.6
Computer, telecommunications and other equipment	-	2.8
	7.8	**6.4**

22. Reconciliation of profit to net cash generated by operations – consolidated

	Consolidated	
	2023 £m	2022 £m
Profit before taxation	892.4	899.8
Adjustments for:		
Depreciation of property, plant and equipment	21.2	21.8
Depreciation of right of use assets	84.3	80.0
Amortisation of intangible assets	6.4	6.4
Impairment of right of use assets	-	3.5
Loss on disposal of investments	0.5	-
Reduction in loss allowance on lease receivables	(0.5)	(4.4)
Foreign exchange (gain)/loss on operating activities	(17.0)	18.4
Net finance costs	8.9	9.2
Gain on disposal of property, plant and equipment	(0.3)	-
Operating cash flows before movement in working capital	**995.9**	**1034.7**
(Decrease)/increase in provisions	(2.6)	5.6
Increase in receivables	(102.3)	(111.3)
Increase/(decrease) in payables	4.6	(4.6)
Cash generated by operations	**895.6**	**924.4**

23. Reconciliation of profit to net cash generated by operations – limited liability partnership

	Limited Liability Partnership	
	2023 £m	2022 £m
Profit before taxation	694.2	669.5
Adjustments for:		
Depreciation of property, plant and equipment	13.2	13.9
Depreciation of right of use assets	62.5	59.8
Amortisation of intangible assets	6.4	6.4
Impairment of right of use assets	-	3.2
Reduction in loss allowance on lease receivables	(0.6)	(4.4)
Foreign exchange gain on operating activities	(15.5)	10.3
Net finance costs	6.4	6.8
Operating cash flows before movement in working capital	**766.6**	**765.5**
(Decrease)/increase in provisions	(1.6)	4.8
Increase in receivables	(97.2)	(100.2)
(Decrease)/increase in payables	(8.9)	6.6
Cash generated by operations	**658.9**	**676.7**

24. Retirement benefit surplus

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.

In addition the firm operates a U.S. Cash Balance plan for U.S. partners and senior staff members. The plan provides a tax efficient method of retirement saving for members. Under the terms of the plan the firm has an obligation to ensure that payments to members on leaving the plan are at least equal to the contributions paid by each member. Any shortfall is covered by a guarantee from members that compensates the firm. The current value of member investments in the plan is $28.5m compared to member contributions of $28.5m.

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 £27.2m (2022: £23.9m). 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 14-15 years.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by a qualified actuary as at 1 January 2020 and showed a surplus of £1.2m on a technical provisions basis. The next funding valuation has an effective date of 1 January 2023 and is currently in progress.

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 being equal. The scheme holds a significant proportion of growth assets (such as equities 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 being equal.

Life expectancy: The majority of the scheme's obligations are to provide benefits for the life of the member and their 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 actuarial funding valuation, as at 1 January 2020, by an independent qualified actuary from Lane Clark & Peacock LLP.

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

	2023 %	2022 %
Discount Rate	4.9	3.2
RPI inflation	3.2	3.6
CPI inflation	2.7	3.0
Salary increases	3.2	3.6
Pension increase in deferment	2.7	3.0
Pension increases in payment:		
RPI-linked	3.2	3.6
CPI-linked	2.7	3.0

In setting the discount rate, a yield curve is constructed. Short dated yields are taken from market rates for AA corporate bonds. Long dated yields for the curve are based on the average yield available on long dated AA corporate bonds. The scheme cash flows are projected and the firm adopts a single equivalent cash flow weighted discount rate taking account of this constructed yield curve.

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:

	2023 Years	2022 Years
Current pensioners at age 65 – Male	22.6	23.0
Current pensioners at age 65 – Female	24.2	24.4
Future pensioners at age 65* – Male	23.9	24.2
Future pensioners at age 65* – Female	25.6	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. The scheme assets are invested in pooled investment vehicles which are unquoted. The allocation in the following table looks through these funds to show the underlying asset positions.

	2023 £m	2022 £m
Performance assets (non-property):		
Global equities (quoted)	35.4	44.6
Diversified Growth Funds (primarily quoted)	-	24.2
Property (unquoted)	10.2	12.6
Inflation opportunities fund (unquoted)	10.0	13.2
Bonds:		
Liability-driven investment (quoted)	95.8	71.3
Other fixed income (quoted)	-	49.0
Multi-Asset credit (unquoted)	17.6	18.5
Cash and other assets (unquoted)	3.7	11.7
Defined benefit assets at end of the year	**172.7**	**245.1**

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:

	2023 £m	2022 £m
Fair value of scheme assets	172.7	245.1
Present value of defined benefit obligations	(142.1)	(184.6)
Retirement benefit surplus	**30.6**	**60.5**

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:

	2023 £m	2022 £m
Finance credit:		
Interest on pension scheme assets	7.7	5.1
Finance cost:		
Interest on pension scheme defined benefit obligations	(5.8)	(4.1)
Net finance income for the year	**1.9**	**1.0**
Past service cost	-	-
Total credit recognised in profit and loss	**1.9**	**1.0**

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

	2023 £m	2022 £m
Re-measurement losses on scheme assets in excess of that recognised in net interest	(76.2)	(9.3)
Actuarial gains due to changes in financial assumptions	51.6	26.6
Actuarial gains due to changes in demographic assumptions	1.2	0.3
Actuarial losses due to liability experience	(8.4)	(6.3)
	(31.8)	**11.3**

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

	2023 £m	2022 £m
Opening fair value of scheme assets	245.1	257.2
Interest income on scheme assets	7.7	5.1
Re-measurement losses on scheme assets	(76.2)	(9.3)
Benefits paid	(3.9)	(7.9)
Closing fair value of scheme assets	**172.7**	**245.1**

The actual return on the scheme assets during the year was a £68.5m loss (2022: £4.2m loss).

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

	2023 £m	2022 £m
Opening defined benefit obligation	(184.6)	(209.0)
Interest cost	(5.8)	(4.1)
Gain from change in demographic assumptions	1.2	0.3
Gain from change in financial assumptions	51.6	26.6
Experience losses	(8.4)	(6.3)
Past service cost	-	-
Benefits paid	3.9	7.9
Closing defined benefit obligation	**(142.1)**	**(184.6)**

The value of insured pensions has been excluded from both the assets and liabilities on the grounds of immateriality. As the value of the obligations and assets in respect of the insured pensions would be the same under IAS19, 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	
	2023 £m	2022 £m
0.25% decrease in the assumed discount rate	4.7	8.0
0.25% increase in the expected rate of increase in salaries	0.2	0.4
0.25% increase in the assumed rate of inflation	5.0	7.9
One-year increase in average life expectancy	4.0	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 firm to the defined benefit section of the scheme following this valuation are nil. The next actuarial valuation has an effective date of 1 January 2023 and is currently in progress. Contribution requirements will be reviewed as part of the 2023 valuation.

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 (from)/to partners £m	Partners' capital classified as a liability £m	Equity £m	Total 2023 £m	Total 2022 £m
Total partners' interests at beginning of the year	(49.6)	181.2	574.1	705.7	654.3
Total comprehensive income for the year	-	-	468.3	468.3	562.5
Profit allocated to partners	524.5	-	(524.5)	-	-
Drawings and distributions	(525.1)	-	-	(525.1)	(504.6)
Capital introduced	(14.2)	32.9	-	18.7	6.7
Capital repaid	-	(15.3)	-	(15.3)	(13.2)
	(64.4)	**198.8**	**517.9**	**652.3**	**705.7**

Limited Liability Partnership

	Amounts due (from)/to Members £m	Partners' capital classified as a liability £m	Equity £m	Total 2023 £m	Total 2022 £m
Total Members' interests at beginning of the year	(26.1)	176.3	474.4	624.6	587.5
Total comprehensive income for the year	-	-	399.7	399.7	461.6
Profit allocated to Members	429.8	-	(429.8)	-	-
Drawings and distributions	(442.8)	-	-	(442.8)	(418.4)
Capital introduced	(14.2)	31.9	-	17.7	6.2
Capital repaid	-	(15.4)	-	(15.4)	(12.3)
	(53.3)	**192.8**	**444.3**	**583.8**	**624.6**

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	
	2023 £m	2022 £m	2023 £m	2022 £m
Included in current liabilities	9.4	9.4	8.8	9.1
Included in non-current liabilities	189.4	171.8	184.0	167.2
	198.8	**181.2**	**192.8**	**176.3**

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

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 2023 amount to £17.4m (2022: £19.8m).

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 2023, there was a net provision of services to the LLP from other Group undertakings to the value of £36.9m (2022: £54.7m).

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 2023, there was a net provision of administrative support to the LLP from other Group undertakings to the value of £8.6m (2022: £5.7m).

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 (losses)/gains 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 2023 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 2023 was determined as follows for client receivables and contract assets relating to unbilled revenue:

Consolidated

	Not past due £m	Past due 0-30 days £m	Past due 31-120 days £m	Past due greater than 120 days £m	Total £m
30 April 2023					
Expected loss rate	0.5%	0.7%	1.2%	25.0%	2.7%
Gross carrying amount – client receivables	312.9	115.2	140.3	80.9	649.3
Gross carrying amount – unbilled revenue	303.5	-	-	-	303.5
Loss allowance	**(3.3)**	**(0.8)**	**(1.6)**	**(20.2)**	**(25.9)**
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)**

Limited Liability Partnership

	Not past due £m	Past due 0-30 days £m	Past due 31-120 days £m	Past due greater than 120 days £m	Total £m
30 April 2023					
Expected loss rate	0.5%	0.8%	1.1%	24.5%	2.6%
Gross carrying amount – client receivables	245.1	82.1	98.6	58.8	484.6
Gross carrying amount – unbilled revenue	231.4	-	-	-	231.4
Loss allowance	**(2.4)**	**(0.6)**	**(1.1)**	**(14.4)**	**(18.5)**
30 April 2022					
Expected loss rate	0.4%	0.6%	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)**

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.

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 2023 was determined as follows for finance lease receivables:

Consolidated	Gross carrying value £m	Loss allowance £m	Lease receivable net of expected credit losses £m
30 April 2023			
Performing	43.8	(0.2)	43.6
Total lease receivable	**43.8**	**(0.2)**	**43.6**
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**

Limited Liability Partnership	Gross carrying value £m	Loss allowance £m	Lease receivable net of expected credit losses £m
30 April 2023			
Performing	41.5	(0.2)	41.3
Total lease receivable	**41.5**	**(0.2)**	**41.3**
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**

Other receivables and amounts due from Group undertakings

The Group and the 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 2023 reconciles to the opening loss allowance as follows:

Movement in loss allowance:

Consolidated

	Client receivables		Contract assets		Finance lease receivables	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At beginning of the year	(23.8)	(31.2)	(1.3)	(0.5)	(0.8)	(5.9)
Currency translation adjustment	(2.0)	(0.1)	-	0.2	-	-
Provision utilised	8.8	9.9	-	-	0.1	0.7
Increase in loss allowance recognised in profit or loss during the year	(11.6)	(18.8)	-	(1.0)	-	-
Provision released	3.8	16.4	0.2	-	0.5	4.4
At end of the year	**(24.8)**	**(23.8)**	**(1.1)**	**(1.3)**	**(0.2)**	**(0.8)**

Limited Liability Partnership

	Client receivables		Contract assets		Finance lease receivables	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
At beginning of the year	(17.0)	(21.1)	(0.7)	(0.2)	(0.8)	(5.9)
Currency translation adjustment	(3.0)	(0.1)	-	0.2	-	-
Provision utilised	6.9	6.2	-	-	0.1	0.5
Increase in loss allowance recognised in profit or loss during the year	(7.2)	(13.4)	-	(0.7)	-	-
Provision released	2.5	11.4	-	-	0.5	4.6
At end of the year	**(17.8)**	**(17.0)**	**(0.7)**	**(0.7)**	**(0.2)**	**(0.8)**

(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	2023 £m	2022 £m
Net client receivables	624.5	565.5
Net contract assets – unbilled revenue	302.4	275.8
Net finance lease receivables	43.6	54.0
Other receivables	39.3	30.6
Cash	186.9	302.8
	1,196.7	**1,228.7**

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

Assets	2023 £m	2022 £m
Euro	335.6	301.9
Sterling	413.1	520.0
U.S. Dollar (or currencies linked to U.S. Dollar)	352.8	313.5
Other currencies	95.2	93.3
	1,196.7	**1,228.7**

Liabilities	2023 £m	2022 £m
Lease liabilities	433.1	417.5
Trade payables	60.9	45.6
Employment and sales taxes	28.8	35.6
Other payables	26.3	22.6
Partners' subordinated loans	97.1	95.3
Other amounts due to partners remunerated as employees or consultants	169.2	154.9
Accruals	147.3	149.5
Partners' capital	198.8	181.2
Provision for onerous contracts and dilapidations	43.7	48.3
Provision for early retirement of partners/former partners	41.2	39.1
Provision for annuities	10.8	11.5
	1,257.2	**1,201.1**

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

	2023 £m	2022 £m
Euro	305.8	255.6
Sterling	722.8	729.7
U.S. Dollar (or currencies linked to U.S. Dollar)	219.6	199.1
Other currencies	9.0	16.7
	1,257.2	**1,201.1**

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 cash flow forecasts. 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 the 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:

	Profit	Net assets	Profit	Net assets
	2023 £m	2023 £m	2022 £m	2022 £m
Increase/(decrease) in profit and net assets				
Euro 5% weaker	3.2	(22.4)	2.5	(21.6)
U.S. Dollar (including linked currencies) 5% weaker	(0.3)	(16.1)	(0.8)	(18.3)

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.

28. Post balance sheet events

After the balance sheet date, in May 2023, the firm announced a planned merger with Shearman & Sterling to create an integrated global elite firm. The planned merger has had no impact on these financial statements.

29. Restatement of consolidated balance sheet for 30 April 2022

During the current year it was identified that there was an error in the classification of current and non-current lease liabilities for the year ended 30 April 2022. As a result the prior year consolidated balance sheet has been restated. There was no impact to profit in the consolidated income statement or net assets in the consolidated balance sheet.

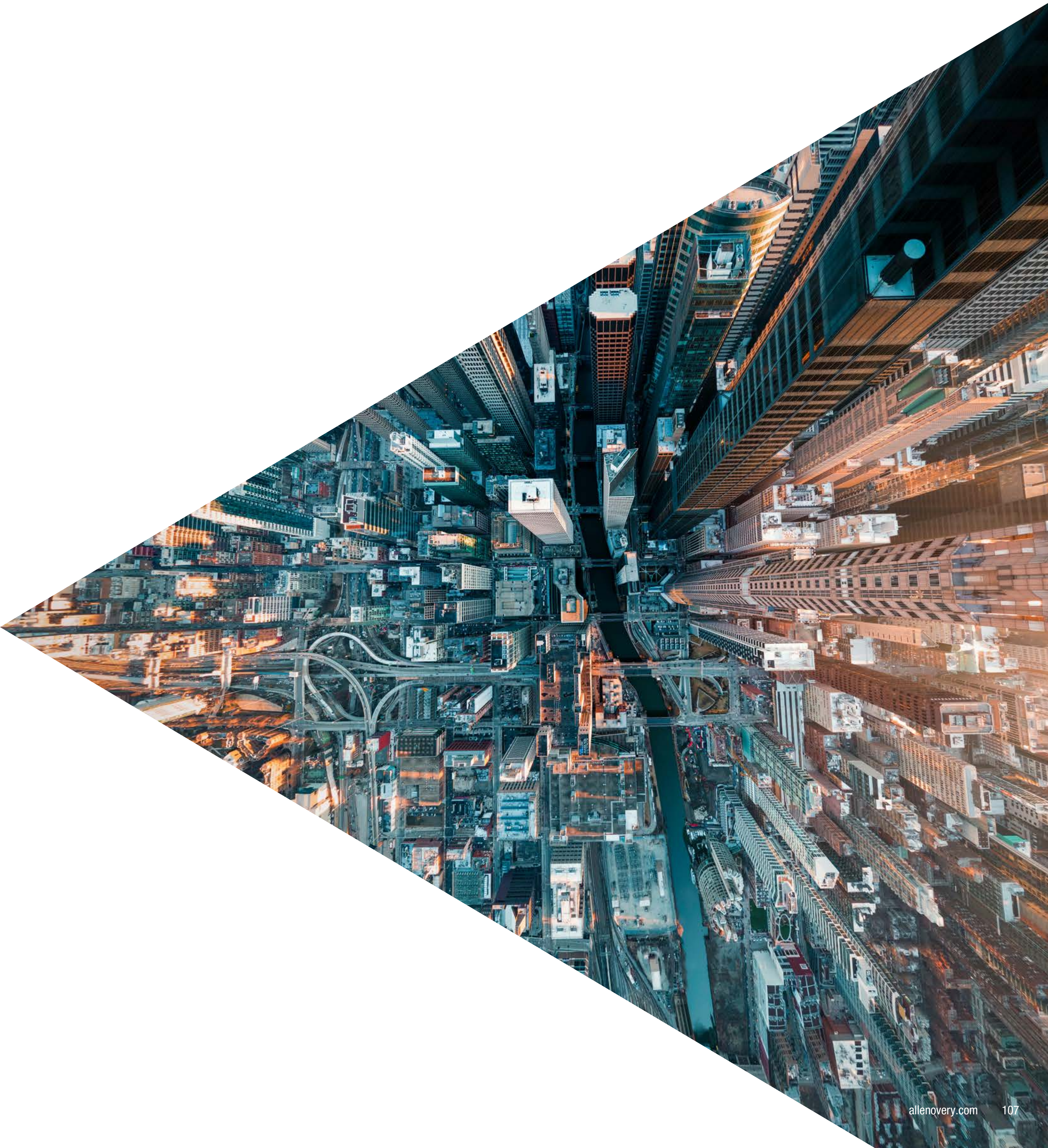
The correction affected the following items:

Consolidated balance sheet	30 April 2022 £m
Current lease liabilities (as previously reported)	(136.6)
Decrease in current lease liabilities	36.5
Current lease liabilities (as restated)	**(100.1)**
Non-current lease liabilities (as previously reported)	(280.9)
Increase in non-current lease liabilities	(36.5)
Non-current lease liabilities (as restated)	**(317.4)**

There is no impact on the consolidated balance sheet at the beginning of the preceding period.

There is no impact on the LLP balance sheet.

There is no impact on the consolidated or LLP statement of changes in equity or the consolidated statement of comprehensive income.



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