

Registered number: OC334789

Freshfields Bruckhaus Deringer LLP

Annual report and financial statements

for the year ended 30 April 2021



Freshfields Bruckhaus Deringer LLP

Annual report and financial statements 2021

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Freshfields Bruckhaus Deringer LLP

Report to the members

The Partnership Council, on behalf of the members, presents their annual report and the audited consolidated financial statements of Freshfields Bruckhaus Deringer LLP for the year ended 30 April 2021.

Firm structure

Freshfields Bruckhaus Deringer LLP (“the LLP”) is a limited liability partnership registered in England and Wales. The consolidated financial statements incorporate the financial statements of Freshfields Bruckhaus Deringer LLP and its subsidiary and associated undertakings (“the Firm”) for the year ended 30 April 2021. Freshfields Bruckhaus Deringer is the collective name for the international legal practice comprising Freshfields Bruckhaus Deringer LLP and the other partnerships, corporations and other undertakings which carry on business under the name “Freshfields Bruckhaus Deringer”.

The Firm has branches outside United Kingdom and its principal activity during the year was provision of legal services.

A list of members’ names and of the non-members who are designated as partners is available for inspection at 100 Bishopsgate, London, EC2P 2SR, which is also Freshfields Bruckhaus Deringer LLP’s principal place of business and registered office.

Principal activity

The principal activity of Freshfields Bruckhaus Deringer is the provision of legal services through a network of offices in Asia, Europe, the Middle East and the United States. All results derive from continuing activities.

Business review

Total revenue for the year was £1,635m, an increase of 6.1% compared with the prior year (2020: £1,541m).

The profit before partners’ annuities increased to £540.0m (2020: £520.5m).

Net cash at the end of the year was £98.4m, compared with £35.0m in the prior year. Details of the movement in net cash can be found in the consolidated cash flow statement on page 18.

Net assets, before the provision for partners’ annuities payable from future profits, were £889.7m (2020: £851.3m).

During the year, the Firm made changes to its legal structure as a result of Brexit, impacting Germany, Austria and Spain. There are no changes to the consolidated results of the Firm as a result of these changes.

The COVID-19 pandemic, while impacting day to day working practices, has not had a significant impact on the financial results to 30 April 2021.

Going concern

The Firm had £98.4m of cash at 30 April 2021 (2020: £35.0m). While Covid-19 has not had a significant impact on the Firm to date, it remains possible that the pandemic could impact demand for our services in the short term. Liquidity pressure on our clients could also have an adverse impact on the business. However, the Firm has considerable financial resources together with a diverse range of clients and across different geographic locations and sectors. The Firm also has considerable discretion over the timing of any cash distributions to partners.

Having considered the current economic conditions and potential uncertainty over the level and timing of future revenues, the Firm’s forecasts and projections, and the level of borrowing facilities available, the members are satisfied that the Firm has adequate resources to continue in operational existence for the foreseeable future. As part of this assessment, the members have considered a range of possible scenarios including a significant downside scenario. The members are comfortable that even in the event of a significant downturn, the Firm will be able to meet its obligations as they fall due. For this reason the members continue to adopt the going concern basis in preparing the accounts.

Management

The Board is the main policy setting body of the Firm and is responsible for reviewing the strategy, performance and overall management of the Firm. The Board comprises the Senior Partner and ten other partners, elected by the partnership, who reflect the geographic and practice spread of the Firm. The Board meets on a regular basis.

Freshfields Bruckhaus Deringer LLP

Report to the members

Management (continued)

The Executive Committee is the key operational body of the Firm and is responsible for the development of the Firm's practice areas in line with the Firm's strategy. The Committee comprises the Managing Partner and the Practice Group Leaders for each of the Firm's practice areas, together with the Regional Managing Partners. The Chief Financial Officer also has a seat on the Committee.

The Finance Committee is appointed by the Executive Committee and assists the Board by monitoring the Firm's financial affairs, internal controls and finance and risk management systems. The Chief Financial Officer and Partnership Secretary, together with other senior business services colleagues, support its business and the Managing Partner, General Counsel and external auditor attend its meetings by invitation.

The designated members of Freshfields Bruckhaus Deringer LLP during the year ended 30 April 2021 and to the date of this report were:

Georgia Dawson	Senior Partner
Rafique Bachour	Managing Partner
Rick van Aerssen	Managing Partner
Colin Hargreaves	Partner
Jonathan Kembery	General Counsel
Edward Braham	Partner and former Senior Partner
Stephan Eilers	Partner and former Global Managing Partner

Members' profit shares, drawings and capital

The term "partner" in this document is used to refer to a member of Freshfields Bruckhaus Deringer LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of Freshfields Bruckhaus Deringer LLP's subsidiary or associated undertakings. The term "member" in this document is used to refer only to a member of Freshfields Bruckhaus Deringer LLP.

The partners who are not members of the LLP receive remuneration equivalent to that of comparable members. Their remuneration is included within "staff costs" in the consolidated income statement. Remuneration that is payable to a member that falls to be treated as a charge against profit is shown under the heading "Members' remuneration charged as an expense" in the consolidated income statement.

The profits for the year are finalised after the year end. The allocation and distribution of the profits is agreed by the Board following the recommendation of the Finance Committee, based on the needs of the Firm. As members draw a proportion of their expected profit share during the year, before the profits for the year have been determined and allocated to them, by the year end their current accounts with Freshfields Bruckhaus Deringer LLP are generally in deficit. The total of these accounts is shown in the consolidated balance sheet within "Amounts due from members". Once the profit for the year has been allocated and approved for distribution, the members' current accounts are in surplus by the amounts retained to settle their tax liabilities and the amount of their share of the year's profits that have not yet been paid to them.

The Firm is financed through partners' capital, undistributed profits and bank facilities. Partners subscribe the entire capital of Freshfields Bruckhaus Deringer LLP. The amount of capital required by the Firm is agreed by the Board following a recommendation by the Finance Committee with reference to the expected future cash requirements and future cash flows of the Firm. Capital is repaid to partners after they cease to be partners of the Firm.

Corporate responsibility

Freshfields Bruckhaus Deringer LLP produces a separate Corporate Social Responsibility report that is available on the Firm's website at www.freshfields.com/en-gb/about-us/responsible-business/reporting/responsible-business-reports/

Freshfields Bruckhaus Deringer LLP

Report to the members

Auditor

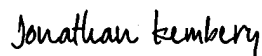
Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as the auditor in accordance with the LLP agreement.

Approval

Approved by the Board and signed on their behalf on 27 January 2022 by:



Colin Hargreaves
Partner and designated member



Jonathan Kembery
General Counsel and designated member

Freshfields Bruckhaus Deringer LLP

Energy and carbon reporting

Scope

The Firm engaged an independent firm to review its 2020/21 Greenhouse Gas (GHG) inventory for its UK operations for compliance with Streamlined Energy & Carbon Reporting (SECR) for the same reporting period as these financial statements.

Results

The following data was within the scope of the verification (below shows the post-audit results):

- **Scope 1:** natural gas and refrigerant loss – **1,006 tCO₂e**, (2020: 1,606 tCO₂e)
- **Scope 2:** purchased electricity – **3,413 tCO₂e** (location-based) and **0 tCO₂e** (market-based), (2020: 3,286 tCO₂e (location-based) and 641 tCO₂e (market-based))
- **Scope 3:** business travel (personal car & hire car) – **2 tCO₂e**, (2020: 0 tCO₂e)

	2021	2020	
Energy consumption:	20,116,911	21,086,791	kWh
Location-based (LB) total:	4,422	4,892	tCO ₂ e
Market-based (MB) total:	1,008	2,247	tCO ₂ e
LB emissions per employee:	1.81	1.80	tCO ₂ e/FTE
MB emissions per employee:	0.41	0.83	tCO ₂ e/FTE

Freshfields Bruckhaus Deringer LLP undertake a number of initiatives to reduce the Firm's carbon footprint, details of which are available on the Firm's website at www.freshfields.com/en-gb/about-us/responsible-business/reporting/responsible-business-reports/.

Freshfields Bruckhaus Deringer LLP

Statement of members' responsibilities

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) per Companies Act 2006. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the Firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the Firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the Board on behalf of the members.

Freshfields Bruckhaus Deringer LLP

Independent auditor's report to the members of Freshfields Bruckhaus Deringer LLP

Opinion

In our opinion:

- the financial statements of Freshfields Bruckhaus Deringer LLP (the parent limited liability partnership) and its subsidiaries (the group) give a true and fair view of the state of the group's and of parent limited liability partnership's affairs as at 30 April 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the UK Companies Act 2006;
- the parent LLP financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Standards (Financial Reporting Standard 101 Reduced Disclosure Framework) and as applied in accordance with the provisions of the Companies Act 2006 as applied to LLPs; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships (LLPs).

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent LLP balance sheets;
- the consolidated and parent LLP statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs in conformity with the requirements of the UK Companies Act 2006 and, as regards the parent LLP financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent limited liability partnership's

Freshfields Bruckhaus Deringer LLP

Independent auditor's report to the members of Freshfields Bruckhaus Deringer LLP

Conclusions relating to going concern (*continued*)

ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of members

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Freshfields Bruckhaus Deringer LLP

Independent auditor's report to the members of Freshfields Bruckhaus Deringer LLP

Extent to which the audit was considered capable of detecting irregularities, including fraud (*continued*)

We considered the nature of the group's and the parent limited liability partnership's industry and its control environment, and reviewed the group's and the parent limited liability partnership's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and those charged with governance about their own identification and assessment of the risks of irregularities, including fraud as detailed below.

We obtained an understanding of the legal and regulatory frameworks that the group's and parent limited liability partnership operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements' such as compliance with the Companies Act 2006 and SRA regulations and;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the parent limited liability partnership's ability to operate or to avoid a material penalty. These included the parent limited liability partnership's compliance with Solicitors Regulation Authority requirements and environmental regulations

We discussed among the audit engagement team including relevant internal specialists such as pensions, valuations and IT specialists and Tax specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

- We presume a risk of material misstatement due to fraud relating to revenue recognition. This has been pinpointed to the valuation of unbilled revenue, more specifically the accuracy of the TCR (time cost rates) percentage applied in the calculation of work in progress (WIP). To address this risk, we have performed the following procedures:
 - Obtained an understanding of the relevant controls regarding the work-in-progress valuation;
 - Selected a sample of matters excluded from the WIP calculation, and obtained evidence that it was appropriate that the selected items be excluded;
 - Confirmed the rates used to value Gross WIP at year-end to the standard rate in the system;
 - Developed an independent point estimate to determine if the Time Cost Rate ('TCR') used to value the adjusted gross WIP was appropriate; and
 - Agreed a sample of hours worked by fee earners to timesheets.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing the partnership council meeting minutes.

Freshfields Bruckhaus Deringer LLP

Independent auditor's report to the members of Freshfields Bruckhaus Deringer LLP

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Black

Jeremy Black, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

Date: 27 January 2022

Freshfields Bruckhaus Deringer LLP

Consolidated income statement For the year ended 30 April 2021

	Note	2021 £m	2020 £m
Revenue	5	1,635.1	1,540.9
Operating expenses			
Staff costs	9	(771.4)	(728.8)
Depreciation and amortisation	13	(103.9)	(93.7)
Other operating expenses		(220.9)	(204.9)
Movement in provision for retired members annuities	22	(89.7)	(13.2)
Operating profit		449.2	500.3
Finance income	6	0.1	0.8
Finance costs	6	(9.1)	(8.2)
Profit before tax		440.2	492.9
Tax	10	(8.2)	(2.0)
Profit for the year before members' remuneration and profit shares		432.0	490.9
Members' remuneration charged as an expense		(0.1)	(1.9)
Movement in provision for current members' annuities	22	(14.0)	(59.0)
Profit for the year available for discretionary division amongst members		417.9	430.0
Memorandum summary of results			
Profit for the year available for discretionary division amongst members		417.9	430.0
Change in provision for partners' annuities included in arriving at profits for the year, but payable from future profits	22	122.1	90.5
Profit before partners' annuities		540.0	520.5

The results for the year are all derived from continuing activities.

Freshfields Bruckhaus Deringer LLP

Consolidated statement of comprehensive income For the year ended 30 April 2021

	Note	2021 £m	2020 £m
Profit for the year available for discretionary division amongst members		417.9	430.0
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of net defined benefit liability	25	32.2	(20.0)
Deferred tax credit on actuarial gain	16	(6.1)	3.8
		<u>26.1</u>	<u>(16.2)</u>
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference on foreign currency net investments		(19.4)	3.3
		<u>6.7</u>	<u>(12.9)</u>
Total comprehensive income for the year		<u><u>424.6</u></u>	<u><u>417.1</u></u>

Freshfields Bruckhaus Deringer LLP

Consolidated balance sheet As at 30 April 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Property, furniture and equipment	13	153.5	122.0
Right of use assets	13	486.9	512.7
Investments	15	0.3	0.3
Deferred tax assets -	16	-	5.2
Trade and other receivables	17	1.8	7.2
Retirement benefit asset	25	6.1	-
		<u>648.6</u>	<u>647.4</u>
Current assets			
Trade and other receivables	17	851.1	820.6
Amounts due from members		212.0	244.2
Cash and cash equivalents		98.4	35.0
		<u>1,161.5</u>	<u>1,099.8</u>
Total assets		<u>1,810.1</u>	<u>1,747.2</u>
Current liabilities			
Trade and other payables	18	321.3	260.3
Current tax liabilities		1.0	0.8
Provisions	20	64.0	54.3
Members' capital		3.9	0.8
Lease liability	19	61.9	73.5
		<u>452.1</u>	<u>389.7</u>
Non-current liabilities			
Trade and other payables	18	35.0	27.1
Provisions	20	1,335.6	1,277.5
Retirement benefit obligations	25	-	27.4
Members' capital		100.2	94.7
Lease liability	19	477.7	482.7
Deferred tax liability	16	1.1	-
		<u>1,949.6</u>	<u>1,909.4</u>
Equity			
Foreign exchange reserve		42.2	61.6
Other reserves		(633.8)	(613.5)
Total liabilities and equity		<u>1,810.1</u>	<u>1,747.2</u>

Freshfields Bruckhaus Deringer LLP

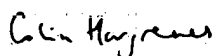
Consolidated balance sheet (continued) As at 30 April 2021

The following balances relating to members and former members are included in the consolidated balance sheet:

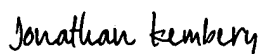
	Note	2021 £m	2020 £m
Members' capital		104.1	95.5
Amounts due from members		(212.0)	(244.2)
Total members' other interests		(591.6)	(551.9)
Members' interests		(699.5)	(700.6)
Provision for annuities dependent on future generation of profits			
Provision for current members' annuities	22	395.0	410.0
Provision for retired members' annuities	22	797.2	728.2
		<u>1,192.2</u>	<u>1,138.2</u>
Members' interests before provision for annuities dependent on future generation of profit		492.7	437.6

The financial statements of Freshfields Bruckhaus Deringer LLP (registered number OC334789) were approved by members on 19 January 2022 and were signed on their behalf on 27 January 2022.

Signed on behalf of the Members



Colin Hargreaves
Partner and designated member



Jonathan Kembery
General Counsel and designated member

Freshfields Bruckhaus Deringer LLP

Limited liability partnership balance sheet As at 30 April 2021

	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Property, furniture and equipment	14	4.0	15.5
Right of use assets	14	118.8	173.5
Investments	15	0.4	0.4
Trade and other receivables	17	-	6.8
		<u>123.2</u>	<u>196.2</u>
Current assets			
Trade and other receivables	17	688.4	771.5
Amounts due from members		219.9	244.2
Cash and cash equivalents		37.9	16.7
		<u>946.2</u>	<u>1,032.4</u>
Total assets		<u>1,069.4</u>	<u>1,228.6</u>
Current liabilities			
Trade and other payables	18	224.2	238.1
Current tax liabilities		0.4	0.5
Provisions	21	58.0	48.1
Members' capital		3.9	0.8
Lease liability – short term	19	23.5	42.7
		<u>310.0</u>	<u>330.2</u>
Non-current liabilities			
Provisions	21	1,139.6	1,106.8
Members' capital		100.2	94.7
Lease liability – long term	19	98.1	133.4
		<u>1,337.9</u>	<u>1,334.9</u>
Equity			
Foreign exchange reserve		52.9	62.5
Other reserves		(631.4)	(499.0)
Total liabilities and equity		<u>1,069.4</u>	<u>1,228.6</u>

Freshfields Bruckhaus Deringer LLP

Limited liability partnership balance sheet (continued) As at 30 April 2021


The following balances relating to members and former members are included in the LLP balance sheet:

	Note	2021 £m	2020 £m
Members' capital		104.1	95.5
Amounts due from members		(219.9)	(244.2)
Total members' other interests		(578.5)	(436.5)
Members' interests		(694.3)	(585.2)
Provision for annuities dependent on future generation of profits			
Provision for current members' annuities	22	395.0	410.0
Provision for retired members' annuities	22	797.2	728.2
		<u>1,192.2</u>	<u>1,138.2</u>
Members' interests before provision for annuities dependent on future generation of profit		497.9	553.0

The profit for the financial year dealt with in the financial statements of the parent undertaking, Freshfields Bruckhaus Deringer LLP, was £386.3m (2020: £439.6m).

The financial statements of Freshfields Bruckhaus Deringer LLP (registered number OC334789) were approved by members on 19 January 2022 and were signed on their behalf on 27 January 2022.

Signed on behalf of the Members



Colin Hargreaves
Partner and designated member



Jonathan Kembery
General Counsel and designated member

Freshfields Bruckhaus Deringer LLP

Consolidated statement of changes in equity For the year ended 30 April 2021

	Foreign exchange reserve £m	Other reserves £m	Members' reserves £m
Balance at 1 May 2019	52.8	(554.6)	(501.8)
Profit for the year available for discretionary division amongst members	-	430.0	430.0
Differences on translation of foreign operations	8.8	-	8.8
Actuarial loss on pension scheme	-	(16.2)	(16.2)
Effect of adoption of IFRS 16	-	33.3	33.3
Total comprehensive income for the year	8.8	447.1	455.9
Profit allocated to members	-	(506.0)	(506.0)
Balance at 30 April 2020	61.6	(613.5)	(551.9)
Profit for the financial year available for discretionary division amongst members	-	417.9	417.9
Differences on translation of foreign operations	(19.4)	-	(19.4)
Actuarial gain on pension scheme	-	26.1	26.1
Total comprehensive income for the year	(19.4)	444.0	424.6
Profit allocated to members	-	(464.3)	(464.3)
Balance at 30 April 2021	42.2	(633.8)	(591.6)

Memorandum summary of financial position

Members' capital	104.1
Provision for partners' annuities payable from future profits	1,377.2
Members' capital and reserves, before partners' annuities payable from future profits, at 30 April 2021	889.7

Freshfields Bruckhaus Deringer LLP

Limited liability partnership statement of changes in equity For the year ended 30 April 2021

	Foreign exchange reserve £m	Other reserves £m	Members ' reserves £m
Balance at 1 May 2019	50.8	(441.4)	(390.6)
Profit for the year available for discretionary division amongst members	-	439.6	439.6
Differences on translation of foreign operations	11.7	(5.7)	6.0
Effect of adoption of IFRS 16	-	12.2	12.2
Total comprehensive income for the year	11.7	446.1	457.8
Allocated profit	-	(503.7)	(503.7)
Balance at 30 April 2020	62.5	(499.0)	(436.5)
Profit for the year available for discretionary division amongst members	-	386.3	386.3
Differences on translation of foreign operations	(9.6)	-	(9.6)
Total comprehensive income for the year	(9.6)	386.3	(376.7)
Allocated profit	-	(518.7)	(518.7)
Balance at 30 April 2021	52.9	(631.4)	(578.5)

Memorandum summary of financial position

Members' capital	104.1
Provision for members' annuities payable from future profits	1,192.2
Members' capital and reserves, before partners' annuities payable from future profits at 30 April 2021	717.8

Freshfields Bruckhaus Deringer LLP

Consolidated cash flow statement For the year ended 30 April 2021

	Note	2021 £m	2020 Represented £m
Net cash flows from operating activities	23	631.3	487.2
Corporation tax paid		(7.6)	(1.1)
Net cash inflow from operating activities		<u>623.7</u>	<u>486.1</u>
Cash flows from investing activities			
Purchase of property, furniture and equipment	13	(62.7)	(57.4)
Interest received	6	0.1	0.8
Net cash used in investing activities		<u>(62.6)</u>	<u>(56.6)</u>
Cash flows from financing activities			
Capital net repayments to members		8.6	3.8
Payments to and on behalf of members		(432.0)	(440.8)
Cash payment on members' remuneration charged as an expense		(0.1)	(1.9)
Interest paid		(0.2)	(0.1)
Drawdown of short-term borrowings		40.0	-
Repayment of short-term borrowings		(40.0)	-
Payment of lease liabilities		(68.9)	(66.6)
Net cash used in financing activities		<u>(492.6)</u>	<u>(505.6)</u>
Net increase/(decrease) in cash and cash equivalents		68.5	(76.1)
Cash and cash equivalents at beginning of year		35.0	108.7
Effect of foreign exchange rate movements on cash		(5.1)	2.4
Cash and cash equivalents at end of year		<u>98.4</u>	<u>35.0</u>

The payment of lease liabilities in 2020 has been represented to ensure consistency with the presentation in 2021 .

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements For the year ended 30 April 2021

1. General information

Freshfields Bruckhaus Deringer LLP (the LLP) is a limited liability partnership registered in England and Wales, incorporated in the United Kingdom under the Limited Liability Partnership Act 2000. The address of the registered office is given on page 1. The principal activities of the LLP and its subsidiary or associated undertakings (“the Firm”) and the nature of the Firm's operations are set out in the Report to the members on pages 1 to 3.

The LLP meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100), issued by the Financial Reporting Council. Accordingly, the LLP has adopted Financial Reporting Standard 101: ‘Reduced Disclosure Framework’ (FRS 101), as issued by the Financial Reporting Council, and the entity financial statements of the LLP have been prepared in accordance with that standard.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Firm operates.

In this document the term “*partner*” refers to a member of Freshfields Bruckhaus Deringer LLP, or an employee or consultant with equivalent standing and qualifications, or an individual with equivalent status in one of Freshfields Bruckhaus Deringer LLP’s subsidiary or associated undertakings. The term “*member*” in this document is used to refer only to a member of Freshfields Bruckhaus Deringer LLP, the ultimate parent company for these purposes.

2. Adoption of new and revised Standards

At the date of authorisation of these financial statements, The Firm has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements; IAS 8 Accounting Policies, IAS 16 Property, Plant and Equipment, IAS 12 Income Taxes, IAS 28 Investments in Associates and Joint Ventures IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IFRS 10 Consolidated Financial Statements.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The IFRS Interpretations Committee recently finalised an agenda decision on the treatment of configuration or customisation costs in a cloud computing arrangement (relating to IAS 38). Our assessment of the impact of the decision is ongoing.

3. Significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as per the Companies Act. The LLP financial statements have been prepared in accordance with Financial Reporting Standard 101: ‘Reduced Disclosure Framework’ (FRS 101), as issued by the Financial Reporting Council. The financial statements have been prepared on the historical cost basis and on the basis of the accounting policies presented below.

The consolidated financial statements provide comparative information in respect of the previous period. The presentation and classification of items in the financial statements is consistent year on year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Freshfields Bruckhaus Deringer LLP and its subsidiary or associated undertakings for the year ended 30 April 2021. Freshfields Bruckhaus Deringer is an international legal practice comprising Freshfields Bruckhaus Deringer LLP and its subsidiary or associated undertakings. The Firm operates in the following jurisdictions: Abu Dhabi, Austria, Bahrain, Belgium, China, Dubai, France, Germany, Hong Kong, Italy, Japan, Russia, Saudi Arabia, Singapore, Spain, The Netherlands, United Kingdom, United States, and Vietnam. The activities are conducted through the LLP and its subsidiaries, undertakings and partnerships set out in Note 15 or through branches of those entities, the results of which are all included in the consolidated accounts. In these consolidated financial statements Freshfields Bruckhaus Deringer means Freshfields Bruckhaus Deringer LLP and the other partnerships, corporations and other undertakings which carry on business under the name “Freshfields Bruckhaus Deringer”.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements For the year ended 30 April 2021

3. Significant accounting policies (continued)

Summary of disclosure exemptions

As permitted by FRS 101, the LLP has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, certain disclosures in respect of revenue from contracts with customers and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements. As permitted by section 408 of the Companies Act 2006 the LLP has elected not to present its own income statement for the year.

Going concern

The Firm had £98.4m of cash at 30 April 2021 (2020: £35.0m). While Covid-19 has not had a significant impact on the Firm to date, it remains possible that the pandemic could impact demand for our services in the short term. Liquidity pressure on our clients could also have an adverse impact on the business. However, the Firm has considerable financial resources together with a diverse range of clients and across different geographic locations and sectors. The Firm also has considerable discretion over the timing of any cash distributions to partners.

Having considered the current economic conditions and potential uncertainty over the level and timing of future revenues, the Firm's forecasts and projections, and the level of borrowing facilities available, the members are satisfied that the Firm has adequate resources to continue in operational existence for the foreseeable future. As part of this assessment, the members have considered a range of possible scenarios including a significant downside scenario. The members are comfortable that even in the event of a significant downturn, the Firm will be able to meet its obligations as they fall due. For this reason, the members continue to adopt the going concern basis in preparing the accounts.

Property, furniture and equipment

Property, furniture and equipment are stated at cost less provision for depreciation and any impairment.

Property, furniture and equipment are depreciated on a straight-line basis at rates estimated to write off their cost less any residual value over the period of their estimated useful lives. Assets under construction are not depreciated until the in-use date has passed. The annual rates used, based on cost, are generally as follows:

Leasehold improvements	Over the period of the lease
Furniture and fittings	20%
Computer equipment	33⅓%
Other assets	10-20%
Right of use assets	Over the period of the lease

Investments

Investments are included at cost less any provision for impairment.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Firm's balance sheet when the Firm becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at the transaction price determined under IFRS 15 net of expected credit losses (ECLs) as required by IFRS 9. The Firm's receivables are recognised at the cost less estimated irrecoverable amounts.

Impairment of financial assets

The Firm recognises an allowance for ECLs for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Firm expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Firm applies a simplified approach in calculating ECLs. Therefore, the Firm does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Firm has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

The Firm considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Firm may also consider a financial asset to be in default when internal or external information indicates that the Firm is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Firm. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, including borrowings, are measured at their fair value.

Taxation

The taxation payable on partnership profits is usually a personal liability of the members. A retention from each member's profit share is made to fund payments of taxation on members' behalf. In some jurisdictions income tax payable on partnership profits is a liability of Freshfields Bruckhaus Deringer LLP. These net tax liabilities, together with those of corporate subsidiary entities, are recorded as charges to the income statement and as liabilities in the balance sheet.

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

Deferred tax

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 assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Revenue from contracts with customers

Revenue represents amounts chargeable to clients for professional services provided during the year, excluding disbursements and sales tax. Revenue for services provided to clients which has not been billed at the balance sheet date has been recognised based on the fair value of services provided at that date. Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Firm expects to be entitled in exchange for those goods or services.

Contracts related to a provision of a specific professional service are comprised of a single performance obligation because the promises to provide the services are capable of being distinct and separately identifiable. Each distinct service that the Firm promises to transfer to the customer meets the criteria to be a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by Firm's performance as the Firm performs it.

The Firm recognises the revenue over time using the input method by measuring the progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Firm. The normal credit term is 30 days from invoice date.

Provision is made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the Firm.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

3. Significant accounting policies (continued)

Contract balances

- **Unbilled revenue**

Unbilled revenue is classified as a contract asset, defined as the right to consideration in exchange for goods or services transferred to the customer. If the Firm performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

- **Trade receivables**

A receivable represents the Firm's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section Trade and other receivables.

- **Deferred income**

Deferred income is classified as a contract liability, defined as the obligation to transfer goods or services to a customer for which the Firm has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Firm transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Firm performs under the contract.

Finance income and costs

The Firm's finance income and finance costs include interest income and interest expense which are recognised on an accruals basis.

Pensions

The Firm operated a defined benefit pension scheme which was closed to future accrual on 30 June 2010. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments within staff costs. Past service costs are recognised immediately in the income statement if the benefits have been vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount in other finance costs. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the Firm, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities, with actuarial valuations being carried out at the end of each reporting period.

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Firm's defined benefit scheme. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the scheme.

The Firm also operates defined contribution pension schemes. The costs of these schemes are charged to the income statement in respect of pension costs and other post-retirement benefits on the basis of the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of operations which have a functional currency other than Sterling are translated into Sterling at the average rates of exchange for the year. The balance sheets of these operations are translated at the exchange rates ruling on the balance sheet date. Exchange differences arising from the retranslation of opening net assets, together with the difference between the income statement translated at the average and closing exchange rates, are reported in the statements of comprehensive income. All other exchange differences are included in the income statement.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

3. Significant accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when there is a present obligation as a result of a past event, and it is probable that Freshfields Bruckhaus Deringer LLP will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Provision for partners' annuities

The Firm has a commitment to pay annuities to former partners and current partners upon their retirement. These annuities are payable by way of an allocation of a fixed share of future profits and are subject to a maximum not exceeding seven and a half per cent of the Firm's total profit in any year.

The provision for annuities for both retired and current partners has been independently valued based on information provided by the Firm in terms of future profitability and partner numbers. This data is based on the experience within the Firm over many years. In addition, the assumptions set out in note 22 are based on the best estimates available. The Firm will continue to review these assumptions against the Firm's experience and market data, and adjustments will be made in future periods where appropriate.

Members' interests

Members subscribe capital in proportion to the number of profit sharing points allocated to them. Members' capital may only be withdrawn when a member retires. Members' capital is included in non-current liabilities while retiring member's capital is included in current liabilities.

Drawings by members on account of profits have been classified as amounts due from members within current assets.

Leases

The Firm assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Firm as a lessee

The Firm applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Firm recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Firm recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Firm at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Firm recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Firm and payments of penalties for terminating the lease, if the lease term reflects the Firm exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Firm uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

3. Significant accounting policies (continued)

Leases (continued)

liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Firm applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Firm as a lessor

Leases in which the Firm does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Firm's accounting policies, which are described in note 3, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Firm's accounting policies

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty

The key estimates and assumptions are set out below. Any significant change in these estimates could have a material impact on the Firm's financial results and position.

Actuarial valuation

The pension liabilities in respect of the defined benefit scheme and the provision for partners' annuities have been independently valued by actuaries based on information provided by the Firm. The details are set out in notes 3, 22 and 25.

Unbilled revenue

The value of unbilled revenue is based on the estimates and assumptions regarding the fair value of unbilled time at the year end, in accordance with the accounting policy for revenue recognition set out in note 3.

Discount rates

Paragraph C10 of IFRS 16 sets out the basis for using practical expedients whereby "a lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment."

In determining the discount rate for the lease liability and right of use asset calculations, a portfolio approach will be undertaken. Given that the assets have substantially similar characteristics and are used for the same business purpose, they will be split into a portfolio of leases on the basis of their type. Subsequently, the assets with the same nature will be further sub-categorised by geographical location. In this way, the assets, that have the same nature and location, are bucketed into one portfolio. The fact that the assets in the same asset class share the same purpose, allows the practical expedient to be availed of.

After the buckets of portfolios have been established, the duration of the assets will be determined. This will enable the lease term to be matched against the rate in the portfolio of asset classes under the IFRS 16 guidance.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

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

Provision for expected credit losses of trade receivables and contract assets

The Firm uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due considering the recoverability of the business.

The provision matrix is initially based on the Firm's historically observed default rates. The Firm will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and changes in forecast economic conditions. The Firm's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Firm's trade receivables is disclosed in notes 17 and 28.

5. Revenue

Set out below is the disaggregation of the Firm's revenue by geographical location. The Firm only provides legal services and therefore, only has one revenue stream:

	2021 £m	2020 £m
Geographical markets		
Europe	1,297.4	1,190.6
United States	174.0	175.7
Asia	135.2	143.3
Middle East and North Africa	28.5	31.3
Total revenue	<u>1,635.1</u>	<u>1,540.9</u>

6. Finance income and finance costs

	2021 £m	2020 £m
Finance income		
Interest receivable and similar income	<u>0.1</u>	<u>0.8</u>
Finance costs		
Interest payable and similar charges	(8.6)	(8.0)
Interest expense on pension scheme	<u>(0.5)</u>	<u>(0.2)</u>
	<u>(9.1)</u>	<u>(8.2)</u>
Net finance income	<u>(9.0)</u>	<u>(7.4)</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

7. Profit before tax

	2021 £m	2020 £m
Profit before tax is stated after charging/(crediting):		
Depreciation of property, furniture and equipment (note 13)	29.3	25.7
(Profit)/loss on disposal of property, furniture and equipment	(4.3)	0.1
Depreciation of right of use assets (note 13)	74.6	68.0
Foreign exchange gain	(4.6)	(6.9)
	<u>74.6</u>	<u>68.0</u>

8. Auditor's remuneration

The analysis of auditor's remuneration is shown below:

	2021 £m	2020 £m
Fees payable to the LLP's auditor for the audit of the LLP's annual accounts	0.6	0.5
Fees payable to the LLP's auditor and its associates for other services:		
The audit of the LLP's subsidiaries pursuant to legislation	0.2	0.2
Taxation services	0.2	0.4
SRA fee	0.2	0.1
Other consultancy services	1.4	2.1
Total fees to auditor	<u>2.6</u>	<u>3.3</u>

9. Staff costs

Consolidated

	2021 £m	2020 £m
Staff costs can be analysed as follows:		
Salaries	662.9	606.6
Social security costs	41.3	39.3
Pension costs	9.1	9.1
Movement in provision for annuities for non-member partners	18.4	18.3
Other staff costs	39.7	55.5
	<u>771.4</u>	<u>728.8</u>

The average number of people employed during the year was:

	2021 No.	2020 No.
Fee earning staff	2,600	2,556
Secretarial and support staff	2,039	2,054
	<u>4,639</u>	<u>4,610</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

9. Staff costs (continued)

LLP

	2021 £m	2020 £m
Staff costs can be analysed as follows:		
Salaries	180.8	241.3
Social security costs	12.4	19.3
Pension costs	1.4	1.3
Movement in provision for annuities for non-member partners		
Other staff costs	4.8	14.9
	<u>199.4</u>	<u>276.8</u>

The average number of people employed during the year was:

	Consolidated		LLP	
	2021 No.	2020 No.	2021 No.	2020 No.
Fee earning staff	2,600	2,556	2,005	2,114
Secretarial and support staff	2,039	2,054	1,007	1,108
	<u>4,639</u>	<u>4,610</u>	<u>3,013</u>	<u>3,222</u>

10. Taxation

	2021 £m	2020 £m
Corporation tax	8.0	1.9
Deferred tax (note 16)	0.2	0.1
Total tax charge for the year	<u>8.2</u>	<u>2.0</u>
Reconciliation of tax charge:		
Profit before tax	440.2	492.9
Less: amounts subject to personal tax	(425.6)	(470.0)
Taxable profits on ordinary activities before taxation	<u>14.6</u>	<u>22.9</u>
At UK standard corporate rate of 19% (2020: 19%)	2.8	4.3
Tax effects of:		
- Expenses not deductible for tax purposes	4.2	(4.3)
- Capital allowances in excess of depreciation	(2.2)	1.9
Adjustment in respect of prior period	3.2	-
Deferred tax		
- Revaluation of pension scheme	0.2	0.1
Total tax charge for the year	<u>8.2</u>	<u>2.0</u>

An increase to the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future tax charge accordingly.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

11. Profit attributable to the members

Partners' share of profits:

The Partnership Council determines the amount of profits to be distributed, which are divided among the members in accordance with agreed profit sharing arrangements. Remuneration that is payable to a member that falls to be treated as a charge against profits is shown under the heading "Members' remuneration charged as an expense" in the consolidated income statement. Profits are allocated on a gross basis before income tax charges, which are mainly the personal liability of the individual members.

	2021	2020
	No.	No.
Average number of members	<u>287</u>	<u>287</u>

12. Profit attributable to the LLP

The profit for the financial year dealt with in the financial statements of the parent undertaking, Freshfields Bruckhaus Deringer LLP, was £386.3m (2020: £439.6m).

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

13. Property, furniture and equipment – Consolidated

	Property and leasehold improvements £m	Furniture and fittings £m	Office and other equipment £m	Right-of- use assets £m	Assets under construction £m	Total £m
Cost						
At 1 May 2019	135.0	56.6	128.5	-	1.8	321.9
Exchange adjustments	2.0	0.4	0.5	-	-	2.9
Recognised on adoption of IFRS 16	-	-	-	580.7	-	580.7
Additions	3.1	1.0	31.8	-	21.5	57.4
Disposals	(0.2)	-	(0.4)	-	(1.8)	(2.4)
At 1 May 2020	139.9	58.0	160.4	580.7	21.5	960.5
Exchange adjustments	(4.6)	(1.0)	(0.9)	-	-	(6.5)
Additions	29.8	18.7	13.0	61.7	1.2	124.4
Reclassification of assets under construction	20.5	0.7	-	-	(21.2)	-
Disposals	(65.2)	(24.5)	(44.2)	(46.7)	-	(180.6)
At 30 April 2021	120.4	51.9	128.3	595.7	1.5	897.8
Accumulated depreciation						
At 1 May 2019	(96.9)	(46.5)	(87.2)	-	-	(230.6)
Exchange adjustments	(0.8)	(0.4)	(0.5)	-	-	(1.7)
Charge for the year	(11.4)	(3.3)	(11.0)	(68.0)	-	(93.7)
Disposals	0.2	-	0.4	-	-	0.6
At 1 May 2020	(108.9)	(50.2)	(98.3)	(68.0)	-	(325.4)
Exchange adjustments	2.9	0.9	0.9	-	-	4.7
Charge for the year	(9.4)	(4.0)	(15.9)	(74.6)	-	(103.9)
Disposals	65.0	24.0	44.4	33.8	-	167.2
At 30 April 2021	(50.4)	(29.3)	(68.9)	(108.8)	-	(257.4)
Carrying amount						
At 30 April 2021	70.0	22.6	59.4	486.9	1.5	640.4
At 30 April 2020	31.0	7.8	62.1	512.7	21.5	635.1
At 30 April 2019	38.1	10.1	41.3	-	1.8	91.3

All property related to leasehold improvements.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

14. Property, furniture and equipment – LLP

	Property and leasehold improvements £m	Furniture and fittings £m	Office and other equipment £m	Right-of- use asset £m	Assets under construction £m	Total £m
Cost						
At 1 May 2020	91.4	23.9	24.7	214.7	1.7	356.4
Exchange adjustments	(0.3)	(0.1)	(0.3)	-	-	(0.7)
Additions	0.9	0.1	0.4	15.0	0.6	17.0
Disposals	(65.1)	(6.7)	(1.1)	(46.4)	-	(119.3)
Intra-group transfer	(7.5)	(8.3)	(13.2)	(20.1)	(1.9)	(51.0)
At 30 April 2021	19.4	8.9	10.5	163.2	0.4	202.4
Accumulated depreciation						
At 1 May 2020	(85.4)	(19.8)	(21.1)	(41.2)	-	(167.5)
Exchange adjustments	0.5	0.1	0.3	-	-	0.9
Charge for the year	(3.0)	(0.7)	(1.3)	(40.2)	-	(45.2)
Disposals	65.2	6.3	1.4	33.8	-	106.7
Intra-group transfer	4.3	6.5	11.5	3.2	-	25.5
At 30 April 2021	(18.4)	(7.6)	(9.2)	(44.4)	-	(79.6)
Carrying amount						
At 30 April 2021	1.0	1.3	1.3	118.8	0.4	122.8
At 30 April 2020	6.0	4.1	3.6	173.5	1.7	188.9

Amounts included in transfers relate to property, furniture and equipment in Germany, Austria and Spain, which have been transferred at net book value from the LLP to other group undertakings.

15. Investments

	Consolidated		LLP	
	2021 £m	2020 £m	2021 £m	2020 £m
Subsidiary undertakings	-	-	0.3	0.3
Other investments	0.3	0.3	0.1	0.1
	0.3	0.3	0.4	0.4

Freshfields Bruckhaus Deringer LLP and the Firm have investments in the following subsidiary undertakings:

Subsidiary undertakings	Registered office address	Principal activity	Holding
Freshfields Bruckhaus Deringer Singapore Pte Ltd	10 Collyer Quay 42-01, Ocean Financial Centre, Singapore 049315	Legal services	100%
Freshfields Bruckhaus Deringer WLL	Bahrain World Trade Centre, East Tower, 37th Floor, Bahrain	Legal services	100%
Freshfields International Limited	100 Bishopsgate, London, EC2P 2SR, England	Management services	100%
Bouverie Holdings Limited	100 Bishopsgate, London, EC2P 2SR, England	Management services	100%
Freshfields Service Company	100 Bishopsgate, London, EC2P 2SR, England	Management services	100%

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

15. Investments (continued)

Subsidiary undertakings (continued)	Registered office address	Principal activity	Holding
Freshfields (Holdings) Limited	100 Bishopsgate, London, EC2P 2SR, England	Holding company	100%
Freshfields Services Limited	55th Floor, One Island East Taikoo Place, Quarry Bay, Hong Kong	Management services	100%
Freshfields Services S.a.r.l	9 Av. de Messine, 75008 Paris, France	Management services	100%
Yugen Kaisha Freshfields	Akasaka Biz Tower 36F, 5-3-1 Akasaka Minato-ku, Tokyo 107-6336 Japan	Management services	100%

At 30 April 2021, the LLP has the power to exercise, or actually exercises, dominant influence or control over the following undertakings or partnerships:

Undertakings	Registered office address	Principal activity
Freshfields Bruckhaus Deringer US LLP	601 Lexington Ave, 31st Floor, New York, USA	Provides law related services
Freshfields Bruckhaus Deringer Hong Kong Partnership	55th Floor, One Island East Taikoo Place, Quarry Bay, Hong Kong	Provides law related services
Freshfields Bruckhaus Deringer Horitsu Jimusho	Akasaka Biz Tower 36F,5-3-1 Akasaka Minato-ku, Tokyo 107-6336 Japan	Provides law related services
Freshfields Bruckhaus Deringer Gaikokuho Jimu-Bengoshi Jimusho	Akasaka Biz Tower 36F,5-3-1 Akasaka Minato-ku, Tokyo 107-6336 Japan	Provides law related services
Studio Legale Associato a Freshfields Bruckhaus Deringer	Via dei Giardini 7 20121 Milan, Italy	Provides law related services
Freshfields Bruckhaus Deringer Rechtsanwälte Steuerberater PartG mbB	Bockenheimer Anlage 44, 60322 Frankfurt am Main, Germany	Provides law related services
Freshfields Bruckhaus Deringer Rechtsanwälte PartG mbB	Hohe Bleichen 7, 20354 Hamburg, Germany	Provides law related services

Subsidiary undertakings	Consolidated		LLP	
	2021 £m	2020 £m	2021 £m	2020 £m
Cost				
At start and end of year	-	-	0.3	0.3
Provision for impairment at start and end of year	-	-	-	-
Carrying value				
At start and end of year	-	-	0.3	0.3

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

15. Investments (continued)

	Consolidated		LLP	
	2021 £m	2020 £m	2021 £m	2020 £m
Other investments				
Cost				
At start and end of year	1.0	1.0	0.1	0.1
Provision for impairment				
At start and end of year	(0.7)	(0.7)	-	-
Carrying value at 30 April 2021	<u>0.3</u>	<u>0.3</u>	<u>0.1</u>	<u>0.1</u>

Freshfields Trustees Company, incorporated in England and Wales and wholly owned by the Firm, has not been consolidated. The Company acts as a trustee for the administration of the Firm's insurance policies held for the benefits of members and staff. It had £nil net assets at 30 April 2021 (2020: £nil) and does not make a profit or a loss.

16. Deferred tax - Consolidated

Deferred tax provided in the financial statements is set out as below:

	2021	2020
	£m	£m
Deferred tax asset as at start of year	5.2	1.5
Charged to income statement	(0.2)	(0.1)
(Charged)/credited to other comprehensive income	(6.1)	3.8
Deferred tax (liability)/asset as at end of year	<u>(1.1)</u>	<u>5.2</u>
	2021	2020
	£m	£m
Deferred tax (liability)/asset arising in relation to retirement benefit obligations	<u>(1.1)</u>	<u>5.2</u>

The deferred tax liability has been recognised at a rate of 19%, which was the substantively enacted UK rate of corporation tax at the reporting date. An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

Deferred tax assets and liabilities are offset only where the Firm has a legally enforceable right to do so.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

17. Trade and other receivables

	Consolidated		LLP	
	2021 £m	2020 £m	2021 £m	2020 £m
Due within one year				
Client receivables	469.8	492.4	268.3	420.7
Unbilled revenue	264.4	221.0	150.9	177.9
Amounts due from group undertakings	-	-	188.0	99.4
Prepayments	26.8	25.7	4.4	5.7
Other receivables	90.1	81.5	76.8	67.8
	<u>851.1</u>	<u>820.6</u>	<u>688.4</u>	<u>771.5</u>
Due after more than one year				
Rental deposits	1.8	0.6	-	0.2
Other receivables	-	6.6	-	6.6
	<u>1.8</u>	<u>7.2</u>	<u>-</u>	<u>6.8</u>

Amounts due from group undertakings are repayable on demand and do not attract any interest.

Client receivables are shown after impairment provisions for bad and doubtful debts of £12.7m (2020: £16.2m), movements on which are shown below.

	Consolidated		LLP	
	2021 £m	2020 £m	2021 £m	2020 £m
Movement in the allowance for doubtful receivables				
At start of year	(16.2)	(13.0)	(12.2)	(10.5)
Currency translation adjustment	0.5	(0.3)	0.1	(0.2)
Charged to the income statement	0.4	(12.7)	1.5	(7.0)
Direct write offs	2.6	9.8	2.4	5.4
At end of year	<u>(12.7)</u>	<u>(16.2)</u>	<u>(8.2)</u>	<u>(12.3)</u>
Ageing of receivables:				
Under 1 month	325.1	325.3	171.4	286.5
1-2 months	57.5	61.8	36.2	49.3
3-5 months	71.0	83.3	46.4	71.2
6 months or more	28.9	38.2	22.5	26.0
	<u>482.5</u>	<u>508.6</u>	<u>276.5</u>	<u>433.0</u>
Less allowance for doubtful receivables	<u>(12.7)</u>	<u>(16.2)</u>	<u>(8.2)</u>	<u>(12.3)</u>
	<u>469.8</u>	<u>492.4</u>	<u>268.3</u>	<u>420.7</u>

Further information regarding credit risk and the allowance for doubtful receivables in relation to trade receivables is given in note 28.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

18. Trade and other payables

	Consolidated		LLP	
	2021 £m	2020 £m	2021 £m	2020 £m
Due within one year				
Trade payables	38.5	50.6	27.2	35.2
Other payables	92.5	63.1	56.5	41.2
Taxes and social security	51.8	56.0	8.7	21.8
Accruals and deferred income	138.5	90.6	57.7	60.0
Amounts due to other group undertakings	-	-	74.1	79.9
	<u>321.3</u>	<u>260.3</u>	<u>224.2</u>	<u>238.1</u>
Due after more than one year				
Other payables	<u>35.0</u>	<u>27.1</u>	<u>-</u>	<u>-</u>

At the balance sheet date the Firm has bank loans of £nil (2020: £nil) drawn down under a revolving credit facility.

Amounts due to group undertakings are repayable on demand and do not attract any interest.

In the event of an administration or winding up of Freshfields Bruckhaus Deringer, the assets of the Firm (including the sums, if any, contributed or to be contributed by Members to make up losses or deficiencies of capital) shall be applied first (and in priority to amounts due to Members in respect of members' capital) in the payment of the debts and liabilities of the Firm to its creditors (which shall include, for the avoidance of doubt, the Members, but only in respect of amounts due to the Members not being members' capital).

19. Leases

Consolidated

The firm leases properties and office equipment under non-cancellable leases of varying lengths. In accordance with IFRS 16, the Group has recognised right-of-use assets and corresponding liabilities for these leases.

Amounts recognised in the consolidated balance sheet:

	Property £m	Office equipment £m	Total £m
Right of use assets			
At 1 May 2020	512.1	0.6	512.7
Additions	61.3	0.4	61.7
Depreciation	(74.2)	(0.4)	(74.6)
Disposals	(12.9)	-	(12.9)
At 30 April 2021	<u>486.3</u>	<u>0.6</u>	<u>486.9</u>
Lease liabilities			
Current liabilities	61.5	0.4	61.9
Non-current liabilities	477.2	0.5	477.7
Total liabilities	<u>538.7</u>	<u>0.9</u>	<u>539.6</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

19. Leases (continued)

Consolidated (continued)

Amounts recognised in the income statement

	2021 £m	2020 £m
Depreciation charge on right of use property	(74.2)	(67.8)
Depreciation charge on right of use office equipment	(0.4)	(0.2)
Interest expense (included in finance costs)	(8.4)	(7.9)
Profit on termination of lease	4.5	-
	<u>4.5</u>	<u>-</u>

The Firm is committed to lease payments of £40.2m in relation to leases that have not yet commenced.

LLP

Amounts recognised in the consolidated balance sheet:

	Property £m	Office equipment £m	Total £m
Right of use assets			
At 1 May 2020	173.3	0.3	173.6
Additions	14.8	0.2	15.0
Depreciation	(40.0)	(0.2)	(40.2)
Disposals	(12.7)	-	(12.7)
Transfers	(16.9)	-	(16.9)
	<u>118.5</u>	<u>0.3</u>	<u>118.8</u>
At 30 April 2021	<u>118.5</u>	<u>0.3</u>	<u>118.8</u>

Amounts included in transfers relate to leases in Austria and Spain, which have been transferred from the LLP to other group undertakings.

	Property £m	Office equipment £m	Total £m
Lease liabilities			
Current liabilities	23.3	0.2	23.5
Non current liabilities	97.8	0.3	98.1
	<u>121.1</u>	<u>0.5</u>	<u>121.6</u>
Total liabilities	<u>121.1</u>	<u>0.5</u>	<u>121.6</u>

Amounts recognised in the income statement

	2021 £m	2020 £m
Depreciation charge on right of use property	(40.0)	(51.6)
Depreciation charge on right of use office equipment	(0.2)	(0.2)
Interest expense (included in finance costs)	(0.9)	(1.3)
Profit on termination of lease	4.5	-
	<u>4.5</u>	<u>-</u>

The LLP is committed to lease payments of £20.1m in relation to leases that have not yet commenced.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

20. Provisions – consolidated

	Property £m	Other provisions £m	2021 Total £m	2020 Total £m
At start of year	11.5	12.1	23.6	24.2
Exchange adjustments	(1.0)	(0.2)	(1.2)	0.3
Charged/(credited) to income statement	12.4	(0.2)	12.2	4.8
Utilisation of provision	(8.8)	(2.9)	(11.7)	(4.9)
Release of unused provision	-	(0.5)	(0.5)	(0.8)
At end of year	<u>14.1</u>	<u>8.3</u>	22.4	23.6
Retired members' annuities (note 22)			797.2	728.2
Non-member partners' and former partners' annuities (note 22)			185.0	169.3
Current members' annuities (note 22)			395.0	410.0
Total provisions			<u>1,399.6</u>	<u>1,331.1</u>
Included in Provision for current liabilities			64.0	54.3
Included in Provision for non - current liabilities			1,335.6	1,276.8
			<u>1,399.6</u>	<u>1,331.1</u>

Other provisions comprise provisions for healthcare costs, insurance and certain retirement benefits. They are expected to fall due for payment between May 2021 and April 2030.

Property provisions include dilapidations provisions and provisions for onerous leases in relation to leases expiring between May 2021 and June 2029.

21. Provisions – LLP

	Property £m	Other provisions £m	2021 Total £m	2020 Total £m
At start of year	8.8	7.9	16.7	17.8
Exchange adjustments	(0.1)	(0.2)	(0.3)	0.1
Charged to income statement	-	(0.8)	(0.8)	3.5
Utilisation of provision	(8.4)	(1.8)	(10.2)	(4.7)
At end of year	<u>0.3</u>	<u>5.1</u>	5.4	16.7
Retired members' annuities (note 22)			797.2	728.2
Current members' annuities (note 22)			395.0	410.0
Total provisions			<u>1,197.6</u>	<u>1,154.9</u>
Included in Provision for current liabilities			58.0	48.1
Included in Provision for non - current liabilities			1,139.6	1,106.8
			<u>1,197.6</u>	<u>1,154.9</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

22. Provisions – partners’ annuities

Retired and current partners’ annuities

The annuities payable to retired partners and to current partners upon retirement are funded from future profits, are conditional upon the existence of future profits and are capped in each year at a maximum of 7.5% of the applicable profit of the Firm. The provision is expected to be utilised over a period of approximately 50 years.

The provision for retired and current partners’ annuities is the present value of the future obligation of the Firm to provide retirement annuities to partners out of future profits. As detailed below, the provision has increased in the year from £1,307.5m at 1 May 2020 to £1,377.2m at 30 April 2021.

Annuities payable to former partners are based on the number of years of service and the future profitability of the Firm. The provisions are based on assumptions concerning expected years of service, mortality and future profitability of the Firm.

	Non- members’ annuities £m	Retired members’ annuities £m	Current members’ annuities £m	Total annuities £m
As at 1 May 2020	169.3	728.2	410.0	1,307.5
Change in provision				
Additional provision in the year	10.8	-	28.0	38.8
Unwinding of discount	3.0	11.1	7.0	21.1
Actuarial adjustments	5.0	78.2	(21.0)	62.2
Charge to income	18.8	89.3	14.0	122.1
Utilisation of provision	(3.1)	(49.3)	-	(52.4)
Transfer	-	29.0	(29.0)	-
Net movement in provision	15.7	69.0	(15.0)	69.7
As at 30 April 2021	<u>185.0</u>	<u>797.2</u>	<u>395.0</u>	<u>1,377.2</u>
			2021 £m	2020 £m
Included in current liabilities			61.0	46.0
Included in non-current liabilities			1,316.2	1,261.5
			<u>1,377.2</u>	<u>1,307.5</u>

The movement in the provision for annuities for partners who are not members of Freshfields Bruckhaus Deringer LLP is included under “staff costs” in the consolidated income statement (note 9). The total impact of the movement in the provision for partners’ annuities on the results for the year is summarised below.

	2021 £m	2020 £m
Profit for the year	417.9	430.2
Movement in provision for partners’ annuities included in arriving at profit for the year, but payable from future profits	122.1	90.5
Profit for the year before partners’ annuities	<u>540.0</u>	<u>520.7</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

23. Reconciliation of operating profit to net cash inflow from operating activities

	2021 £m	2020 Represented £m
Profit before tax	440.2	493.1
Adjustment for:		
Net finance costs	9.0	7.2
Depreciation charges	103.9	93.7
Gain/(Loss) on disposal of property and equipment	(4.3)	0.1
Increase/(decrease) in provisions	77.8	(5.4)
Movement in retirement obligation	(1.8)	(1.7)
Annuities paid to former members	(25.2)	(26.4)
Non-cash impact of IFRS 16 adoption	-	(16.0)
Operating cash inflows before movement in working capital	599.6	544.6
Increase in receivables	(33.9)	(46.5)
IFRS 16 – short term prepayments adjustment	-	(3.2)
Increase/(decrease) in trade and other payables	65.6	(8.5)
IFRS 16 – deferred income adjustment	-	0.8
Net cash inflow from operating activities	631.3	487.2

The payment of lease liabilities in 2020 has been represented to ensure consistency with the presentation in 2021.

24. Capital commitments

The Firm has no expenditure commitments approved and contracted for as at 30 April 2021 (2020: £nil).

25. Defined benefit pension scheme

A subsidiary of Freshfields Bruckhaus Deringer LLP operates a defined benefit pension scheme for qualifying employees ('the Plan'), which was closed to future accrual on 30 June 2010. The amount charged in the accounts for the funding of the pension scheme is £1.8m (2020: £1.7m charge).

Under the regulations, a funding valuation is required to take place every three years. If the valuation shows that the Plan is in deficit, contributions to eliminate the deficit will be payable over an agreed period.

The latest triennial actuarial valuation for funding purposes was completed as at 1 May 2019. As part of the actuarial valuation process a new Schedule of Contributions and Recovery Plan was agreed, which set out the Firm's future contribution requirements to the Plan.

Based on the new Schedule of Contributions, the Firm's expected contribution to the Plan for the year to 30 April 2022 will be around £1.0m.

The Firm will meet other expenses (including administration expenses, investment management expenses and the PPF levy) in addition to this amount.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

25. Defined benefit pension scheme (continued)

In accordance with International Accounting Standard 19 “Employee benefits”, the full actuarial valuation has been reviewed and updated as at 30 April 2021 based upon the following assumptions:

	2021 %pa	2020 %pa	2019 %pa	2018 %pa
Rates of increase in salaries	n/a	n/a	n/a	n/a
Rates of increase in pensions	3.1	2.5	3.2	3.1
Discount rate	2.1	1.6	2.6	2.8
Inflation	3.3	2.5	3.4	3.2

The mortality assumptions are based on standard mortality tables. The assumptions are that a member who retired in 2021 at age 65 will live on average for a further 22 years after retirement if they are male and for a further 24 years after retirement if they are female.

The Plan’s duration can be thought of as being a measure of the average time over which future benefit payments are made to members of the Plan. The Plan’s duration at 30 April 2021 is estimated to be around 20 years.

The scheme assets and liabilities are disclosed below:

	2021 £m	2020 £m	2019 £m
Equities	119.9	89.2	105.6
Bonds – Government	52.7	50.8	42.0
Cash and other net assets	0.5	1.3	0.5
Total fair value of assets	173.1	141.3	148.1
Actuarial value of liability	(167.0)	(168.7)	(157.0)
Surplus/(deficit)	6.1	(27.4)	(8.9)
	2021 £m	2020 £m	2019 £m
Analysis of amounts recognised in income			
Net interest expense	0.5	0.2	-
Past service cost	-	-	0.8

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

25. Defined benefit pension scheme (continued)

	2021 £m	2020 £m	2019 £m
Analysis of amounts recognised in the statement of comprehensive Income			
Remeasurement – return on plan assets excluding interest income gain/(loss)	31.4	(9.2)	0.6
Remeasurement – effect of experience adjustments gain	1.6	0.7	(0.9)
Remeasurement – effect on changes in assumptions loss	(3.6)	(11.5)	(10.1)
Effect of changes in demographic assumptions gain	2.8	-	-
	<u>32.2</u>	<u>(20.0)</u>	<u>(10.4)</u>

Movements in the present value of the defined benefit obligation in the year were as follows:

	2021 £m	2020 £m
Opening defined benefit obligation	168.7	157.0
Interest cost	2.7	4.0
Actuarial gain from experience adjustments	(1.6)	(0.7)
Actuarial loss arising from changes in financial assumptions	3.6	11.5
Actuarial gain arising from changes in demographic assumptions	(2.8)	-
Benefits paid	(3.6)	(3.1)
	<u>167.0</u>	<u>168.7</u>

Movements in the fair value of plan assets in the year were as follows:

	2021 £m	2020 £m
Opening fair value of scheme assets	141.3	148.1
Interest income	2.2	3.8
The return on plan assets (excluding amounts included in net interest expense)	31.4	(9.2)
Employer contributions	1.8	1.7
Benefits paid	(3.6)	(3.1)
	<u>173.1</u>	<u>141.3</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

25. Defined benefit pension scheme (continued)

History of experience gains and losses

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Differences between the expected and actual return on scheme assets	31.4	(9.2)	0.6	6.8	24.2
Percentage of scheme asset	18%	(7%)	0%	5%	18%
Experience gains/(loss) on scheme liabilities	1.6	0.7	(0.9)	3.2	(1.5)
Percentage of scheme liabilities	1%	-	(1%)	2%	(1%)
Actuarial (loss)/ profit due to changes in assumptions	(3.6)	(11.5)	(10.1)	5.4	(26.4)
Percentage of scheme liabilities	(2%)	(7%)	(6%)	4%	(17%)
Total actuarial (loss)/profit recognisable in the statement of other comprehensive income	32.2	(20.0)	(10.4)	15.4	(3.7)
Percentage of scheme liabilities	19%	(12%)	(7%)	11%	(2%)

Sensitivity analysis

A 0.25% pa decrease in the discount rate assumption would increase the value of the liabilities by around £7.5m.

A 0.25% pa increase in the assumed rate of inflation would increase the value of the liabilities by around £6.3m.

A 0.25% pa increase in the assumed long-term rate of future mortality improvements would increase the value of the liabilities by around £2.0m.

The Firm operates a defined contribution pension scheme in the UK for which the pension cost charge for the year amounts to £6.8m (2020: £6.2m). As at 30 April 2021, the amount payable in relation to this scheme is £0.5m (2020: £0.5m).

26. Contingent liabilities

The Firm has no such liabilities as at 30 April 2021 (2020: £nil).

27. Related party transactions

Balances and transactions between Freshfields Bruckhaus Deringer LLP and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Balances outstanding between the LLP and other group undertakings are disclosed in notes 17 and 18. Note that all amounts due to and from other group undertakings are repayable on demand and are not interest bearing. As permitted under FRS 101, the LLP has taken advantage of the disclosure exemptions available under that standard in relation to intercompany transactions between the LLP and the other wholly owned subsidiaries.

The key management personnel comprise the Senior Partner, Managing Partners and heads of the Global Practice Groups. The remuneration of key management personnel amounted to £16.5m (2020: £13.9m). The majority of partners in key management positions maintain significant client responsibilities.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

28. Financial instruments

The carrying value of the financial assets and liabilities at the balance sheet date is set out below. In each case the fair value is not materially different from carrying value.

	2021 £m	2020 £m
Financial assets		
Trade receivables	469.8	492.4
Unbilled revenue	264.4	221.0
Amounts due from members	212.0	244.2
Other receivables	91.9	88.8
Cash and cash equivalents	98.4	35.0
Other investments	0.3	0.3
	<u>1,136.8</u>	<u>1,081.7</u>
Financial liabilities		
Members' capital	104.2	95.5
Trade and other payables	217.5	196.8
	<u>321.7</u>	<u>292.3</u>

The following summarises the principal risks associated with the Firm's financial assets and liabilities and how those risks are managed.

Liquidity and capital risk

The Firm is financed by partners' capital, undistributed earnings and bank facilities. The capital structure is reviewed regularly to ensure that it is adequate to fund the current and projected needs of the Firm. The adequacy of borrowing facilities is regularly reviewed in light of projections of future cash flows.

Currency risk

The reporting currency of the Firm is Pounds Sterling but its business is international. The principal currencies to which the Firm is exposed are Euros and US dollars (and currencies linked to the US dollar).

The effect of currency fluctuation is mitigated across the Firm by revenue and costs incurred by each entity being principally in the functional currency of the location.

The consolidated balance sheet exposure to currencies other than sterling is regularly monitored and the Firm maintains currency cash balances to ensure they match the currency of the expected future payments.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Firm is exposed to credit risk from its operating activities (primarily trade receivables).

Cash deposits with banks and financial institutions give rise to counterparty risks. The Firm manages that risk by ensuring funds are deposited across a number of high quality approved counterparties and within defined counterparty limits.

An assessment is made of the credit risk associated with clients by reviewing independent ratings and by monitoring the level of unpaid fees. The Firm's broad client base, both geographically and across industry sectors, ensures no one client accounts for a material proportion of the Firm's client receivables or unbilled revenues. Aging of trade receivables is disclosed in note 17.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above. The Firm does not hold collateral as security.

The Firm evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

28. Financial instruments (continued)

Credit risk (continued)

Set out below is the information about the credit risk exposure on the Firm's trade receivables using a provision matrix:

30 April 2021

Consolidated	Under 1 month	1-2 months	3-5 months	6 months and more	Total
	£m	£m	£m	£m	
Expected credit loss rate	0.6%	1.6%	4.5 %	23.5%	2.6%
Estimated gross carrying amount at default	325.1	57.5	71.0	28.9	482.5
Expected credit loss	1.8	0.9	3.2	6.8	12.7

LLP	Under 1 month	1-2 months	3-5 months	6 months and more	Total
	£m	£m	£m	£m	
Expected credit loss rate	0.6%	1.4%	4.1%	21.3%	3.0%
Estimated gross carrying amount at default	171.4	36.2	46.4	22.5	276.5
Expected credit loss	1.0	0.5	1.9	4.8	8.2

30 April 2020

Consolidated	Under 1 month	1-2 months	3-5 months	6 months and more	Total
	£m	£m	£m	£m	
Expected credit loss rate	0.7%	1.5%	3.6%	26.2%	3.2%
Estimated gross carrying amount at default	325.3	61.8	83.3	38.2	508.6
Expected credit loss	2.3	0.9	3.0	10.0	16.2

LLP	Under 1 month	1-2 months	3-5 months	6 months and more	Total
	£m	£m	£m	£m	
Expected credit loss rate	0.7%	1.6%	3.7%	26.3%	2.8%
Estimated gross carrying amount at default	286.5	49.3	71.2	25.9	432.9
Expected credit loss	2.1	0.8	2.6	6.8	12.3

Foreign currency risk management

The carrying amounts of the Firm's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2021 £m	2020 £m	2021 £m	2020 £m
Euros	(50.7)	(80.9)	415.2	394.8
US Dollar	(66.7)	(53.8)	126.5	133.5
Other	(23.9)	(21.0)	89.2	81.5
	<u>(141.4)</u>	<u>(155.7)</u>	<u>630.9</u>	<u>609.8</u>

Freshfields Bruckhaus Deringer LLP

Notes to the financial statements (continued) For the year ended 30 April 2021

28. Financial instruments (continued)

Foreign currency sensitivity analysis

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

Profit or loss	2021	2020
	£m	£m
Euro currency impact	40.5	34.9
US Dollar currency impact	6.7	8.9
Other currency impact	7.2	6.7
	<u>54.4</u>	<u>50.5</u>