Freshfields Bruckhaus Deringer LLP

Annual report and financial statements for the year ended 30 April 2023

Freshfields Bruckhaus Deringer

Registered number: OC334789

Freshfields Bruckhaus Deringer LLP

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for the year ended 30 April 2023

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Annual report and financial statements 2023

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Freshfields Bruckhaus Deringer LLP

Report to the members

The Board, 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 2023.

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 2023. 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 the provision of legal services.

A list of members' names and 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 £1,793m, an increase of 5.4% compared with the prior year (2022: £1,701m).

The profit before partners' annuities decreased to £456.9m (2022: £587.7m).

Net cash at the end of the year was (£15.1m), compared with £96.6m in the prior year. Details of the movement in net cash can be found in the consolidated cash flow statement on page 30.

Net assets, before the provision for partners' annuities payable from future profits were £833.5m (2022: £934.7m).

Going concern

The Firm had net cash of (£15.1m) at 30 April 2023 compared to £96.6m in the prior year. In common with other businesses, the current economic environment means that demand for our services could be impacted in the short term. In addition, 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 for at least 12 months from the date of approving the financial statements. 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.

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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 Senior Partner and other members of the Global Leadership Team and the Practice Group Leaders for each of the Firm’s practice areas. The Chief Financial Officer also has a seat on the Committee.

The Finance Committee is a subcommittee of the Board with responsibility for monitoring the Firm's financial affairs, including its accounting policies and processes. The Finance Committee comprises several members of the Board together with other partners. One or more members of the Global Leadership Team and the Chief Financial Officer regularly attending meetings.

The designated members of Freshfields Bruckhaus Deringer LLP during the year ended 30 April 2023 and to the date of this report were:

Georgia Dawson	Senior Partner
Rafique Bachour	Managing Partner
Rick van Aerssen	Managing Partner
Jonathan Kembery	General Counsel

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/

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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 Finance Committee for the Board and signed on their behalf on 25 January 2024 by:

Georgia Dawson
Partner and designated member

Jonathan Kembery
General Counsel and designated member

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Energy and carbon report

The following report is structured around the climate-related financial disclosure (CFD) framework requirements under regulation 12B of the Limited Liability Partnerships (Accounts And Audit) (Application Of Companies Act 2006) Regulations 2008.

Metrics and targets

Our global carbon footprint reporting includes all Scope 1 and Scope 2 emissions with no exclusions, and all applicable Scope 3 categories (fuel and energy-related activities, waste generated in operations, business travel, employee commuting, plus water and paper from the purchased goods and services category). The footprint is generated across the firm's 28 offices in the US, UK, Continental Europe, Middle East and Asia. Representatives from each office submit environmental performance data on an annual basis, covering energy and utilities consumption, business travel, waste data, and paper purchases. This data is analysed and converted into a carbon footprint by Ecometrica, which is then externally assured by Carbon Footprint Ltd.

Previous end of year disclosures only included carbon and energy data relating to our UK operations and are still included to comply with Streamlined Energy and Carbon Reporting obligations. Following the firm's public commitment to near-term science-based targets in January 2023 (validated by the Science-based Targets Initiative), this year's report includes carbon and energy data for our global operations. The scopes and categories of emissions identified in Table 1 (below) reflect the nature of and tracking required for our science-based targets.

Table 1. Carbon footprint data (market-based results) as verified by Carbon Footprint Ltd, a verified third-party assurance consultancy

	2022/23 financial year	**2021/22 financial year**	**2020/21 financial year**	**2018/19 (baseline year for Freshfields' SBTs)**
Scope 1 and 2 (tCO2e)	2,917	5,385	4,403	10,079
Scope 3 (categories 3, 5, 6, 7, and 1 (paper and water only)) (tCO2e)	12,308	6,132	1,520	21,106
Total GHG emissions (Scopes 1, 2 & 3) assured (tCO2e)	15,225	11,517	5,923	31,185
Revenue (GBP millions)	1,792.8	1,701.4	1,635.1	1,493.1
(Scope 1 and 2) tCO2e/1m revenue GBP	1.627	3.165	2.693	6.750
All Scopes tCO2e/1m revenue GBP	8.493	6.769	3.622	20.886
Global electricity consumption MWh	16.3	14.8	22.2	22.5
Electricity from 100% renewable sources MWh	13.3	10.1	17.3*	13.3

* *This high renewable electricity figure from 2020/21 (17.3 MWh) is the result of occupying two premises in London temporarily at the same time during the firm's move from Fleet Street to Bishopsgate.*

Despite a rebound in emissions following the Covid pandemic, the firm's carbon footprint has reduced significantly against our baseline year of 2018/19. Scope 1 and 2 emissions have reduced by 71%, an achievement due in part to energy efficiency, office moves and downsizing, plus a move to 100% renewable electricity contracts in 14 of our offices.

Across our Scope 3 categories, carbon emissions have decreased by 41% since the baseline year. Business travel emissions, which account for 77% of the above assured Scope 3 emissions, have been increasing steadily following a major drop at the beginning of the pandemic in 2019/20. This is the first year that employee commuting emissions have been included in the firm's carbon report, accounting for over 600 tCO_2e.

Normalising this data, the carbon footprint for each £1m GBP of revenue has decreased by 41% against the baseline year.

Our annual environmental data returns are used to identify areas where the firm can improve its environmental performance. The annual results are presented to our Environmental Delivery Group (EDG) and Global Leadership Team (GLT), before being circulated to all Freshfields colleagues. Our science-based targets commitment was borne out of a desire to implement leading environmental practices as a firm, alongside wider environmental targets covering the phase-down of single-use plastics across all offices, a reduction of waste to landfill, and a goal for all office moves and refits to meet ambitious sustainability standards.

Table 2 (below) indicates the firm's progress against our near-term science-based targets. Positive progress is being made towards achieving most of the targets, including the Scope 1 and 2 combined reduction target, met largely due to moves to more sustainable premises (London and Dubai) alongside continued improvements to energy efficiency across our office network and space/resource reduction in the Manchester, Shanghai and Tokyo offices. The travel emissions reduction target has been met following a substantial decrease during the Covid pandemic, notwithstanding a gradual bounce-back in emissions. Strategies are in place to improve progress against the fuel and energy-related activities target (ie to phase out or replace fossil fuel powered company vehicles outside of the UK and replace generators and boilers with low carbon solutions in coming years).

Table 2: Progress against near-term science-based targets

Near-term science-based targets (2027 target date unless stated otherwise)	**FY 2022/23**	**FY 2018/19 (baseline)**	**Target progress**
55% reduction in Scope 1 and 2 emissions	2,917 tCO_2e	10,079 tCO_2e	Achieved (71% reduction)
80% global renewable electricity supply by 2025, and 100% by 2030	82%	59%	On track (82%)
30% reduction in fuel and energy-related activities emissions	2,008 tCO_2e	2,002 tCO_2e	No reduction achieved
35% reduction in business travel related emissions	9,545 tCO_2e	16,115 tCO_2e	On track (41% reduction)
62% of suppliers by emissions committed to SBTs	29%	Unknown	In progress

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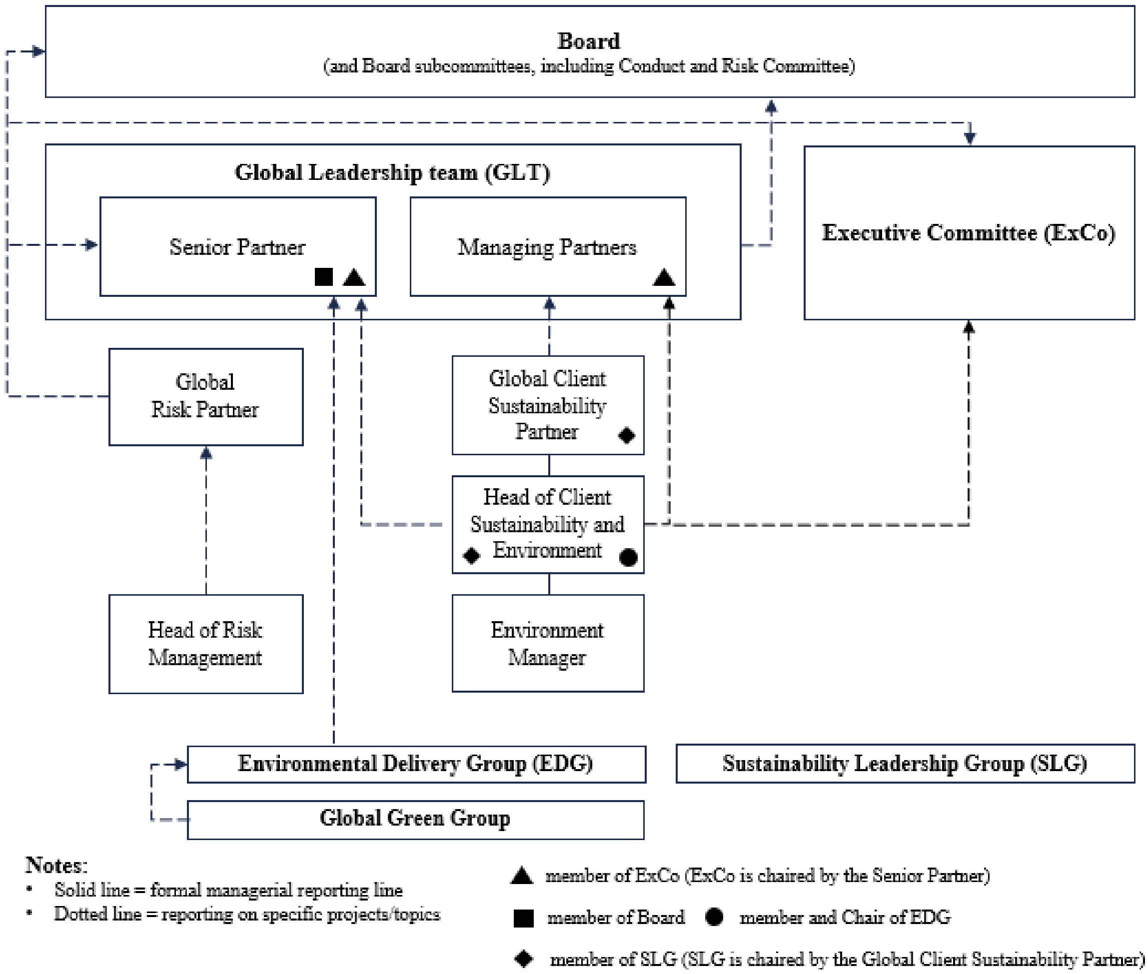
Energy and carbon report
Climate governance

Diagram 1 illustrates the governance of climate change within Freshfields.

Diagram 1: Climate-related governance at Freshfields



The Senior Partner is the most senior individual role in the firm, and is a member of the firm's Board, the Chair of the firm's Executive Committee (ExCo) and the leader of the GLT. Our Senior Partner holds ultimate responsibility for climate-related risks and opportunities within the firm, including decisions regarding the acceptance of any new business that raises particularly complex sustainability issues. The Senior Partner has, together with other members of the GLT, declined to take on clients and / or particular matters that do not meet the firm's values from a sustainability perspective or otherwise.

ExCo receives requests from the Head of Client Sustainability and Environment to consider and ultimately endorse the firm's approach to climate-related risks and opportunities, including its environmental targets (set in January 2021) and more recently our science-based targets (published in January 2023). It also takes into account climate-related matters in firm decision-making as part of discussion and approval of the firm's approach to business travel, conferences and events, discussion and approval of new firm office space or fit-outs, waste and energy efficiency, and endorsement of the firm's client strategy framework (which includes a key focus on our client advisory sustainability practice, including climate- and energy transition-related mandates). Input on the climate and sustainability dimensions of our client strategy is provided to ExCo via our Global Partner for Client Sustainability, supported by a Sustainability Leadership Group (SLG) of partners across all legal practices and markets where the firm operates.

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Energy and carbon report

The GLT prepares a six-monthly written report to the Board, which includes an update on progress against the firm's environmental targets and environmental initiatives, as well as on the firm's client sustainability practice (including climate-related and energy-transition matters).

An Environmental Delivery Group (EDG) was established in January 2023 to drive the actions necessary to deliver our environmental ambitions, including our science-based targets on carbon emissions, and an advisory role with regards to our travel, procurement, waste and office estates commitments. It is overseen by the firm's regional COOs and co-opts specialists from Environment, Procurement, Workplace/Facilities Management, Communications, HR and other teams, with input from our Global Green Group of local office representatives. The EDG meets on a bi-monthly basis to review progress and identify areas for improved progress against its delivery plan, including the status of actions allocated to each of the priority focus areas. It is chaired by our Head of Client Sustainability and Environment, supported by the Environment Manager.

The firm's Head of Client Sustainability and Environment is responsible for the delivery of our environmental performance and has suitable qualifications and experience in this regard (including strategic climate-related expertise). As required, they provide briefings and reports to senior management.

Strategy

In January 2023, the firm published near-term science-based targets which are intended to align the firm's carbon performance with the Paris ambition to limit global warming to 1.5°C above pre-industrial levels. These targets address the key areas where Freshfields can make a significant impact and are baselined to FY 2018/19:

- 55% combined reduction of Scope 1 and 2 emissions (operational and energy supply) by 2027
- 100% renewable electricity supply to all offices by 2030 (commitment to RE100), with a milestone of 80% by 2025
- 30% reduction in other fuel and energy related emissions by 2027
- 35% reduction in business travel emissions by 2027
- 62% of our suppliers (by emissions) to be committed to SBTs by 2027.

The goals represent an increase in ambition by the firm beyond the commitments set out in 2021, and the pledges sit within a refreshed comprehensive delivery plan for firm-wide environmental improvement that spans the firm's workplace (including building energy), travel, waste, catering and procurement. Together, the firm's environmental priorities are communicated in the form of a Global Environmental Framework as shown in Diagram 2 (below). This is communicated to colleagues from day one at Freshfields and throughout their time at the firm. The EDG is responsible for the establishment, action, and review of the firm's delivery plan.

In terms of planning horizons, we regard short-term to be one year, the timeframe of our annual reporting cycle. This is used for climate/carbon-related reporting and for reviewing progress against our targets.

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Diagram 2: Freshfields' Global Environmental Framework including focus areas

Environmental focus areas

Our medium-term environmental planning typically spans 2-5 years, which is used to monitor progress against interim targets. This view covers our near-term science-based targets (which currently complete in 2027) and other interim targets (e.g. paper reduction) to be met in 2025. Our long-term environmental planning horizon spans 5-25 years, incorporating our work to define a long-term net zero target date for the firm.

Freshfields is committed to working collaboratively with suppliers to improve their sustainability performance (including environmental and carbon emissions performance) with the aim of achieving continuous improvement in both our suppliers and the services we receive.

We have developed a global client sustainability practice to engage with clients on climate change, human rights and broader sustainability matters. Within this we deliver targeted services (sustainable finance, transactions, litigation, risk assessments, regulatory compliance, disclosure) and develop thought leadership and client-facing training and events on climate and other sustainability matters. While this team of specialist lawyers provide expert advice for clients, all lawyers within the firm have the opportunity to access training on sustainability (including climate). We are constantly evolving our product/client offering and training our lawyers to ensure clients are aware of potential risks and opportunities posed to their organisations by climate change from a policy, regulatory, litigation and commercial perspective.

The practice advises clients on managing the legal risks of their most significant sustainability matters, and to navigate opportunities for transition. We have consistently declined to take on clients and/or particular matters that do not meet the firm's values from a sustainability perspective or otherwise.

In tandem, we have committed to the Greener Arbitration Pledge, and the Greener Litigation Pledge, helping to minimise the environmental impact of international arbitration and dispute resolution cases. Freshfields is a member of the Legal Sustainability Alliance (LSA), a collaborative network whose aim is to support law firms on their transition to net zero, as well as Legal Charter 1.5 that is developing standards for understanding the impact of legal advice on climate change. We are also signatories of the We Mean Business Coalition. The firm's Global Environmental Framework, which stands as our environmental policy, can be found here.

Freshfields has been committed to carbon neutrality since 2007, having historically offset emissions across Scopes 1 and 2 and Scope 3 categories including waste and business travel. In 2015, the firm made a 10-year commitment to a flagship carbon removal project, Reforestation in East Africa Programme (REAP), which produces a range of co-benefits for local communities including income generation, gender empowerment (through rotating leadership) and protection of biodiversity. Whilst the carbon credits from REAP will mature in coming years, Freshfields' 2022/23 carbon footprint (Scope 1, market-based Scope 2, plus the assured Scope 3 categories: waste, business travel, employee commuting, fuel and energy-related activities, plus paper and water from category 1) was offset using verified carbon credits across a number of projects including wind power generation and Gyapa efficient cookstoves.

Risks and opportunities

Risk management

Freshfields has an established process for identifying, analysing, managing, and reporting to leadership on the principal risks to our firm's strategy and business model, and a dedicated Risk team focused on maintaining the framework for doing this (including a Global Risk Partner and a Head of Risk Management). Principal risks are identified and determined on a materiality (impact on strategy execution and likelihood of materialising) basis through a process of periodic 'horizon-scanning' consultation with a wide range of stakeholders in senior roles across the firm's different global practice Groups, its international office footprint and leadership of its main business support functions. For each agreed principal risk at the firm, a senior-level owner group (typically at Board/GLT/ExCo level) is in place that agrees on the risk's assessment and mitigation approach and meets regularly to track progress and discuss any emerging or materialising issues related to its area(s) of focus – supported by the dedicated Risk team.

Key outputs and progress from all the risks ownership groups are consolidated and reported by the Risk team to the Conduct and Risk Committee, a sub-committee of the firm's governing Board with the mandate to oversee its risk management and compliance systems, and to the firm's GLT. The aim is to revisit and fully refresh the list of principal risks every two years, although there is full scope to add risks to or remove them from the register outside of this timeframe where needed to ensure it remains fully up to date. Consideration is also given to how different principal risks may inter-connect. For example, climate change correlates with other principal risks we track related to regulatory change, to business continuity and to reputation management and this interplay is carefully considered to ensure our approach in each case is appropriately coordinated and fully integrated as necessary.

The impact of sustainability (notably climate change) on the firm is included as one of the firm's principal risks, owned jointly by our Head of Client Sustainability and Environment and an experienced partner in the firm who is also a member of our client-facing Sustainability Leadership Group (SLG) chaired by our Global Partner for Client Sustainability. It is, therefore, subject to detailed analysis and has an associated action plan to monitor and, where necessary, improve our management of its component parts. This overarching action plan, drafted by the risk owners, has been widely discussed with firm-wide sector group leadership and is subject to on-going senior management review as part of the cycle of oversight and challenge in place for all principal risks.

The individual climate-related risks and opportunities outlined below were identified by the Risk and Environment teams, considering the impact of climate change across the full range of business activities and processes undertaken by the firm. An initial 'long-list' of impact areas was prioritised and reduced to the most material areas by considering the assessed impacts (financial and non-financial) and likelihood of occurrence in each case. Scenario analysis was conducted on these climate-related risks and opportunities to understand their materiality within our business and strategy in different future outlooks as outlined below.

We participated in the development of the Legal Charter 1.5 process and are a Dialogue Partner along with five other large law firms. We also participate in its working group on advised emissions.

We consider the impact of climate change and associated risks in relation to specific clients we are asked to represent, and mandates we are invited to advise on (short and medium term) and on the firm's broader clients and markets strategy, which also includes a long-term perspective.

Within our climate-related risk assessments, the firm considers reputational risks, current and emerging regulation, and other legal risks as most relevant to the firm. To a lesser extent, we also consider market, technology, and physical risks.

Freshfields' principal climate risks and opportunities are presented in Table 3 (below). To recap, we utilise the following timeframes in our analysis below: one year (short term), 2-5 years (medium-term); 5-25 years (long-term).

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Table 3: Risks and opportunities from climate change

Risk / opportunity type	**Risk/opportunity type and driver**	**Description of risk/opportunity**	**Description of response**
Risks			
1. Direct operations	Acute physical – extreme weather conditions Time horizon: Medium-term Likelihood: Unlikely Magnitude of impact: Medium-low	Extreme weather conditions may lead to multiple risks. Risk of flooding or extreme weather could lead to disruption of our data servers or temporarily impede the supply of electricity to our offices. There is a risk of drought in many of our office locations (London, Paris, Rome, Madrid, Beijing, Shanghai, Silicon Valley) which may impact the firm's ability to keep offices open. For example, droughts can impact the availability of cooling water to nuclear energy facilities (e.g., China, UK and France) and disrupt energy supplies for certain periods. Severe heatwaves may hinder the ability of employees to commute to the office, client meetings or courts and tribunals. Similarly, our Manchester office is located immediately next to a river which carries a risk of flooding in extreme rainy conditions.	Most employees and all fee-earning employees are equipped with remote working equipment to allow them to continue working even if they can't attend the office or other commitments in person. We also have an Agile Working Policy in place and a hybrid working support hub for colleagues. Business continuity measures are included in our approach to Information Security: our data centres are certified to ISO 22301 standard (business continuity).
2. Direct operations	Reputation, stigmatisation of sector Time horizon: Short-term Likelihood: More likely than not Magnitude of impact: Medium-low	As a leading multi-disciplinary global law firm, some of our work involves advising entities which operate, finance or are otherwise involved in carbon-intensive businesses. Amid growing stakeholder scrutiny of certain sectors and individual companies that are negatively associated with climate change, professional services firms which provide advice to these actors could receive criticism by stakeholders for their role in ‘facilitating’ carbon-intensive activities.	Our firm’s response to this risk is multi-faceted, and includes, most relevantly: (a) a business development strategy that focuses on growing the share of our business aligned with decarbonisation; and (b) a business acceptance process that screens all new clients and mandates against a range of criteria, including climate-related issues. The firm reserves the right to refuse business on ethical as well as financial and regulatory grounds, and to opt out of work already underway if it develops in a

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Risk / opportunity type	Risk/opportunity type and driver	Description of risk/opportunity	Description of response
		The primary impact of such scrutiny is likely to be reputational in nature, with potential indirect impacts on recruitment and business development.	direction that no longer aligns with relevant criteria.
3. Direct operations	Changing client behaviour – based on who we represent and how we perform Time horizon: Medium-term Likelihood: More likely than not Magnitude of impact: Medium-low	An increasing number of commercial and public sector organisations are exploring how they can positively support the climate transition. As a supplier to such organisations, this means our engagement is being made increasingly conditional on our climate policies and emissions performance. If our actions and responses do not meet the changing expectations of our clients, it is possible we could experience a reduction in business (for example, by de-selection from our clients' panels of preferred legal providers). Organisations taking a leadership position on the transition could additionally impose blanket exclusions on certain service providers based on climate-related criteria.	The firm has captured environmental data from all offices since 2007, with the purpose of reporting an annual carbon footprint, and offsetting select emissions as part of our commitment to carbon neutrality. We have enhanced our public profile by publishing near-term science-based targets (SBTs) as mentioned above. The firm also completes an annual disclosure to CDP and EcoVadis (and other sustainability ratings platforms such as IntegrityNext), which we can communicate to clients. The firm's SBTs are supplemented by other commitments including in relation to phasing-down waste to landfill and phasing down single-use plastics. We are growing our resources (time, effort and adoption of third-party reporting standards/platforms) to strengthen our ability to respond to increasingly detailed client due diligence, including questionnaires, more detailed pitch and selection panel submissions and audit requests.
4. Downstream	Changing client behaviour – long term changes to our portfolio Time horizon: Long-term Likelihood: More likely than not	The global transition to a low carbon economy is encouraging a significant rebalancing of commercial activity characterised by the replacement of 'traditional' carbon-intensive business models and processes with more sustainable alternatives. This transition will likely cause the transformation, shrinkage or disappearance of certain industries	As noted above, our firm's strategy to adapt our business model to climate transition-driven changes in demand for legal services is multi-faceted, and includes a focus on growing the share of our business that is aligned with decarbonisation. For example, we increasingly seek to and do advise clients in carbon-intensive sectors on their transition, and new clients who are innovating

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Risk / opportunity type	Risk/opportunity type and driver	Description of risk/opportunity	Description of response
	Magnitude of impact: Medium-low	over varying timeframes in different geographies. It is possible that some of the companies impacted by transition could be Freshfields' clients, and their demand for legal support may change in comparison to current or historic experience, with possible revenue implications.	in this space (e.g. in climate change technology). Given that some of our clients' interests involve or are related to carbon-intensive activities, it is possible there could be some attrition in our client base. However, this is not likely to be sudden, and we expect that the volume of any such attrition will be outweighed by the growth of business related to the climate transition, as noted in the opportunities below.
Opportunities			
1. Direct operations	Resource efficiency – energy efficiency and space considerations Time horizon: Medium-term Likelihood: Virtually certain Magnitude of impact: Medium	Our agile working policy contributes to space and resource efficiency, allowing the firm to review all office spaces regularly to ensure excess space is reduced or handed back to landlords. Reductions in office space as well as the application of energy and resource efficiency measures combine to support a reduction in the firm's Scope 1 and Scope 2 greenhouse gas emissions. Furthermore, the agile working policy has led to a reduction in employee commuting emissions.	Offices across the Freshfields network have been able to make energy and cost savings over previous years and will continue to do so in the future. Our environment and workplace teams use utilities and carbon data, food orders and waste levels, as well as attendance records, to identify potential areas of savings.
2. Direct operations	Use of technologies – virtual training and meetings Time horizon: Long-term Likelihood: Virtually certain Magnitude of impact: Medium-low	With advances in technologies including improved video conferencing software, this has made it possible for various meetings, hearings, seminars and training to be conducted remotely. This not only saves costs for travel and accommodation, but also reduces the carbon emissions of those same activities.	In support of a wider target to reduce travel-related emissions, and consideration of wellbeing of colleagues, the firm assesses and decides whether to host select trainings and other seminars virtually. The firm is signatory to the Greener Litigation Pledge and Greener Arbitration Pledge which encourage a more environmentally focussed approach to handling mandates.

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Risk / opportunity type	Risk/opportunity type and driver	Description of risk/opportunity	Description of response
3. Direct operations	Smart travel – implementation of global travel policy Time horizon: Long-term Likelihood: Virtually certain Magnitude of impact: High	Business travel is deemed necessary by lawyers in Freshfields in order to deliver quality services to clients. We understand, though, that business travel accounts for a large portion of our annual emissions, and also has significant cost implications. Our near-term science-based targets set out our ambition to reduce travel-related emissions (by 35%), which will directly influence cost savings.	The firm revised its travel policy in 2023 to encourage colleagues to maximise the efficiency and value generated from business travel, for example ensuring trips cover multiple objectives to justify the emissions and cost consumed. The policy also includes guidance on class of travel and mode of transport, dependent on distance travelled, emphasising the use of rail above air for shorter journeys.
4. Direct operations	Client demand for climate/sustainability-related services Time horizon: Short-term Likelihood: Likely Magnitude of impact: Medium-high	It is likely that an increasing number of entities impacted by climate-related issues will be Freshfields' clients and will require additional legal support compared to current or historic levels: (1) Transactional: the ongoing climate transition creates opportunities for global law firms to help clients navigate risks and opportunities as their businesses transform, as well as develop business with new high growth 'transition businesses' providing innovative goods, technology or services central to sustainability. (2) Litigation, regulatory and competition compliance: in addition to direct opportunities to secure and grow the volume of our business helping clients navigate – and potentially drive – the climate transition, other opportunities to expand our business in supporting clients to navigate climate-related issues exist.	The primary means of realising this opportunity involves positioning the firm close to key current and potential clients with economically significant climate transition-aligned strategies, with the aim of acting as a 'trusted advisor' on their strategic, climate-linked activities. Underpinning this is our high-profile body of work and externally respected knowledge/expertise on all legal aspects of climate change and energy transition. With the increased demand for this expertise, we continue to expand the skills of our lawyers on these topics with training and hiring. We advise clients in carbon-intensive sectors on aspects of their transition, and we are acquiring new clients who are innovating in the climate solutions space (for example in climate change technology). We expect our transition-linked advice to clients to increase over the coming years as innovation continues to grow and regulation expands.
5. Direct operations	Reputation – demonstrating a clear climate strategy	Developing a reputation as a law firm that is demonstrably committed to its climate strategy could present benefits for Freshfields including winning	Successful management of all the various risks and embracing opportunities will help to build a leadership position in our sector, supported by strong internal climate

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Risk / opportunity type	Risk/opportunity type and driver	Description of risk/opportunity	Description of response
	Time horizon: Medium-term Likelihood: More likely than not Magnitude of impact: Medium-low	opportunities to support clients through their own transitions and positioning the firm as an attractive workplace for potential and current employees and partners.	commitments and in growing capability, knowledge and thought leadership accessible to clients.
6. Upstream	Reduced indirect (operating) costs – reduced carbon footprint of our supply chain Time horizon: Medium-term Likelihood: More likely than not Magnitude of impact: Low	There are opportunities in our supply chain for both cost-savings and emissions reduction despite our business not being carbon intensive, relative to other sectors. The latter outcome will be achieved by climate-focused engagement of key suppliers, as well as adjustments to future procurement processes and new or replacement goods and services with improved carbon performance.	A strategy in this area involves investing in a rigorous and suitably well-resourced procurement and supplier management framework and function that enables the consistent and clear identification of all contracted third parties used by the firm and a process for querying and understanding their potential for linked cost and carbon efficiency, for example through innovative business practices (including technology-based solutions), economies of scale, new business and service-provision models.

Scenario analysis

We have used three scenarios developed by the IPCC which are general in nature, scientifically robust, and widely adopted. All temperature figures represent the level of global warming (above pre-industrial levels) expected to occur by 2100.

- 1.5°C – the so-called ‘Paris ambition’ limiting warming as far as possible to preserve human life, nature and economic prosperity.
- 2.7°C – more consistent with the reality of government policymaking today, effectively delaying the transition to a low-carbon world with serious negative impacts on human life, nature and economic prosperity.
- 3.6°C – the consequence of governments lessening their ambition on emissions reduction further, leading to catastrophic damage to human life, nature and economic prosperity.

As part of our business continuity strategy, we monitor these risks and opportunities and our responses to them to ensure that the business remains resilient to a dynamic climate policy and physical risk environment.

We have clustered these risks into two categories:

- risks resulting from physical impacts of changes in weather and climate extremes on our operations
- risks resulting from transition of the economy (and public policy) in response to climate change.

Freshfields Bruckhaus Deringer LLP

Energy and carbon report

Physical risks

With higher temperature increases comes an increase in the occurrences of extreme events and changes to weather patterns. Freshfields plans for extreme weather as part of its wider business continuity, and employees are provided with suitable equipment as standard to accommodate agile working in case offices are impacted or commuting becomes untenable. Under all scenarios the temperature will rise, and severe meteorological events will become more commonplace, frequent and widespread, impacting all regions leading up to 2050.

In a 3.6°C scenario, increases in the severity of meteorological events will dramatically increase the risks posed to our physical operations. This may require us to alter the location of our premises and any remaining data centres not replaced by cloud services in respect of flooding, heatwaves, and severe storms. Weather-related damage to premises is very likely in the 3.6°C scenario, where the cost of repairs from physical damage (including to air conditioning units) and increased insurance premia, or absence of available insurance, is likely to impact on affordability of suitable rented office space, with knock-on effects to tenants such as Freshfields. Countries relying on hydropower and nuclear energy may experience power outages during longer periods of water scarcity, impacting on cooling facilities.

The impact on commuting would also be severe, for example railways needing constant repairs and roads being baked and unusable. Homes would become difficult to work from due to issues around controlled cooling and insulation.

These same weather-related impacts will also affect supply chains. As infrastructure becomes less reliable, the cost of energy and of transport, and of anything imported (especially foods), is likely to rise, which will affect the firms cost base and operational costs.

All of the above impacts from increased average temperatures will be apparent in the 2.7°C and 1.5°C scenarios that we have selected, albeit less severe, disruptive and costly.

Transition risks

Transition risks result from the perception of our work in the market, the changing needs of our client base, future regulatory changes, evolving industry norms, and the need to equip staff with new skills and capabilities.

In the more ambitious 1.5°C scenario, our carbon intensive clients will need to transition to lower carbon operations extremely rapidly, requiring legal services to enable this. Similarly, all our clients will need to keep a careful lookout for climate-related regulation and prepare intensively for enhanced disclosure and regulatory compliance.

In both the 2.7°C and 3.6°C scenarios, it is likely that some states will maintain a focus on emissions reduction, whilst others continue to pursue fossil fuel-based energy systems. Many but not all markets will continue to develop and implement tighter climate regulation, but it will be a fragmented picture. This will lead to tensions between states that could impact the legal advice required by our clients across different jurisdictions. Whilst there may be less clean energy transactions in an economy that still uses a fossil-fuel energy system primarily, a wide range of other legal risks arise for our client base through the challenges of cross-border management in a fragmented and dynamic policy environment on climate. These include complex and differentiated regulatory compliance and disclosure risks, disputes and investigations, where our legal services may be demanded by clients.

Freshfields Bruckhaus Deringer LLP

Energy and carbon report

Scope

The Firm engaged an independent firm to review its 2022/23 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.

Methodology

All emissions were calculated using a sustainability platform, a software which automatically selects the most geographically and temporally appropriate emission factors and non-standard conversions (e.g. fuel efficiency, heat content) for each emission source. Each of the emission factors and non-standard conversions is associated with a level of uncertainty, assigned by the tool based on its associated level of scientific certainty.

The platform runs detailed and powerful calculations on data entered in the background to accurately report on GHG emissions for those activities in real time. The platform ensures that GHG inventory is always calculated using the best, most locally appropriate factors, and assumptions from reputable sources, allowing compliance with the best practices set out by the GHG Protocol.

The platform rests on a comprehensive database of emissions factors and assumptions that is regularly maintained by expert carbon analysts. Emissions factors are either peer reviewed or from reputable sources (universities, governments, scientific bodies) and they include EPA Emissions Factors Hub, DEFRA, BIES, IPCC, EC-NIR, COAG, SEAI, AIB residual mix factors for Europe and many others (over 100 different institutions). The database currently consists of over 120,000 emission factors and 130,000 assumptions in the database covering different geographies and time periods, ensuring the platform follows the methodology of the Greenhouse Gas Protocol.

The verification was led by our Environmental Consultants. The review was completed in accordance with the 'ISO 14064 Part 3 (2019): *Greenhouse Gases: Specification with guidance for the verification and validation of greenhouse gas statements'*. The work was undertaken to provide a limited level of assurance with respect to the GHG statements made. The consultants believe that the review of the assessment and associated evidence, coupled with the subsequent report, provides a reasonable and fair basis for their conclusion.

Results

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

- **Scope 1:** natural gas and refrigerant loss (no company vehicles) –**24 tCO2e,**
  2022: 7 tCO2e
- **Scope 2:** purchased electricity –**1,517 tCO2e –** location based and **0 tCO2e** (market based)
  2022: 1,556 tCO2e – location based and 0 tCO2e (market based)
- **Scope 3:** business travel (personal car & hire car) –**4 tCO2e,** 2022: 1 tCO2e)

	2023	**2022**	
Energy consumption (kWh)	8,026,587	7,370,915	kWh
Location-based (LB) total - tCO2e	1,549	1,564	tCO2e
Market-based (MB) total - tCO2e	32	8	tCO2e
LB emissions per employee - tCO2e/FTE	0.92	0.87	tCO2e/FTE
MB emissions per employee - tCO2e/FTE	0.02	0.00	tCO2e/FTE

The energy consumption figure in the above table includes energy consumed in the combustion of gas (i.e. no other combustion of vehicle fuels) as well as energy consumed as a result of the purchase of electricity by the company.

Our London office has a dedicated Environment Manager and environmental management system, certified to ISO 14001 standard. In light of recent investments in a broad range of energy efficiency measures (including PIR sensors, thermostats for heating and cooling activation, minimal usage of energy-intensive kitchen appliances (i.e. ovens) on days with reduced footfall, automatic switch-off of lights as well as educational communications to colleagues encouraging 'switch-off' behaviours relating to monitors, lights and ventilation in meeting rooms, and maintenance of electrical equipment to ensure optimal performance), no additional opportunities to further increase energy efficiency were identified or adopted in the 2022/23 financial year.

Statement of members' responsibilities

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 the 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
For the year ended 30 April 2023

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 2023 and of the group’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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 limited liability partnership balance sheets;
- the consolidated and limited liability partnership statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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

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.

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, 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 unbilled revenue. To address this risk, we have performed the following procedures:
    - Obtained an understanding of the relevant controls regarding the unbilled revenue valuation;
    - Selected a sample of matters excluded from the unbilled revenue calculation, and obtained evidence that it was appropriate that the selected items be excluded;
    - Confirmed the rates used to value Gross unbilled revenue 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 unbilled revenue 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 Board's meeting minutes.

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: 25 January 2024

Freshfields Bruckhaus Deringer LLP
Consolidated income statement
For the year ended 30 April 2023

	Note	2023 £m	2022 £m
Revenue	5	1,792.8	1,701.4
Operating expenses			
Employment expenses	9	(922.6)	(855.1)
Depreciation and amortisation	13	(94.6)	(88.5)
Other operating expenses		(231.6)	(164.4)
Movement in provision for retired members annuities	22	86.8	(40.2)
Operating profit		630.8	553.2
Finance income	6	0.3	0.2
Finance expenses	6	(53.5)	(9.1)
Profit before tax		577.6	544.3
Taxation	10	(0.3)	0.3
Profit for the year before members' remuneration and profit shares		577.3	544.6
Members' remuneration charged as an expense		(0.3)	(0.1)
Movement in provision for current members' annuities	22	67.0	(6.0)
Profit for the year available for discretionary division amongst members		644.0	538.5
Memorandum summary of results			
Profit for the year available for discretionary division amongst members		644.0	538.5
Change in provision for partners' annuities included in arriving at profits for the year, but payable from future profits	22	(187.1)	49.2
Profit before partners' annuities		456.9	587.7

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 2023

	Note	2023 £m	2022 £m
Profit for the year available for discretionary division amongst members		644.0	538.5
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of net defined benefit liability	25	(16.2)	(0.9)
Deferred tax credit on actuarial gain	16	4.1	0.2
		(12.1)	(0.7)
Items that may be reclassified subsequently to profit or loss:			
Currency translation difference on foreign currency net investments		3.9	(13.8)
Other comprehensive loss for the year		(8.2)	(14.5)
Total comprehensive income for the year		635.8	524.0

Freshfields Bruckhaus Deringer LLP
Consolidated balance sheet
For the year ended 30 April 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Property, furniture, equipment and assets under construction	13	152.7	152.6
Right of use assets	13	457.6	463.5
Investments	15	0.2	0.2
Deferred tax assets	16	1.4	-
Trade and other receivables	17	6.1	4.0
Retirement benefit asset	25	-	6.0
		618.0	626.3
Current assets			
Trade and other receivables	17	1,012.6	977.6
Amounts due from members		218.1	198.7
Cash and cash equivalents		58.7	96.6
		1,289.4	1,272.9
Total assets		**1,907.4**	**1,899.2**
Current liabilities			
Trade and other payables	18	(380.0)	(371.8)
Bank loans and overdrafts	18	(88.8)	-
Current tax liabilities		(1.1)	(1.5)
Provisions	20	(79.6)	(83.9)
Members' capital		(7.4)	(1.7)
Lease liability	19	(72.8)	(66.8)
		(629.7)	(525.7)
Non-current liabilities			
Trade and other payables	18	(51.6)	(36.6)
Provisions	20	(1,105.6)	(1,316.9)
Retirement benefit obligations	25	(5.6)	-
Members' capital		(118.1)	(119.0)
Lease liability	19	(445.3)	(450.3)
Deferred tax liability	16	-	(1.5)
		(1,726.2)	(1,924.3)
Equity			
Foreign exchange reserves		(32.3)	(28.4)
Other reserves		480.8	579.2
Total liabilities and equity		**(1,907.4)**	**(1,899.2)**

Freshfields Bruckhaus Deringer LLP
Consolidated balance sheet (continued)
For the year ended 30 April 2023

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

	Note	2023 £m	2022 £m
Members' capital		125.5	120.7
Amounts due from members		(218.1)	(198.7)
Total members' other interests		(448.5)	(550.8)
Members' interests		(541.1)	(628.8)
Provision for annuities dependent on future generation of profits			
Provision for current members' annuities	22	266.0	361.0
Provision for retired members' annuities	22	739.5	820.8
		1,005.5	1,181.8
Members' interests before provision for annuities dependent on future generation of profit		464.4	553.0

The financial statements of Freshfields Bruckhaus Deringer LLP (registered number OC334789) were approved by members on 24 January 2024 and were signed on their behalf 25 January 2024.

Signed on behalf of the Members

Georgia Dawson
Partner and designated member

Jonathan Kembery
General Counsel and designated member

Freshfields Bruckhaus Deringer LLP
Limited liability partnership balance sheet
For the year ended 30 April 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Property, furniture, equipment and assets under construction	14	9.4	7.3
Right of use assets	14	121.8	125.7
Investments	15	0.4	0.4
Trade and other receivables	17	3.4	1.1
		135.0	134.5
Current assets			
Trade and other receivables	17	639.1	541.1
Amounts due from members		218.0	198.7
Cash and cash equivalents		17.9	31.8
		875.0	771.6
Total assets		**1,010.0**	**906.1**
Current liabilities			
Trade and other payables	18	(270.6)	(162.1)
Bank loans and overdrafts	18	(88.2)	-
Current tax liabilities		(0.5)	(0.6)
Provisions	21	(69.6)	(75.6)
Members' capital		(7.4)	(1.7)
Lease liability	19	(26.2)	(23.7)
		(462.5)	(263.7)
Non-current liabilities			
Trade and other payables	18	(16.2)	-
Provisions	21	(940.9)	(1,123.5)
Members' capital		(118.1)	(119.0)
Lease liability	19	(100.6)	(105.7)
		(1,175.8)	(1,348.2)
Equity			
Foreign exchange reserves		(27.0)	(35.5)
Other reserves		655.3	741.3
Total liabilities and equity		**(1,010.0)**	**(906.1)**

Freshfields Bruckhaus Deringer LLP
Limited liability partnership balance sheet (continued)
For the year ended 30 April 2023

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

	Note	2023 £m	2022 £m
Members' capital		125.5	120.7
Amounts due from members		(218.0)	(198.7)
Total members' other interests		(628.3)	(705.8)
Members' interests		(720.8)	(783.8)
Provision for annuities dependent on future generation of profits			
Provision for current members' annuities	22	266.0	361.0
Provision for retired members' annuities	22	739.5	820.8
		1,005.5	1,181.8
Members' interests before provision for annuities dependent on future generation of profit		284.7	398.0

The profit for the financial year dealt with in the financial statements of the parent undertaking, Freshfields Bruckhaus Deringer LLP, was £453.3m (2022: £351.2m).

The financial statements of Freshfields Bruckhaus Deringer LLP (registered number OC334789) were approved by members on 24 January 2024 and were signed on their behalf on 25 January 2024.

Signed on behalf of the Members

Georgia Dawson
Partner and designated member

Jonathan Kembery
General Counsel and designated member

Freshfields Bruckhaus Deringer LLP
Consolidated statement in changes in equity
For the year ended 30 April 2023

	Foreign exchange reserve	Other reserves	Members' reserves
	£m	£m	£m
Balance at 1 May 2021	42.2	(633.8)	(591.6)
Profit for the year available for discretionary division amongst members	-	538.5	538.5
Differences on translation of foreign operations	(13.8)	-	(13.8)
Actuarial gain on pension scheme	-	(0.7)	(0.7)
Total comprehensive income for the year	(13.8)	537.8	524.0
Profit allocated to members	-	(483.2)	(483.2)
Balance at 30 April 2022	28.4	(579.2)	(550.8)
Profit for the year available for discretionary division amongst members	-	644.0	644.0
Differences on translation of foreign operations	3.9	-	3.9
Actuarial loss on pension scheme	-	(12.1)	(12.1)
Total comprehensive income for the year	3.9	631.9	635.8
Profit allocated to members	-	(533.5)	(533.5)
Balance at 30 April 2023	32.3	(480.8)	(448.5)

Memorandum summary of financial position

Members' capital	125.5
Provision for members’ annuities payable from future profits	1,156.5
Members’ capital and reserves, before partners’ annuities payable from future profits at 30 April 2023	833.5

Freshfields Bruckhaus Deringer LLP
Limited liability partnership statement of changes in equity
For the year ended 30 April 2023

	Foreign exchange reserve	Other reserves	Members' reserves
	£m	£m	£m
Balance at 1 May 2021	52.9	(631.4)	(578.5)
Profit for the year available for discretionary division amongst members	-	351.2	351.2
Differences on translation of foreign operations	(17.4)	-	(17.4)
Total comprehensive income for the year	(17.4)	351.2	333.8
Allocated profit	-	(461.1)	(461.1)
Balance at 30 April 2022	35.5	(741.3)	(705.8)
Profit for the year available for discretionary division amongst members	-	453.3	453.3
Differences on translation of foreign operations	(8.5)	-	(8.5)
Total comprehensive income for the year	(8.5)	453.3	444.8
Allocated profit	-	(367.3)	(367.3)
Balance at 30 April 2023	27.0	(655.3)	(628.3)

Memorandum summary of financial position

Members capital	125.5
Provision for members’ annuities payable from future profits	1,005.5
Members’ capital and reserves, before partners’ annuities payable from future profits at 30 April 2023	502.7

Freshfields Bruckhaus Deringer LLP
Consolidated cash flow statement
For the year ended 30 April 2023

	Note	2023 £m	2022 £m
Net cash flow from operating activities	23	530.5	579.3
Corporation tax paid		1.5	(4.2)
Net cash inflow from operating activities		532.0	575.1
Cash flows from investing activities			
Purchase of property, furniture and equipment	13	(30.4)	(30.9)
Interest received		0.3	0.2
Net cash used in investing activities		(30.1)	(30.7)
Cash flows from financing activities			
Capital contributions by members		9.9	24.0
Capital repayments to members		(7.1)	(7.4)
Payment to and on behalf of members		(558.8)	(497.3)
Cash payment on members' remuneration charged as an expense		(0.3)	(0.1)
Interest paid		(4.2)	(0.7)
Drawdown of short-term borrowing		135.0	70.0
Repayment of short-term borrowings		(120.0)	(70.0)
Payment of lease liabilities		(69.7)	(65.9)
Net cash used in financing activities		(615.2)	(547.4)
Net decrease in cash and cash equivalents		(113.3)	(3.0)
Cash and cash equivalents at beginning of year		96.6	98.4
Effect of foreign exchange rate movements on cash		1.6	1.2
Cash and cash equivalents at end of year		(15.1)	96.6

Cash and cash equivalents represented by:

	2023 £m	2022 £m
Cash and cash equivalents	58.7	96.6
Bank overdrafts	(73.8)	-
	(15.1)	**96.6**

Notes to the financial statements
For the year ended 30 April 2023

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. As permitted by section 408 of the Companies Act 2006 the LLP has elected not to present its own income statement for the year.

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, they are not expected to have a material impact on the financial statements:

- Amendments IAS 1 Presentation of Financial Statements
- Amendments to IAS 8 Accounting Policies
- Amendments to IAS 12 Income Taxes
- Amendments to IFRS 16 Leases
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

Our review of the impact on the financial statements is in progress and we are not yet in a position to quantify the impact for the following for the following standards:

- IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts. The Firm has determined that its retirement annuities payable to former and current members (Note 22) will be in the scope of IFRS 17. It has been determined that it would be impracticable to apply IFRS 17 retrospectively and based on the reasonable and supportable information available at the date of transition, the Firm will adopt the fair value transition approach. IFRS 17 applies a different measurement approach to the measurement approach applied currently. The measurement approach principally includes the identification of (a) the best estimate of liabilities, (b) explicit risk adjustments and (c) the contractual service margin. The Firm's preliminary assessment of these components is ongoing.

3. Significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with United Kingdom adopted international accounting standards. 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.

3. Significant accounting policies (continued)

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 2023. 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, Saudi Arabia, Singapore, Slovakia, 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".

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 (£15.1m) of net cash at 30 April 2023 (2022: £96.6m). In common with other businesses, the current economic conditions mean that demand for our services could be impacted in the short term. In addition, 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 for at least 12 months. 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.

3. Significant accounting policies (continued)

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.

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.

Bank loans and overdrafts

Bank loans and overdrafts are recorded at the value of proceeds on initial recognition. Interest is included in finance expenses.

Trade and other payables

Trade and other payables, including borrowings, are measured at their fair value, they are then subsequently reduced for discounts given by suppliers.

Trade and other payables are treated as current liabilities if they fall due within one year or less and they are treated as non-current liabilities if they fall due after one year.

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.

3. Significant accounting policies (continued)

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. Revenue includes certain billed disbursements where the Firm acts as a principal. Revenue excludes billed disbursements, such as external counsel fees, where the Firm acts as an agent.

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.

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., the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in the trade and other receivables section.

- **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.

3. Significant accounting policies (continued)

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.

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.

The annuity liabilities in respect of the provision for partners' annuities have been independently calculated by external actuaries based on information provided by the Firm.

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.

3. Significant accounting policies (continued)

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

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 such as small electrical and office furniture items. 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.

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 calculated by actuaries based on information provided by the Firm. Assumptions around mortality rates and discount rates used to calculate the partner annuity scheme are consistent with those used for the defined benefit pension scheme. The details and sensitivity analysis are set out in notes 3, 22 and 25.

Discount rates

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the group uses the incremental borrowing rate as the discount rate.

The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

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:

	2023	2022
	£m	**£m**
Geographical markets		
Europe	1,305.7	1,293.2
United States	311.3	224.5
Asia	141.6	146.9
Middle East & North Africa	34.2	36.8
Total revenue	1,792.8	1,701.4

6. Finance income and finance costs

	2023	2022
	£m	**£m**
Finance income		
Interest receivable and similar income	0.3	0.2
Finance expenses		
Interest payable	(4.6)	(0.7)
Interest on leases	(9.1)	(8.5)
Interest income on pension scheme liability	0.3	0.1
Non-cash unwinding of discount on annuity provision	(40.1)	-
	(53.5)	(9.1)
Net finance expenses	(53.2)	(8.9)

Finance expenses includes the unwinding of discount on the annuity provision in the year ended 30 April 2023. This was previously presented within movement in provision for retired members annuities, movement in provision for current members' annuities and employment expenses. The amount represented above is non-cash and is further detailed in note 22.

7. Profit before tax:

Profit before tax is stated after charging / (crediting):	2023	2022
	£m	**£m**
Depreciation of property, furniture and equipment	31.1	30.5
Loss on disposal of property, furniture and equipment	0.4	1.9
Depreciation of right of use assets	63.5	58.0
Foreign exchange loss/(gain)	12.0	(34.9)

Notes to the financial statements (continued)
For the year ended 30 April 2023

8. Auditor's remuneration

	2023 £m	2022 £m
The analysis of auditor's remuneration is shown below:		
Fees payable to the LLP's auditors for the audit of the LLP's annual accounts	0.6	0.6
Fees payable to the LLP's auditor and its associates for other services:		
The audit of the LLP's subsidiaries pursuant to legislation	0.1	-
Taxation services	0.4	0.2
SRA fee	0.1	0.1
Other consultancy services	0.9	0.6
Total fees to auditor	2.1	1.5

9. Staff costs

Consolidated

	2023 £m	2022 £m
Salaries	838.5	750.1
Social security costs	52.8	47.4
Pension costs	11.4	9.9
Movement in provision for annuities for non-member partners	(33.3)	3.0
Other staff costs	53.2	44.7
	922.6	855.1

LLP

	2023 £m	2022 £m
Salaries	114.3	127.7
Social security costs	5.6	6.6
Pension costs	2.5	1.7
Other staff costs	8.1	5.1
	130.5	141.1

The average number of people employed during the year was:

	Consolidated		LLP	
	2023 No.	2022 No.	2023 No.	2022 No.
Fee earning staff	3,281	2,867	598	703
Secretarial and support staff	1,757	2,060	237	343
	5,038	4,927	835	1,046

10. Taxation

	2023 £m	2022 £m
Corporation tax	(0.9)	(0.9)
Deferred tax	1.2	0.6
Total tax charge/(credit) for the year	0.3	(0.3)

Reconciliation of tax charge:

	2023	2022
Profit before tax	577.6	544.3
Less: amounts subject to personal tax	(568.8)	(536.3)
Taxable profits on ordinary activities before taxation	8.8	8.0
At UK standard corporate rate all at 19.5%	1.7	1.5
Tax effects of:		
Expenses not deductible for tax purposes	0.7	1.6
Capital allowances in excess of depreciation	(0.6)	(0.9)
Adjustment in respect of prior year	(2.7)	(3.1)
Deferred tax - revaluation of pension scheme	1.2	0.6
Total tax charge/(credit) for the year	0.3	(0.3)

The UK corporation tax rate increased on the 1 April 2023 from 19% to 25%. The UK corporation tax payable on taxable profits is calculated at a blended rate of 19.5% using the corporation tax rate of 19% to 31 March 2023 and 25% from 1 April 2023.

11. Profit attributable to the members

Partners' share of profits:

The Finance Committee determines the amount of profits to be distributed, which are divided among the members based on their profit sharing points allocated in accordance with the Firm’s members agreement. 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.

	2023	2022
Average number of members	295	290

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 £453.3m (2022: £351.2m).

Notes to the financial statements (continued)
For the year ended 30 April 2023

13. Property, furniture, equipment and assets under construction – Consolidated

	Leasehold improvements	Furniture and fittings	Office and other equipment	Right-of use assets	Assets under construction	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 May 2021	120.4	51.9	128.3	595.7	1.5	897.8
Exchange adjustments	2.8	0.3	(0.2)	-	(0.1)	2.8
Additions	0.5	1.4	11.4	41.9	17.6	72.8
Disposals	(8.4)	(1.1)	(2.8)	(10.2)	-	(22.5)
Reclassification of assets under construction	1.2	-	-	-	(1.2)	-
At 30 April 2022	116.5	52.5	136.7	627.4	17.8	950.9
At 1 May 2022	116.5	52.5	136.7	627.4	17.8	950.9
Exchange adjustments	1.2	0.7	0.9	15.4	0.3	18.5
Additions	10.1	4.7	9.6	48.7	6.0	79.1
Disposals	(4.6)	(1.4)	(2.5)	(11.3)	-	(19.8)
Reclassification of assets under construction	13.5	1.0	0.7	-	(15.2)	-
At 30 April 2023	136.7	57.5	145.4	680.2	8.9	1,028.7
Accumulated depreciation						
At 1 May 2021	(50.4)	(29.3)	(68.9)	(108.8)	-	(257.4)
Exchange adjustments	(2.2)	0.1	(0.2)	-	-	(2.3)
Charge for the year	(7.8)	(4.3)	(18.4)	(58.0)	-	(88.5)
Disposals	6.7	1.1	2.7	2.9	-	13.4
At 30 April 2022	(53.7)	(32.4)	(84.8)	(163.9)	-	(334.8)
At 1 May 2022	(53.7)	(32.4)	(84.8)	(163.9)	-	(334.8)
Exchange adjustments	(0.6)	(0.2)	(1.1)	-	-	(1.9)
Charge for the year	(9.0)	(4.4)	(17.7)	(63.5)	-	(94.6)
Disposals	4.2	1.4	2.5	4.8	-	12.9
At 30 April 2023	(59.1)	(35.6)	(101.1)	(222.6)	-	(418.4)
Carrying amount						
At 30 April 2023	77.6	21.9	44.3	457.6	8.9	610.3
At 30 April 2022	62.8	20.1	51.9	463.5	17.8	616.1

14. Property, furniture and equipment and assets under construction – LLP

	Leasehold improvements	Furniture and fittings	Office and other equipment	Right-of use assets	Assets under construction	Total
Cost	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 May 2021	19.4	8.9	10.5	163.2	0.4	202.4
Exchange adjustments	(0.5)	-	(0.1)	-	-	(0.6)
Additions	0.1	1.1	0.7	31.6	3.2	36.7
Disposals	(3.4)	(0.5)	(0.5)	(2.3)	-	(6.7)
At 30 April 2022	15.6	9.5	10.6	192.5	3.6	231.8
At 1 May 2022	15.6	9.5	10.6	192.5	3.6	231.8
Exchange adjustments	0.8	0.1	0.6	7.0	0.1	8.6
Additions	0.3	1.9	1.5	14.4	0.2	18.3
Disposals	(1.9)	(0.5)	(1.6)	(0.6)	-	(4.6)
Reclassification of assets under construction	3.1	0.1	0.2	-	(3.4)	-
At 30 April 2023	17.9	11.1	11.3	213.3	0.5	254.1
Accumulated depreciation						
At 1 May 2021	(18.4)	(7.6)	(9.2)	(44.4)	-	(79.6)
Exchange adjustments	0.5	-	(0.1)	-	-	0.4
Charge for the year	(0.4)	(0.1)	(0.7)	(23.1)	-	(24.3)
Disposals	3.0	0.5	0.5	0.7	-	4.7
At 30 April 2022	(15.3)	(7.2)	(9.5)	(66.8)	-	(98.8)
			-			
At 1 May 2022	(15.3)	(7.2)	(9.5)	(66.8)	-	(98.8)
Exchange adjustments	(0.9)	(0.1)	(0.3)	-	-	(1.3)
Charge for the year	(0.5)	(0.7)	(0.9)	(25.2)	-	(27.3)
Disposals	1.9	0.5	1.6	0.5	-	4.5
At 30 April 2023	(14.8)	(7.5)	(9.1)	(91.5)	-	(122.9)
Carrying amount						
At 30 April 2023	3.1	3.6	2.2	121.8	0.5	131.2
At 30 April 2022	0.3	2.3	1.1	125.7	3.6	133.0

Notes to the financial statements (continued)
For the year ended 30 April 2023

15. Investments

	Consolidated 2023 £m	2022 £m	LLP 2023 £m	2022 £m
Subsidiary undertakings	-	-	0.3	0.3
Other investments	0.2	0.2	0.1	0.1
	0.2	0.2	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 (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 2023, 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

Notes to the financial statements (continued)
For the year ended 30 April 2023

15. Investments (continued)

	Consolidated 2023 £m	2022 £m	LLP 2023 £m	2022 £m
Subsidiary undertakings				
Cost				
At start of year	-	-	0.3	0.3
Carrying value	-	-	0.3	0.3

	Consolidated 2023 £m	2022 £m	LLP 2023 £m	2022 £m
Other investments				
Cost				
At start of year	0.2	0.3	0.1	0.1
Provision for impairment				
Provision for impairment at the start and end of year	-	(0.1)	-	-
Carrying value	0.2	0.2	0.1	0.1

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 benefit of members and staff. It had £nil net assets at 30 April 2023 (2022: £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:

	2023 £m	2022 £m
Deferred tax liability at the start of the year	(1.5)	(1.1)
Charged to income statement	(1.2)	(0.6)
Credited to other comprehensive income	4.1	0.2
Deferred tax asset/(liability) as at end of the year	1.4	(1.5)

	2023 £m	2022 £m
Deferred tax asset/(liability) arising in relation to retirement benefit obligations	1.4	(1.5)

The deferred tax asset/(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 14 October 2022.

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

17. Trade and other receivables

	Consolidated		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Due within one year				
Trade receivables	621.2	524.3	303.5	267.8
Unbilled revenue	226.1	266.6	117.0	129.7
Amounts due from other group undertakings	-	-	118.2	50.0
Prepayments	50.4	29.0	14.4	12.5
Other receivables due within one year	114.9	157.7	86.0	81.1
	1,012.6	977.6	639.1	541.1
Due after more than one year				
Rental deposits	4.7	3.7	2.0	1.1
Prepayments	1.4	0.3	1.4	-
	6.1	4.0	3.4	1.1

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

Other receivables comprise amounts recoverable relating to input taxes, withholding taxes, other local taxes and other sundry debtors.

Client receivables are shown after impairment provisions for bad and doubtful debts of £9.0m (2022: £15.5m), movements on which are shown below.

17. Trade and other receivables (continued)

	Consolidated		LLP	
	2023	2022	2023	2022
Movement in the allowance for doubtful receivables	£m	£m	£m	£m
At start of year	(15.5)	(12.7)	(10.8)	(8.1)
Currency translation adjustment	(0.2)	(0.2)	(0.1)	-
Charge to income statement	(7.2)	(8.1)	1.0	(5.3)
Utilisation	13.9	5.5	6.2	2.6
At end of year	(9.0)	(15.5)	(3.7)	(10.8)
Aging of receivables:				
Under 1 month	429.8	367.7	218.6	190.7
1-2 months	75.2	55.6	33.5	25.3
3-5 months	91.7	86.4	41.3	47.3
6 months or more	33.5	30.1	13.8	15.3
	630.2	539.8	307.2	278.6
Less allowance for doubtful receivables	(9.0)	(15.5)	(3.7)	(10.8)
	621.2	524.3	303.5	267.8

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

18. Trade and other payables

	Consolidated		LLP	
	2023	2022	2023	2022
	£m	£m	£m	£m
Due within one year				
Trade payables	75.0	55.4	30.1	33.1
Bank loans	15.0	-	15.0	-
Bank overdrafts	73.8	-	73.2	-
Other payables	156.6	136.6	60.1	58.7
Taxes and social security	14.8	42.2	2.2	2.6
Accruals and deferred income	133.6	137.6	20.0	11.1
Amounts due to other group undertakings	-	-	158.2	56.6
	468.8	371.8	358.8	162.1
Due after more than one year				
Other payables	51.6	36.6	16.2	-
	51.6	36.6	16.2	-

At the balance sheet date the Firm had committed bank facilities of £135m (2022: £135m) and uncommitted overdraft facilities of £105m (2022: 105m).

At the balance sheet date the Firm had bank loans of £15.0m (2022: £nil) drawn down under a revolving credit facility.

18. Trade and other payables (continued)

The committed bank facilities expire as follows:

	2023	2022
	£m	£m
Between one and two years	85.0	-
Over two years	50.0	135.0
	135.0	**135.0**

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

Other payables compromise non-member capital, drawings and tax reserves, other partner and former partner liabilities.

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	Office and other equipment	Total
Right of use assets	**£m**	**£m**	**£m**
At 1 May 2021	486.3	0.6	486.9
Additions	48.8	0.2	49.0
Depreciation	(57.6)	(0.4)	(58.0)
Disposals	(7.3)	-	(7.3)
Exchange Adjustments	(7.1)	-	(7.1)
At 30 April 2022	463.1	0.4	463.5
At 1 May 2022	463.1	0.4	463.5
Additions	48.1	0.4	48.5
Depreciation	(63.2)	(0.3)	(63.5)
Disposals	(6.5)	-	(6.5)
Exchange Adjustments	15.4	0.2	15.6
At 30 April 2023	456.9	0.7	457.6

Notes to the financial statements (continued)
For the year ended 30 April 2023

19. Leases (continued)

	Property	Office and other equipment	Total
Lease liabilities	**£m**	**£m**	**£m**
Current liabilities	72.6	0.2	72.8
Non current liabilities	445.1	0.2	445.3
Total liabilities	517.7	0.4	518.1

Amounts recognised in the income statement

	2023	2022
	£m	£m
Depreciation charge on right of use property	(63.2)	(57.6)
Depreciation charge on right of use office equipment	(0.3)	(0.4)
Interest expense (included in finance costs)	(9.1)	(8.5)

The Firm is committed to lease payments of £178m (2022: £Nil) in relation to leases that have not yet commenced.

LLP

Amounts recognised in the LLP balance sheet:

	Property	Office and other equipment	Total
Right of use assets	**£m**	**£m**	**£m**
At 1 May 2021	118.5	0.3	118.8
Additions	38.8	-	38.8
Depreciation	(22.9)	(0.2)	(23.1)
Disposals	(1.6)	-	(1.6)
Exchange Adjustments	(7.2)	-	(7.2)
At 30 April 2022	125.6	0.1	125.7
At 1 May 2022	125.6	0.1	125.7
Additions	14.1	0.4	14.5
Depreciation	(25.1)	(0.2)	(25.3)
Disposals	(0.1)	-	(0.1)
Exchange Adjustments	6.8	0.2	7.0
At 30 April 2023	121.3	0.5	121.8

	Property	Office and other equipment	Total
Lease liabilities	**£m**	**£m**	**£m**
Current liabilities	26.1	0.1	26.2
Non current liabilities	100.4	0.2	100.6
Total liabilities	126.5	0.3	126.8

19. Leases (continued)

Amounts recognised in the income statement:

	2023 £m	2022 £m
Depreciation charge on right of use property	(25.1)	(22.9)
Depreciation charge on right of use office equipment	(0.2)	(0.2)
Interest expense (included in finance costs)	(1.3)	(1.2)

The LLP is committed to lease payments of £Nil (2022: £Nil) in relation to leases that have not yet commenced.

Maturity analysis

	Group (£m)			LLP (£m)		
	Under 1 year	2-5 years	Over 5 years	Under 1 year	2-5 years	Over 5 years
Property	72.5	238.9	255.4	26.1	80.9	22.8
Office equipment	0.3	0.2	-	0.1	0.2	-
	72.8	239.1	255.4	26.2	81.1	22.8

20. Provisions – consolidated

		Property £m	Other £m	2023 Total £m	2022 Total £m
At start of year		18.2	17.8	36.0	22.4
Exchange adjustments		-	0.4	0.4	0.3
Charged to income statement		5.3	2.4	7.7	17.1
Utilisation of provision		(1.2)	(14.2)	(15.4)	(3.6)
Release of unused provision		-	-	-	(0.2)
At end of year		22.3	6.4	28.7	36.0
Retired members' annuities	(note 22)			739.5	820.8
Non-member partners’ and former partners’ annuities	(note 22)			151.0	183.0
Current members’ annuities	(note 22)			266.0	361.0
Total provisions				1,185.2	1,400.8
Included in Provision for current liabilities				79.6	83.9
Included in Provisions for non - current liabilities				1,105.6	1,316.9
				1,185.2	1,400.8

20. Provisions – consolidated (continued)

Other provisions comprise provisions for healthcare costs, insurance, certain retirement benefits and provisions for legal claims against the firm where an outflow of economic benefit is considered probable. They are expected to fall due for payment between May 2023 and April 2030.

Property provisions include dilapidations provisions in relation to leases expiring between May 2023 and June 2029.

21. Provisions – LLP

		Property £m	Other £m	2023 Total £m	2022 Total £m
At start of year		0.5	16.8	17.3	5.4
Exchange adjustments		-	0.3	0.3	0.2
Charged to income statement		0.2	1.5	1.7	12.1
Utilisation of provision		(0.3)	(14.0)	(14.3)	(0.4)
At end of year		0.4	4.6	5.0	17.3
Retired members' annuities	(note 22)			739.5	820.8
Current members' annuities	(note 22)			266.0	361.0
Total provisions				1,010.5	1,199.1
Included in Provision for current liabilities				69.6	75.6
Included in Provisions for non - current liabilities				940.9	1,123.5
				1,010.5	1,199.1

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 decreased in the year from £1,364.8m at 1 May 2022 to £1,156.5m at 30 April 2023.

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.

Sensitivity analysis

A 0.25% per annum decrease in the discount rate assumption would increase the value of the provision by around £29m (2.5%).

A 0.25% per annum increase in the assumed rate of inflation would increase the value of the provision by around £28m (2.4%).

A 0.25% per annum increase in the assumed long-term rate of future mortality improvements would increase the value of the liabilities by around £1m (0.1%).

22. Provisions – partners' annuities (continued)

	Non-members' annuities £m	Retired members' annuities £m	Current members' annuities £m	Annuities £m
As at 1 May 2022	183.0	820.8	361.0	1,364.8
Change in provision				
Additional provision in the year	10.0	-	23.0	33.0
Actuarial adjustments	(43.3)	(86.8)	(90.0)	(220.1)
Charge to income	(33.3)	(86.8)	(67.0)	(187.1)
Unwinding of discount	6.0	23.1	11.0	40.1
Utilisation of provision	(4.7)	(56.6)	-	(61.3)
Transfer	-	39.0	(39.0)	-
Net movement in provision	(32.0)	(81.3)	(95.0)	(208.3)
As at 30 April 2023	151.0	739.5	266.0	1,156.5

	2023 £m	2022 £m
Included in current liabilities	75.0	68.0
Included in non-current liabilities	1,081.5	1,296.8
	1,156.5	1,364.8

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.

	2023 £m	2022 £m
Profit for the year	644.0	538.5
Movement in provision for partners' annuities included in arriving at profit for the year, but payable from future profits	(187.1)	49.2
Profit for the year before partners' annuities	456.9	587.7

Notes to the financial statements (continued)
For the year ended 30 April 2023

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

	2023 £m	2022 £m
Profit before taxation	577.6	544.3
Adjustment for:		
Net finance expenses	13.1	8.9
Depreciation charges	94.6	88.5
Gain on disposal of tangible fixed assets	0.5	1.9
(Decrease)/increase in provisions	(122.6)	22.7
Movement in retirement obligation	(4.4)	(0.6)
Annuities paid to former members	(26.1)	(27.7)
Operating cash inflows before movement in working capital	532.7	638.0
Increase in trade receivables	(33.5)	(115.1)
Increase in trade and other payables	31.3	56.4
Net cash inflow from operating activities	530.5	579.3

24. Capital commitments

The Firm has no expenditure commitments approved and contracted for as at 30 April 2023 (2022: £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 £4.4m (2022: £0.6m 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 2021. 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 2024 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.

The Plan is exposed to a number of risks, including changes to long term UK interest rates and inflation expectations, movements in investment markets, changes in life expectancy rates and regulatory risk from changes in UK pensions legislation. The actuarial calculations require assumptions and projections to be made about uncertain future events. It is likely that future experience will not follow the actuarial assumptions, so actual outcomes may differ from projected outcomes.

Notes to the financial statements (continued)
For the year ended 30 April 2023

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 2023 based upon the following assumptions:

	2023	**2022**	**2021**	**2020**
	%pa	**%pa**	**%pa**	**%pa**
Rates of increase in salaries	-	-	-	-
Rates of increase in pensions	3.0	3.3	3.1	2.5
Discount rate	4.8	3.0	2.1	1.6
Inflation	3.1	3.6	3.3	2.5

The mortality assumptions are based on standard mortality tables. The assumptions are that a member who retired in 2023 at age 65 will live on average for a further 21 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 2023 is estimated to be around 15 years.

The scheme assets and liabilities are disclosed below:

	2023	**2022**	**2021**	**2020**
	£m	**£m**	**£m**	**£m**
Equities	9.1	11.4	119.9	89.2
Bonds - Government	9.6	37.5	52.7	50.8
Diversified growth	23.7	25.6	-	-
Cash and other net assets	1.9	0.3	0.5	1.3
Liability driven investment	67.1	79.6	-	-
Total fair value of assets	111.4	154.4	173.1	141.3
Actuarial value of liability	(117.0)	(148.5)	(167.0)	(168.7)
(Deficit)/surplus	(5.6)	5.9	6.1	(27.4)

	2023	**2022**	**2021**	**2020**
	£m	**£m**	**£m**	**£m**
Analysis of amounts recognised in income				
Net interest expense	(0.3)	(0.1)	0.5	0.2
Past service cost	-	-	-	-

	2023	**2022**	**2021**	**2020**
	£m	**£m**	**£m**	**£m**
Analysis of amounts recognised in the statement of comprehensive Income				
Remeasurement - return on plan assets excluding interest income (loss)/gain	(49.3)	(20.1)	31.4	(9.2)
Remeasurement - effect of experience adjustments (loss)/gain	(9.8)	(0.8)	1.6	0.7
Remeasurement - effect on changes in assumptions gain/(loss)	42.9	19.8	(3.6)	(11.5)
Effect of changes in demographic assumptions gain	-	0.2	2.8	-
	(16.2)	(0.9)	32.2	(20.0)

25. Defined benefit pension scheme (continued)

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

	2023 £m	2022 £m
Opening defined benefit obligation	148.5	167.0
Interest expense	4.4	3.5
Actuarial loss arising from experience adjustments	9.8	0.8
Actuarial gain arising from changes in financial assumptions	(42.9)	(19.8)
Actuarial gain arising from changes in demographic assumptions	-	(0.2)
Benefits paid	(2.8)	(2.8)
Closing defined benefit obligation	117.0	148.5

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

	2023 £m	2022 £m
Opening fair value of scheme assets	154.4	173.1
Interest income	4.7	3.6
Loss on plan assets (excluding amounts included in net interest expense)	(49.3)	(20.1)
Employer contributions	4.4	0.6
Benefits paid	(2.8)	(2.8)
Closing fair value of scheme assets	111.4	154.4

History of experience gains and losses

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Difference between the expected and actual return on scheme	(49.3)	(20.1)	31.4	(9.2)	0.6
Percentage of scheme assets	(44%)	(13%)	18%	(7%)	-
Experience (loss)/gains on scheme liabilities	(9.8)	(0.8)	1.6	0.7	(0.9)
Percentage of scheme liabilities	(8%)	(1%)	1%	-	(1%)
Actuarial gain/(loss) due to changes in assumptions	42.9	20.0	(3.6)	(11.5)	(10.1)
Percentage of scheme liabilities	37%	13%	(2%)	(7%)	(6%)
Total actuarial (loss)/profit recognisable in the statement of other comprehensive income	(16.2)	(0.9)	32.2	(20.0)	(10.4)
Percentage of scheme liabilities	(14%)	(1%)	19%	(12%)	(7%)

25. Defined benefit pension scheme (continued)

Sensitivity analysis

A 0.25% pa decrease in the discount rate assumption would increase the value of the liabilities by around £4.7m.
A 3.5% pa increase in the assumed rate of inflation would increase the value of the liabilities by around £3.5m.
A 0.25% pa increase in the assumed long-term rate of future mortality improvements would increase the value of the liabilities by around £1.2m.

The Firm operates a defined contribution pension scheme in the UK for which the pension cost charge for the year amounts to £7.5m (2022: £6.8m). As at 30 April 2023, the amount payable in relation to this scheme is £1.4m (2022: £0.5m).

26. Contingent liabilities

The Firm has no such liabilities as at 30 April 2023 (2022: £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 share of profit and remuneration of key management personnel amounted to £21.8m (2022: £21.9m). The majority of partners in key management positions maintain significant client responsibilities.

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.

	2023 **£m**	**2022** **£m**
Financial assets		
Trade receivables	621.2	524.3
Unbilled revenue	226.1	266.6
Amounts due from members	218.1	198.7
Other receivables	119.7	161.4
Cash and cash equivalents	58.7	96.6
Investments	0.2	0.2
	1,244.0	1,247.8
Financial liabilities		
Members' capital	125.5	120.7
Trade and other payables	386.6	270.7
	512.1	391.4

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

28. Financial instruments (continued)

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.

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

30 April 2023

Consolidated	**Under 1 month**	**1-2 months**	**3-5 months**	**6 months and more**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Expected credit loss rate	0.5%	0.8%	0.8%	17.0%	1.4%
Estimated gross carrying amount at default	429.7	75.2	91.8	33.5	630.2
Expected credit loss	2.0	0.6	0.7	5.7	9.0

LLP	**Under 1 month**	**1-2 months**	**3-5 months**	**6 months and**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Expected credit loss rate	0.5%	0.9%	1.0%	14.5%	1.2%
Estimated gross carrying amount at default	218.6	33.4	41.4	13.8	307.2
Expected credit loss	1.0	0.3	0.4	2.0	3.7

30 April 2022

Consolidated	**Under 1 month**	**1-2 months**	**3-5 months**	**6 months and**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Expected credit loss rate	0.5%	1.1%	1.0%	21.9%	1.9%
Estimated gross carrying amount at default	367.7	55.6	86.4	30.1	539.8
Expected credit loss	1.9	0.6	0.9	6.6	10.0

LLP	**Under 1 month**	**1-2 months**	**3-5 months**	**6 months and**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Expected credit loss rate	0.5%	1.2%	1.1%	22.2%	1.9%
Estimated gross carrying amount at default	190.7	25.3	47.3	15.3	278.6
Expected credit loss	1.0	0.3	0.5	3.4	5.2

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**	
	2023	**2022**	**2023**	**2022**
	£m	**£m**	**£m**	**£m**
Euro	(62.7)	(59.7)	450.4	468.7
US Dollar	(90.8)	(105.4)	180.4	176.5
Other	(48.9)	(38.4)	114.6	122.5
	(202.4)	(203.5)	745.4	767.7

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.

	2023	**2022**
Profit or loss	**£m**	**£m**
Euro currency impact	38.1	40.2
US Dollar currency impact	8.0	6.0
Other currency impact	6.0	8.0
	52.1	54.2

29. Changes in liabilities from financing activities

	1 May 2022	**Cash flows**	**New finance leases**	**30 April 2023**
	£m	**£m**	**£m**	**£m**
Lease liability	(517.1)	(69.7)	68.7	(518.1)
Bank loans	-	15.0	-	15.0
Net debt	(517.1)	(54.7)	68.7	(503.1)

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