

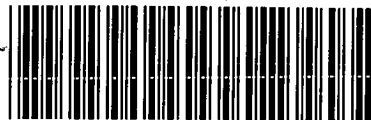
Registered no. OC323639

Hogan Lovells International LLP

Annual Report & Financial Statements

For the year ended 31 December 2021

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Members' Report

Management, on behalf of the Members, presents its report and the audited financial statements of Hogan Lovells International LLP (hereafter referred to as "the LLP") for the year ended 31 December 2021.

Basis of preparation

These financial statements are the statutory accounts for the LLP and reflect the results for the year ended 31 December 2021. The financial statements consolidate the accounts of the LLP and all its subsidiary undertakings ("the group"), drawn up for the year ended 31 December 2021.

Principal activity

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

Management team

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

Marie-Aimee de Dampierre, Chair* (appointed Chair 1 May 2021)

Miguel Zaldivar, CEO*

Michael Davison, Deputy CEO

Leopold Von Gerlach (resigned 30 April 2021)

Ina Brock (resigned 30 June 2022)

Alice Valder Curran (resigned 15 January 2022)

Janice Hogan (appointed 16 January 2022)

Andreas Von Falck* (appointed 1 May 2021)

David Gibbons (resigned 30 June 2021)

Desmond Hogan

Burkart Goebel

Karen Hughes*

Adrian Walker*

Owen Chan*

Matthew Cottis (resigned 30 June 2021)

Lloyd Parker

Patrick Ayad (appointed 1 July 2022)

Penny Angell

Tobias Faber*

Stefan Schuppert (appointed 1 May 2021)

Sebastien Gros (appointed 1 May 2021)

James Doyle (appointed 1 July 2021)

Jose Maria Balana (appointed 1 May 2021)

* = designated member

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

Finance and capital structure

The LLP is financed by a combination of Members' capital, undistributed profits (including tax retentions) and borrowing facilities arranged with a number of banks. Members' capital increased during the year ended 31 December 2021 by £8.7 million to £102.1 million (2020: £93.4 million).

The Group had £272.6 million of net cash at 31 December 2021 (2020: £220.7 million). Further details of the financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the notes to the accounts.

Members' Report continued...

Business Review

The COVID-19 pandemic has had a significant impact on the Global economy and impacted the vast majority of businesses. The spread of the pandemic resulted in the rapid adoption of remote working for almost all partners and employees; despite this the Group's ability to deliver services to clients has been largely unaffected.

Our underlying business performance for the first half of 2022 has been strong, exhibiting the benefits of our global capability, the continued demonstration of the strength of our client work across our practice areas, industry sectors, and regions, and the positive effects of tight cost control in the current economic conditions.

Management has produced forecasts and cash flow projections, that have also been sensitised to reflect potential declines in revenue in the latter part of 2022 and into 2023. These demonstrate the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

While there remains an ongoing risk of the economic environment having an adverse impact on some of our clients, taking into account our broad practice, extensive geographic reach, £120 million (2020: £120 million) of bank facilities and the flexibility we have to vary the timing of payments to our Partners, and having considered the group's forecasts and projections, Management is satisfied that it is appropriate for these accounts to be prepared on the going concern basis.

Events after the balance sheet date

The invasion of Ukraine by Russia, on 24 February 2022, caused disruption to economic activity in Ukraine and as a result multiple jurisdictions have and continue to impose economic sanctions on Russia. Post 31 December 2021, Hogan Lovells has discontinued operations in Russia including the closure of the Moscow office. This is considered a non-adjusting post balance sheet event and therefore no adjustments have been made to the figures in the financial statements.

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

In the year ended 31 December 2021, all Members were partners and shared in the profits of the LLP. Where a Member receives his or her remuneration as an employee or consultant, this is presented under the heading "Members' remuneration charged as an expense" in the consolidated income statement.

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

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

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

Members' Report continued...

Energy and carbon report

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

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

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

Energy Source	Units	2019	2020	2021
Gas Oil (Backup generators only)	MWh	440	437	438
Natural Gas	MWh	8,491	7,085	6,819
Electricity	MWh	8,676	6,901	6,226
Total	MWh	17,607	14,423	13,483
Energy Intensity (measured against rentable floor area)	kWh/m ²	476	390	365

We have decreased our energy consumption since the 2019 baseline, which has in part been due to the impact of the global pandemic, and in part due to the introduction of energy efficiency measures, particularly in our largest site in London. Further measures are being implemented, particularly on the control of the heating and cooling, as the utilisation of the buildings increases towards pre-pandemic levels.

The carbon emissions associated with the energy use in our offices is summarised below, along with the emissions associated with our business travel. All land-based business travel is through rental or staff-owned vehicles or public transport and hence is Scope 3. This is low due to our city centre locations; the table below also includes our business related air travel for staff based in the UK.

GHG Emissions (tCO ₂ e)	2019	2020	2021
Scope 1	1,595	1,337	1,583
Scope 2	2,218	1,602	1,321
Scope 3 (Business travel - road)	6	1	2
Scope 3 (Business travel - air)	579	53	198
Total	4,398	2,993	3,104

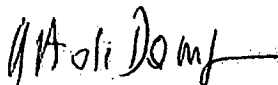
The calculation of carbon emissions follows the GHG protocol methodology and is based on emissions factors for 2021 published by the Department for Environment, Food and Rural Affairs. Scope 2 emissions are calculated according to the location-based method for comparison, although the majority of our electricity use is now supplied from a renewable source.

Members' Report continued...

Auditor

Deloitte LLP will be proposed for reappointment.

Signed on behalf of the Board



Marie-Aimee de Dampierre
Chair

26 September 2022

Statement of members' responsibilities

The Members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The financial statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

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

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

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Hogan Lovells International LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent limited liability partnership financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006 as applied to limited liability partnerships; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent limited liability partnership balance sheets;
- the consolidated and parent limited liability partnership cash flow statements;
- the consolidated and parent limited liability partnership statement of changes in equity; and
- the related notes 1 to 29.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of members

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state 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 ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2022

Consolidated income statement

	Note	2021 £'000	2020 £'000
Revenue	4	1,050,955	962,664
Other operating income		2,362	4,621
Operating expenses			
Staff costs	6	(378,692)	(362,443)
Depreciation and amortisation	10/12	(25,255)	(25,361)
Depreciation and amortisation – Right-of-use assets	14	(46,457)	(49,256)
Other operating expenses		(161,571)	(147,021)
Profit from operations		441,342	383,204
Investment income	7	184	451
Finance expense	7	(6,398)	(7,452)
Profit before tax	5	435,128	376,203
Tax expense	8	(30,787)	(27,458)
Profit before Members' remuneration and profit share		404,341	348,745
Members' remuneration charged as an expense		(49,265)	(40,902)
Profit for the period for division amongst equity Members	9	355,076	307,843

The results from both years were derived from continuing operations.

Consolidated statement of comprehensive income

	Note	2021 £'000	2020 £'000
Profit for the financial period for division amongst equity Members		355,076	307,843
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial gain/(loss) on defined benefit pension scheme	21	22,500	(12,700)
Items that may be reclassified subsequently to the consolidated income statement:			
Exchange differences on translation of foreign operations		29,027	(11,644)
Other comprehensive gain/(loss) for the period		51,527	(24,344)
Total comprehensive income for the period		406,603	283,499

Consolidated balance sheet

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	10	3,393	7,309
Property, plant and equipment	12	42,652	58,223
Right-of-use assets	14	208,162	218,761
Finance lease receivables	17	410	589
Investments		20	480
		254,637	285,362
Current assets			
Client and other receivables	16	521,013	456,636
Current tax receivables		4,337	3,071
Finance lease receivables	17	490	159
Cash and cash equivalents		272,551	220,732
		798,391	680,598
Total assets		1,053,028	965,960
Liabilities			
Current liabilities			
Trade and other payables	19	256,168	211,860
Current tax liabilities		15,653	39,797
Lease liabilities	18	53,879	46,393
Members' capital	22	102,104	93,352
Provisions	20	483	518
		428,287	391,920
Non-current liabilities			
Lease liabilities	18	180,681	200,925
Retirement benefit scheme deficit	21	4,500	30,500
Provisions	20	8,549	9,443
		193,730	240,868
Equity			
Members' other reserves	22	431,011	333,172
Total liabilities and equity		1,053,028	965,960
Members' interests			
Current assets – amounts due from Members	16 / 22	(112,210)	(86,979)
Current liabilities – Members' capital	22	102,104	93,352
Equity – other reserves	22	431,011	333,172
Total Members' interests		420,905	339,545

Hogan Lovells International LLP balance sheet

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	11	3,247	7,203
Property, plant and equipment	13	31,409	42,274
Right-of-use assets	14	126,905	152,589
Finance lease receivables	17	377	572
Investments	15	10,952	10,952
		172,890	213,590
Current assets			
Client and other receivables	16	403,685	342,950
Current tax receivables		3,894	2,098
Finance lease receivables	17	80	98
Cash and cash equivalents		236,836	191,671
		644,495	536,817
Total assets		817,385	750,407
Liabilities			
Current liabilities			
Trade and other payables	19	217,801	155,142
Current tax liabilities		14,398	38,474
Lease liabilities	18	33,961	28,869
Members' capital	23	102,104	93,352
Provisions	20	483	518
		368,747	316,355
Non-current liabilities			
Lease liabilities	18	114,598	147,153
Retirement benefit scheme deficit	21	4,500	30,500
Provisions	20	8,549	9,443
		127,647	187,096
Equity			
Members' other reserves	23	320,991	246,956
Total liabilities and equity		817,385	750,407
Members' interests			
Current assets – amounts due from Members	16 / 23	(112,210)	(86,979)
Current liabilities – Members' capital	23	102,104	93,352
Equity – other reserves	23	320,991	246,956
Total Members' interests		310,885	253,329

The profit for division amongst members for the financial period dealt with in the financial statements of the LLP was £269,472,000 (2020: £232,874,000).

These financial statements of Hogan Lovells International LLP, registered number OC323639, including the consolidated financial statements, were approved by the Board on behalf of the Members and signed on behalf of the Members on 26 September 2022 by:


Marie-Aimee de Dampierre, Chair


Miguel Zaldivar, CEO


Michael Davison, Deputy CEO

Consolidated cash flow statement

	Note	2021 £'000	2020 £'000
Net cash from operations	24	447,425	460,528
Investing activities			
Purchase of intangible assets		(763)	(1,492)
Purchase of property, plant and equipment		(6,329)	(15,405)
Interest received		168	434
Finance lease income		187	390
Proceeds on disposal of property, plant and equipment		1	47
Net cash used in investing activities		(6,736)	(16,026)
Financing activities			
Members' capital introduced		13,709	21,965
Capital repayments to Members		(4,957)	(6,812)
Payments to and on behalf of Members		(343,249)	(294,058)
Interest paid		(369)	(692)
Repayment of lease liabilities		(52,392)	(52,334)
Net cash used in financing activities		(387,258)	(331,931)
Net increase in cash and cash equivalents		53,431	112,571
Cash and cash equivalents at beginning of period		220,732	106,772
Effects of foreign exchange rate changes on cash		(1,612)	1,389
Cash and cash equivalents at end of period		272,551	220,732

Hogan Lovells International LLP cash flow statement

	Note	2021 £'000	2020 £'000
Net cash from operations	24	339,190	353,985
Investing activities			
Purchase of intangible assets		(677)	(1,471)
Purchase of property, plant and equipment		(4,477)	(7,172)
Interest received		150	418
Finance lease income		125	390
Proceeds on disposal of property, plant and equipment		4	47
Net cash used in investing activities		(4,875)	(7,788)
Financing activities			
Members' capital introduced		13,709	21,985
Capital repayments to Members		(4,957)	(6,812)
Payments to and on behalf of Members		(264,761)	(209,303)
Interest paid		(378)	(482)
Repayment of lease liabilities		(32,372)	(31,485)
Net cash used in financing activities		(288,759)	(226,117)
Net increase in cash and cash equivalents		45,556	120,080
Cash and cash equivalents at beginning of period		191,671	70,652
Effects of foreign exchange rate changes on cash		(391)	939
Cash and cash equivalents at end of period		236,836	191,671

Consolidated statement of changes in equity

	Note	2021 £'000	2020 £'000
Equity at 1 January 2021 / 1 January 2020		333,172	302,699
Profit for the financial period attributable to equity Members		355,076	307,843
Actuarial gain/(loss) on defined benefit pension scheme		22,500	(12,700)
Exchange differences on translation of foreign operations		29,027	(11,644)
Total comprehensive income for the period		406,603	283,499
Profit allocated to Members		(308,764)	(253,026)
Equity at 31 December	22	431,011	333,172

Hogan Lovells International LLP statement of changes in equity

	Note	2021 £'000	2020 £'000
Equity at 1 January 2021 / 1 January 2020		246,956	229,029
Profit for the financial period attributable to equity Members		269,472	232,874
Actuarial gain/(loss) on defined benefit pension scheme		22,500	(12,700)
Exchange differences on translation of foreign operations		24,842	(3,505)
Total comprehensive income for the period		316,814	216,669
Profit allocated to Members		(242,779)	(198,742)
Equity at 31 December	23	320,991	246,956

Notes to the financial statements

1. General information

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

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

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

2. Accounting policies

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

Accounting convention

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

Going Concern

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

The COVID-19 pandemic has had a significant impact on the Global economy and impacted the vast majority of businesses. The spread of the pandemic resulted in the rapid adoption of remote working for almost all partners and employees; despite this the Group's ability to deliver services to clients has been largely unaffected.

Management has produced forecasts and cash flow projections, that have also been sensitised to reflect potential declines in revenue in the latter part of 2022 and into 2023. These demonstrate the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

While there remains an ongoing risk of the economic environment having an adverse impact on some of our clients, in relation to uncertain factors including the COVID-19 pandemic, taking into account our broad practice, extensive geographic reach, £120 million (2020: £120 million) bank facilities and the flexibility we have to vary the timing of payments to our Partners, and having considered the group's forecasts and projections, Management is satisfied that it is appropriate for these accounts to be prepared on the going concern basis.

2. Accounting policies (continued)

Basis of preparation

The group financial statements incorporate the financial statements of the LLP and entities controlled by the LLP (its subsidiary undertakings). Control is achieved where the LLP has the power over the investee; is exposed, or has rights, to a variable return from its involvement with the investee; and has the ability to use its power to affect its returns. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No individual profit and loss account is presented for the LLP as permitted by section 408 of the Companies Act 2006. The profit for division amongst members for the financial year dealt with in the financial statements of the LLP was £269,472,000 (2020: £232,874,000).

Foreign currencies

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

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

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

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

Revenue

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

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

2. Accounting policies (continued)

Revenue (continued)

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

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

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

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

Intangible assets

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

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

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

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

Property, plant and equipment

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

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

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

Impairment of tangible and intangible assets

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

2. Accounting policies (continued)

Investments

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

Taxation

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

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

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

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

Financial instruments

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

Client receivables

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

Cash and cash equivalents

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

Trade payables

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

Leases

The Group as a lessee

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

2. Accounting policies (continued)

Leases (continued)

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

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

Leases (continued)

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

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

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

The Group as lessor

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

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

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

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

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

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

Provisions

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

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

Bank borrowings

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

2. Accounting policies (continued)

Retirement benefit obligations

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

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Provision for post-employment benefits

Estimates are required in the accounting for defined benefit pension plans, including the selection of discount rates, inflation rates, mortality rates and the prediction of the rate of future salary and pension increases. These estimates are made by management based on the advice of qualified experts. Details of the assumptions used and the sensitivity of the benefit obligation to these assumptions are set out in note 21. In the current year, the net retirement benefit scheme deficit is valued at £4.5 million (2020: £30.5 million).

Amounts to be billed to clients

Estimation uncertainty exists regarding the amount that will ultimately be recovered from clients in respect of unbilled revenue at the year end. Amounts to be billed to clients are valued on the basis of recorded time at the year end, then provided against for factors such as historical recovery rates and contingencies. In the current year these are valued at £103.5 million (2020: £97.7 million).

Client receivables provision

The valuation of the provision for irrecoverable client receivables is a key estimate. In the current year, this provision is valued at £15.5 million (2020: £19.6 million). This is an estimate of the likelihood of default based on an analysis of historical recovery rates, whilst incorporating expectations of current and future economic conditions.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)**Client receivables provision (continued)**

If the expected credit loss rates had been 5% higher than 31 December 2021 :

- The loss allowance on trade debtors not past due would have been £0.08m (2020: £0.1m) higher
- the loss allowance on trade debtors past due between 0 and 30 days would have been £0.1m (2020: £0.11m) higher.
- the loss allowance on trade debtors past due between 31 and 120 days would have been £0.15m (2020: £0.13m) higher.
- the loss allowance on trade debtors past due greater than 120 days would have been £0.45m (2020: £0.64m) higher.

4. Revenue

	2021	2020
	£'000	£'000
Revenue generated by Region:		
United Kingdom	414,362	362,750
Continental Europe	518,821	478,878
Asia, Pacific and Middle East	117,772	121,036
Total	1,050,955	962,664

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

5. Profit before taxation

	2021	2020
	£'000	£'000
Profit before tax has been arrived at after charging/(crediting):		
Operating lease payments		
– land and buildings	1,004	1,228
– other	16	16
Amortisation of intangible assets	4,674	5,482
Depreciation of property, plant and equipment	20,581	19,879
Depreciation on Right-of-use assets	46,457	49,256
(Profit)/ loss on sale of property, plant and equipment	(10)	37
Net foreign exchange loss	1,095	1,623
Fees payable to LLP auditor Deloitte LLP	1,273	2,056

A detailed breakdown of fees payable to Deloitte LLP is provided below:

Fees payable to the LLP's auditor for the audit of the LLP accounts	164	153
Audit of LLP's subsidiaries and overseas branches pursuant to legislation	316	289
Tax services	632	774
Other services pursuant to legislation	61	55
All other services	100	785
Total fees payable to LLP auditor Deloitte LLP	1,273	2,056

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

6. Staff costs

	Group		LLP	
	2021	2020	2021	2020
The average monthly number of people employed during the year (excluding Members) was:	No.	No.	No.	No.
Fee earners	1,684	1,718	604	672
Support staff	1,502	1,562	482	556
Total	3,186	3,280	1,086	1,228

Staff costs incurred during the year were:	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Salaries	326,891	311,071	237,349	212,510
Social security costs	34,906	32,323	26,507	25,633
Pension costs*	9,483	9,019	9,428	8,898
Other costs	7,412	10,030	2,533	9,722
Total	378,692	362,443	275,817	256,763

*Includes actuarial adjustments

7. Investment income / (Finance expense)

	2021	2020
	£'000	£'000
Investment income		
Interest receivable	168	434
Interest on lease receivables	16	17
	184	451
Finance expense		
Interest payable on bank loans and overdrafts	(416)	(479)
Net finance expense on retirement benefit scheme	(400)	(400)
Interest on lease liabilities	(5,285)	(6,201)
Unwinding of discount on provisions	(297)	(372)
	(6,398)	(7,452)

8. Taxation

	2021	2020
	£'000	£'000
Current tax	30,787	27,458
	30,787	27,458

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

The effective rate of UK corporation tax was 19% for the year ended 31 December 2021 (2020: 19%).

	2021	2020
	£'000	£'000
Profit before taxation from continuing operations	385,863	335,301
Less: Amounts subject to personal taxation	(354,999)	(303,306)
Profits subject to taxation	30,864	31,995
Tax at the effective UK corporation tax rate of 19% (2020: 19%)	5,864	6,079
Different tax rates and bases in other jurisdictions	23,997	22,156
Adjustments in respect of prior years	926	(777)
Charge for the period	30,787	27,458

9. Members' share of profits

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

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

	2021	2020
Group	No.	No.
Average number of Members	339	331
Average number of Equity Members	229	224
	£'000	£'000
Profit available for division among Equity Members	355,076	307,843
Average profit per Equity Member	1,550	1,374

10. Intangible assets - Group

	Computer software £'000	Consideration for client base £'000	Total £'000
Cost			
At 1 January 2020	29,462	2,266	31,728
Currency translation adjustments	67	108	175
Additions	1,492	-	1,492
At 31 December 2020	31,021	2,374	33,395
Currency translation adjustments	(97)	(147)	(244)
Additions	763	-	763
Disposals	(19)	-	(19)
At 31 December 2021	31,668	2,227	33,895
Amortisation			
At 1 January 2020	18,169	2,266	20,435
Currency translation adjustments	61	108	169
Charge for the year	5,482	-	5,482
At 31 December 2020	23,712	2,374	26,086
Currency translation adjustments	(92)	(147)	(239)
Charge for the year	4,674	-	4,674
Disposals	(19)	-	(19)
At 31 December 2021	28,275	2,227	30,502
Carrying amount			
At 31 December 2021	3,393	-	3,393
At 31 December 2020	7,309	-	7,309

11. Intangible assets - LLP

	Computer software £'000	Consideration for client base £'000	Total £'000
Cost			
At 1 January 2020	28,849	2,265	31,114
Currency translation adjustments	43	108	151
Additions	1,471	-	1,471
At 31 December 2020	30,363	2,373	32,736
Currency translation adjustments	(58)	(147)	(205)
Additions	677	-	677
At 31 December 2021	30,982	2,226	33,208
Amortisation			
At 1 January 2020	17,675	2,265	19,940
Currency translation adjustments	41	108	149
Charge for the year	5,444	-	5,444
At 31 December 2020	23,160	2,373	25,533
Currency translation adjustments	(58)	(147)	(205)
Charge for the year	4,633	-	4,633
At 31 December 2021	27,735	2,226	29,961
Carrying amount			
At 31 December 2021	3,247	-	3,247
At 31 December 2020	7,203	-	7,203

12. Property, plant and equipment – Group

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2020	89,949	95,690	70,176	459	256,274
Currency translation adjustments	896	989	1,769	11	3,665
Additions	9,026	5,797	519	63	15,405
Disposals	(1,557)	(820)	(738)	(39)	(3,154)
At 31 December 2020	98,314	101,656	71,726	494	272,190
Currency translation adjustments	(7,914)	(1,170)	5,333	(50)	(3,801)
Additions	2,475	2,751	1,078	25	6,329
Disposals	(1,581)	(616)	(319)	(114)	(2,630)
At 31 December 2021	91,294	102,621	77,818	355	272,088
Depreciation					
At 1 January 2020	49,926	80,333	63,940	272	194,471
Currency translation adjustments	525	762	1,472	2	2,761
Charge for the year	7,596	8,323	3,935	25	19,879
Disposals	(1,557)	(820)	(736)	(31)	(3,144)
At 31 December 2020	56,490	88,598	68,611	268	213,967
Currency translation adjustments	(6,028)	(1,221)	4,759	(3)	(2,493)
Charge for the year	10,004	7,851	2,701	25	20,581
Disposals	(1,578)	(616)	(313)	(112)	(2,619)
At 31 December 2021	58,888	94,612	75,758	178	229,436
Carrying amount					
At 31 December 2021	32,406	8,009	2,060	177	42,652
At 31 December 2020	41,824	13,058	3,115	226	58,223

13. Property, plant and equipment – LLP

	Leasehold Improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2020	73,135	78,225	50,015	290	201,665
Transfer to Group undertakings	-	-	-	-	-
Currency translation adjustments	434	536	1,301	12	2,283
Additions	3,590	3,324	195	63	7,172
Disposals	(1,557)	(799)	(734)	(39)	(3,129)
At 31 December 2020	75,602	81,286	50,777	326	207,991
Transfer to Group undertakings	-	-	-	-	-
Currency translation adjustments	(6,806)	(202)	6,290	(50)	(768)
Additions	1,661	1,829	962	25	4,477
Disposals	(1,548)	(296)	(176)	(42)	(2,062)
At 31 December 2021	68,909	82,617	57,853	259	209,638
Depreciation					
At 1 January 2020	40,684	68,070	44,561	107	153,422
Transfer to Group undertakings	-	-	-	-	-
Currency translation adjustments	230	449	1,135	3	1,817
Charge for the year	4,975	5,470	3,127	25	13,597
Disposals	(1,557)	(799)	(732)	(31)	(3,119)
At 31 December 2020	44,332	73,190	48,091	104	165,717
Transfer to Group undertakings	-	-	-	-	-
Currency translation adjustments	(5,108)	(458)	5,561	(3)	(8)
Charge for the year	7,439	5,090	2,022	25	14,576
Disposals	(1,548)	(296)	(170)	(42)	(2,056)
At 31 December 2021	45,115	77,526	55,504	84	178,229
Carrying amount					
At 31 December 2021	23,794	5,091	2,349	175	31,409
At 31 December 2020	31,270	8,096	2,686	222	42,274

14. Leases (Group as a Lessee)

Right-of-use assets	Buildings	Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	303,938	2,433	306,371
Additions	50,728	234	50,962
Disposals	(23,658)	(78)	(23,736)
Currency translation adjustment	(5,864)	(28)	(5,892)
At 31 December 2021	325,144	2,561	327,705
Accumulated depreciation			
At 1 January 2021	86,654	956	87,610
Currency translation adjustment	536	(4)	532
Charge for the year	45,922	535	46,457
Disposals	(15,031)	(25)	(15,056)
At 31 December 2021	118,081	1,462	119,543
Carrying amount			
At 31 December 2021	207,063	1,099	208,162
At 31 December 2020	217,284	1,477	218,761

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

	2021	2020
	£'000	£'000
Amounts recognised in profit and loss:		
Depreciation expense on right-of-use assets	46,457	49,256
Interest expense on lease liabilities	5,285	6,201
Expense relating to short-term leases	1,004	1,228
Expense relating to leases of low value assets	16	16
Income from subleasing right-of-use assets	(16)	(17)

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

14. Leases (LLP as a Lessee) (continued)

Right-of-use assets	Buildings	Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2021	205,103	1,030	206,133
Additions	10,200	234	10,434
Disposals	(2,563)	(78)	(2,641)
Currency translation adjustment	(4,530)	(25)	(4,555)
At 31 December 2021	208,210	1,161	209,371
Accumulated depreciation			
At 1 January 2021	53,075	469	53,544
Currency translation adjustment	337	(4)	333
Charge for the year	28,465	288	28,753
Disposals	(139)	(25)	(164)
At 31 December 2021	81,738	728	82,466
Carrying amount			
At 31 December 2021	126,472	433	126,905
At 31 December 2020	152,028	561	152,589

15. Investments - Group and LLP

Investments of £10,952,000 disclosed on the Hogan Lovells International LLP balance sheet are valued at cost, which is equal to carrying value as at 31 December in both 2020 and 2021.

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

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

*Ordinary shares held by another member of the group

Registered office addresses:

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

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

³ Avenida Misonnave 22, Alicante, Spain, 03003

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

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

15. Investments - Group and LLP (continued)

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

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

*unincorporated undertaking, denotes principal place of business

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

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

Registered office addresses:

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

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

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

⁴ 1802 Park Place, 1801 Nanjing Road West, Shanghai 200040

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

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

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

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

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

¹⁰ 140 West Street, Sandton, Johannesburg 2198

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

15. Investments - Group and LLP (continued)

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

	Country of incorporation	Activity	Proportion of ordinary shares held
Hogan Lovells Global Services ¹	United Kingdom	Service Company	50% joint venture
Hogan Lovells Solutions (Transfer Pricing) Limited ¹	United Kingdom	Consultancy Services	50% joint venture
HL Tech Legal Technology & Consulting B.V. ²	Netherlands	Dormant	50% joint venture

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

² Registered office address: Atrium – North Tower, Strawinskylaan 4129, Amsterdam 1077 ZX, The Netherlands

Hogan Lovells Global Services Limited and Hogan Lovells Solutions (Transfer Pricing) Limited are accounted for using the equity method. Summarised financial information in respect of Hogan Lovells Global Services Limited and Hogan Lovells Solutions (Transfer Pricing) Limited are set out below. The summarised financial information below represents amounts in the associates' financial statements prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial reporting Standard applicable in the UK and republic of Ireland".

Hogan Lovells Global Services Limited

	2021 £'000	2020 £'000
Current assets	3,150	3,482
Current liabilities	(2,651)	(3,040)
Total equity	499	442
	2021 £'000	2020 £'000
Revenue	12,925	11,451
Profit before tax	615	545
Profit for the period	499	442

Hogan Lovells Solutions (Transfer Pricing) Limited

	2021 £'000	2020 £'000
Current assets	877	1,815
Current liabilities	(2,191)	(2,706)
Total equity	(1,314)	(891)
	2021 £'000	2020 £'000
Revenue	1,614	2,819
(Loss)/profit before tax	(459)	518
(Loss)/profit for the period	(459)	518

16. Client and other receivables

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts to be billed to clients	103,532	97,652	64,889	61,665
Client receivables	243,812	211,943	178,449	152,907
Amounts due from Members	112,210	86,979	112,210	86,979
Other debtors	23,296	23,025	20,256	17,369
Amounts due from group undertakings	-	-	-	-
Prepayments	38,163	37,037	27,881	24,030
	521,013	456,636	403,685	342,950

There is no material difference between the fair value and carrying value of client and other receivables. Changes in the amounts to be billed to clients balance during the year were not materially impacted by any specific factors. Client receivables are shown after impairment provisions for bad and doubtful debts of £15.5 million (2020: £19.6 million), movements on which are shown below:

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At start of period	19,564	24,268	12,525	15,016
Exchange adjustments	(429)	4	(300)	132
Write offs	(4,892)	(4,866)	(2,846)	(3,067)
Charge	1,263	158	(56)	444
At end of period	15,506	19,564	9,323	12,525

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

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

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

16. Client and other receivables (continued)

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

Group

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

2020	Client receivables – days past due date				Total
	Not past Due	0 – 30 days	31 – 120 days	greater than 120 days	
Average expected credit loss rate	2%	3%	5%	51%	
Estimated total gross carrying amount at default	85,596	74,509	46,372	25,030	231,507
Expected credit loss	(1,993)	(2,275)	(2,472)	(12,824)	(19,564)
Client Receivables	83,603	72,234	43,900	12,206	211,943

16. Client and other receivables (continued)

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

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Not past due	92,148	83,603	69,667	64,019
Past due by 0 – 30 days	86,274	72,234	67,760	56,240
Past due by 31 – 120 days	48,868	43,900	32,789	28,386
Past due by greater than 120 days	16,522	12,206	8,233	4,262
	243,812	211,943	178,449	152,907

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

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial assets	651,869	542,679	547,751	448,926
Amounts to be billed to clients	103,532	97,652	64,889	61,665
	755,401	640,331	612,640	510,591

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

17. Lease receivables**Finance lease receivables**

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Undiscounted lease payments analysed as:				
Recoverable after 12 months	410	600	377	584
Recoverable within 12 months	515	187	103	125
	925	787	480	709

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Net investment in the lease analysed as:				
Recoverable after 12 months	410	589	377	572
Recoverable within 12 months	490	159	80	98
	900	748	457	670

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

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts receivable under finance leases:				
Year 1	515	187	103	125
Year 2	135	141	102	125
Year 3	100	124	100	124
Year 4	100	122	100	122
Year 5	75	122	75	122
Onwards	-	91	-	91
Undiscounted lease payments	925	787	480	709
Less: unearned finance income	(25)	(39)	(23)	(39)
Present value of lease payments receivable	900	748	457	670

17. Lease receivables (continued)

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

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Finance income on the net investment in finance leases	(16)	(17)	(9)	(16)
Income relating variable lease payments not included in the net investment in finance leases	-	-	-	-

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

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

18. Lease liabilities

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Lease Liability				
At 1 January 2021	247,318	245,200	176,022	158,592
Additions	50,743	75,239	10,215	41,946
Disposals	(9,345)	(31,369)	(2,499)	(631)
Lease payments	(52,392)	(52,334)	(32,372)	(31,485)
Interest	5,285	6,201	2,523	2,865
Currency translation adjustment	(7,049)	4,381	(5,330)	4,735
At 31 December 2021	234,560	247,318	148,559	176,022

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Analysed as:				
Non-current	180,681	200,925	114,598	147,153
Current	53,879	46,393	33,961	28,869
	234,560	247,318	148,559	176,022

18. Lease liabilities (continued)

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Maturity analysis				
Year 1	50,554	52,678	32,695	32,376
Year 2	49,727	52,892	32,286	32,023
Year 3	36,966	42,633	26,554	31,584
Year 4	33,228	33,447	21,836	25,398
Year 5	33,443	30,010	21,805	22,148
Onwards	46,084	53,963	19,847	41,489
Undiscounted lease payments	250,002	265,623	155,023	185,018
Less: future finance expense	(15,442)	(18,305)	(6,464)	(8,996)
Present value of lease payments	234,560	247,318	148,559	176,022

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

19. Trade and other payables

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade payables	185,370	142,661	158,058	113,488
Social security and other taxes	24,448	25,772	10,892	14,757
Accruals and deferred income	46,350	43,427	16,564	20,697
Amounts due to group undertakings	-	-	32,287	6,200
	256,168	211,860	217,801	155,142

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Included in current liabilities	256,168	211,680	217,801	155,142
Included in non-current liabilities	-	-	-	-
	256,168	211,680	217,801	155,142

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

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

20. Provisions

Provision for annuities

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

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

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

Provision for annuities – Group and LLP

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At start of period	9,961	9,150	9,961	9,150
Currency translation	(130)	127	(130)	127
Utilisation of provision	(492)	(525)	(492)	(525)
Actuarial adjustment	(604)	837	(604)	837
Unwinding of discount	297	372	297	372
Net movement in provision	(929)	811	(929)	811
At end of period	9,032	9,961	9,032	9,961
Provisions are analysed as follows:	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current liabilities	483	518	483	518
Non-current liabilities	8,549	9,443	8,549	9,443
	9,032	9,961	9,032	9,961
Major assumptions used in valuation:	2021 % p.a.	2020 % p.a.	2021 % p.a.	2020 % p.a.
Discount rate	1.90	1.40	1.90	1.40
Price inflation	3.20	2.80	3.20	2.80

21. Retirement benefit schemes – Group and LLP

Defined contribution scheme

Employer contributions to defined contribution retirement benefit schemes totalled £8,755,193 (2020: £8,571,425).

Defined benefit scheme

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

Under the Scheme, employees are entitled to annual pensions on retirement. Benefits are also payable on death.

Profile of the Scheme

The Defined Benefit Obligation (DBO) includes benefits for current and former employees and current pensioners. Broadly, about 65% to deferred pensioners and 35% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole including the insured pensioners, the duration is approximately 18 years.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2020 and showed a deficit of £21m. The LLP is paying deficit contributions of £2.15m p.a. and paid an additional £5m in two instalments in December 2021 and January 2022 and which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 December 2026. The next funding valuation is due no later than 31 December 2023, at which progress towards full-funding will be reviewed.

Risks associated with the Scheme

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

Asset volatility

The DBO is calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields

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

Inflation risk

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

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

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

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

Risk Management

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

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

	2021	2020
Key assumptions used:	%	%
Discount rate	1.9	1.4
RPI Inflation	3.2	2.8
CPI Inflation	2.4	2.1
Expected rate of salary increases	n/a	n/a
Future pension increases	2.2	2.0

The post retirement mortality assumptions used are based on the standard published tables "S3PXA" as adopted by the actuarial profession. These were then adjusted to allow for future improvements in life expectancy in line with the Continuous Mortality Investigation 2021 core projections and a 1.25% p.a. long-term rate of improvement for males and females. On this basis the life expectancy assumed for a male pensioner aged 65 as at 31 December 2021 was 22 years and for a female was 24 years. Also on this basis the life expectancy at 65 assumed for a male currently aged 45 as at 31 December 2021 was 24 years and for a female was 26 years.

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

Assumption	Change in assumption	Approximate Impact on Scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by £18m
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by £9.2m
Rate of mortality	Increase/decrease expected lifetime at retirement by 1 year	Increase/decrease by £9.1m

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

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

Amounts recognised in the balance sheet are as follows:

	2021 £'000	2020 £'000
Fair value of scheme assets	185,800	173,900
Present value of defined benefit obligations	(190,300)	(204,400)
Retirement benefit deficit	(4,500)	(30,500)

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

	2021 £'000	2020 £'000
Interest cost	2,800	3,800
Expected return on scheme assets	(2,400)	(3,400)
	400	400

Of the charge for the year a net debit of £400,000 (2020: net debit £400,000) has been included in finance expense. Actuarial gains and losses have been reported in the statement of comprehensive income.

The scheme's assets are stated at their market value as at 31 December 2021. Movements in the fair value of scheme assets were as follows:

	2021 £'000	2020 £'000
At start of period	173,900	165,800
Expected return on scheme assets	2,400	3,400
Actuarial gains	9,600	8,300
Contributions from sponsoring employer	3,900	1,900
Benefits paid	(4,000)	(5,500)
At end of period	185,800	173,900

The actual return on scheme assets was as follows:

	2021 £'000	2020 £'000
Expected return on scheme assets	2,400	3,400
Actuarial gains on scheme assets	9,600	8,300
	12,000	11,700

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

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

	Fair value of assets	
	2021 £'000	2020 £'000
Equity instruments	63,000	71,000
Long-term gilts and bonds	53,800	37,000
Property	10,500	9,500
Absolute return fund	12,600	12,200
Annuities	41,600	43,400
Cash/net current assets	4,300	800
Overall	185,800	173,900

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

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

	2021 £'000	2020 £'000
At start of period	204,400	185,100
Interest cost	2,800	3,800
Actuarial losses/ (gains) from changes in demographic assumptions	300	(300)
Actuarial (gains)/ losses from changes in financial assumptions	(11,200)	23,200
Actuarial gains due to liability experience	(2,000)	(1,900)
Benefits paid	(4,000)	(5,500)
At end of period	190,300	204,400

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

	2021 £'000	2020 £'000
Actuarial gains on scheme assets	9,600	8,300
Actuarial gains/ (losses) on scheme liabilities	12,900	(21,000)
Total actuarial losses	22,500	(12,700)

22. Members' interests – Group

	Members' capital - current liability	Amounts due from Members	Members' equity - other reserves	Total
	£'000	£'000	£'000	£'000
Members' interests at 1 January 2020	78,199	(87,804)	302,699	293,094
Allocated profits	-	253,026	(253,026)	-
Drawings and distributions	-	(252,201)	-	(252,201)
Capital introduced	21,965	-	-	21,965
Capital repaid	(6,812)	-	-	(6,812)
Differences on translation	-	-	(11,644)	(11,644)
Pension scheme actuarial gain	-	-	(12,700)	(12,700)
Profit for the financial period	-	-	307,843	307,843
Members' interests at 31 December 2020	93,352	(86,979)	333,172	339,545
Allocated profits	-	308,764	(308,764)	-
Drawings and distributions	-	(333,995)	-	(333,995)
Capital introduced	13,709	-	-	13,709
Capital repaid	(4,957)	-	-	(4,957)
Differences on translation	-	-	29,027	29,027
Pension scheme actuarial loss	-	-	22,500	22,500
Profit for the financial period	-	-	355,076	355,076
Members' interests at 31 December 2021	102,104	(112,210)	431,011	420,905

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

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

23. Members' Interests – LLP

	Members' capital - current liability £'000	Amounts due from Members £'000	Members' equity - other reserves £'000	Total £'000
Members' interests at 1 January 2020	78,199	(87,804)	229,029	219,424
Allocated profits	-	198,742	(198,742)	-
Drawings and distributions	-	(197,917)	-	(197,917)
Capital introduced	21,965	-	-	21,965
Capital repaid	(6,812)	-	-	(6,812)
Differences on translation	-	-	(3,505)	(3,505)
Pension scheme actuarial gain	-	-	(12,700)	(12,700)
Profit for the financial period	-	-	232,874	232,874
Members' interests at 31 December 2020	93,352	(86,979)	246,956	253,329
Allocated profits	-	242,779	(242,779)	-
Drawings and distributions	-	(268,010)	-	(268,010)
Capital introduced	13,709	-	-	13,709
Capital repaid	(4,957)	-	-	(4,957)
Differences on translation	-	-	24,842	24,842
Pension scheme actuarial loss	-	-	22,500	22,500
Profit for the financial period	-	-	269,472	269,472
Members' interests at 31 December 2021	102,104	(112,210)	320,991	310,885

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

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

24. Notes to the cash flow statements

	Group		LLP	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Profit from continuing operations	441,342	383,204	336,250	288,527
Adjustments for:				
Amortisation of intangible assets	4,675	5,482	4,633	5,444
Depreciation of property, plant and equipment	20,581	19,879	14,576	13,597
Depreciation on Right-of-use assets	46,457	49,256	28,753	30,179
Profit/ (loss) on disposal of property, plant and equipment	10	(37)	2	(28)
(Decrease)/Increase in provisions	(929)	811	(929)	811
Operating cash flows before movements in working capital	512,136	458,595	383,285	338,530
(Increase)/ decrease in receivables	(31,452)	(7,105)	(29,002)	17,319
Increase in payables	21,362	15,904	36,664	1,350
Cash generated by operations	502,046	467,394	390,947	357,199
Corporation taxes paid	(54,621)	(6,866)	(51,757)	(3,214)
Net cash from operating activities	447,425	460,528	339,190	353,985
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents comprise:				
Cash at bank	272,551	220,732	236,836	191,671

25. Capital commitments

At the period-end the group had contracted to spend £5.4m on property fit-out costs and associated professional fees (2020: £1.0m). At the period-end the LLP had contracted to spend £3.2m on property fit-out costs and associated professional fees (2020: £0.8m). These amounts were not provided for in the financial statements.

26. Operating lease commitments

At 31 December 2021, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group			
	Land and buildings	Other	Land and buildings	Other
	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Within one year	330	22	1,048	4
Between one and five years	-	-	-	-
In more than five years	-	-	-	-
	330	22	1,048	4

27. Financial instruments

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

The carrying amounts of financial instruments are as follows:

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial assets				
Client receivables	243,812	211,943	178,449	152,907
Amounts due from Members	112,210	86,979	112,210	86,979
Other receivables	23,296	23,025	20,256	17,369
Cash and deposits	272,551	220,732	236,836	191,671
Assets at amortised cost	651,869	542,679	547,751	448,926
Financial liabilities				
Members' capital	(102,104)	(93,352)	(102,104)	(93,352)
Trade payables	(185,370)	(142,661)	(158,058)	(113,488)
Liabilities at amortised cost	(287,474)	(236,013)	(260,162)	(206,840)
Net financial instruments	364,395	306,666	287,589	242,086

27. Financial Instruments (continued)

Liquidity risk

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

At 31 December 2021, the LLP had committed bank facilities for periods up to a year totalling £120 million (2020: £120 million). At the balance sheet date the group had not utilised any of these facilities, some of which are repayable on demand. These facilities have been, or are being, replaced or renewed after the period-end and are now due to expire between October 2022 and November 2023 when they are expected to be renewed or replaced.

Trade payables of £185 million (2020: £143 million) are payable within 12 months of the balance sheet date. Members' capital is repayable when a Member retires. As 120 days' notice of retirement is required, Members' capital has been presented as a current liability.

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

Interest rate risk

Cash and cash deposits of £273 million (2020: of £221 million) earned interest predominantly at a variable rate linked to the Bank of England base rate. Interest is payable on a maximum of £30 million of the overdraft facilities at a floating rate above the Bank of England base rate. Interest on the remainder of the £120 million facilities is payable at a rate linked to the LIBOR. The weighted average interest rate on overdrafts was 1.5 % (2020: 1.5 %). Management recognises that interest rates are liable to fluctuate and the group accepts this risk and does not consider it likely to be material.

Interest rate sensitivity analysis

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

If interest rates were 1% higher and all other variables were held constant, the group's profit and equity for 12 months ended 31 December 2021 would have increased by £2,726,000 (2020: £2,207,000).

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

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

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

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

	Group		LLP	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
US Dollar	59,411	47,054	33,775	27,310
Euro	159,382	169,285	134,851	149,082
Japanese Yen	4,229	4,347	3,182	502
Singapore Dollar	(819)	(2,137)	-	-
Chinese Renminbi	(7,202)	(5,956)	(3,692)	(3,100)
Hong Kong Dollar	3,483	5,886	-	16
Other	1,379	3,845	358	1,937
	219,863	222,324	168,474	175,747

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

Foreign currency sensitivity analysis

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

Profit or Loss	Euro currency impact		US Dollar currency impact		Other currency impact	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Group	15,938	16,928	5,941	4,705	107	598
LLP	13,485	14,908	3,377	2,731	(15)	(64)

28. Related party transactions - Group and LLP

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

During the year ended 31 December 2021, the LLP incurred costs of £12,925,000 (2020: £11,451,000) through transactions with Hogan Lovells Global Services Limited. As at 31 December 2021 the Group owed Hogan Lovells Global Services Limited £3,150,000 (2020: £3,441,000).

As at 31 December 2021 the Hogan Lovells Solutions (Transfer Pricing) Limited owed the Group £1,957,000 (2020: £2,409,000).

The share of the profit and the remuneration of the key management team for the year ended 31 December 2021 amounted to £24.6 million (2020: £17.4 million). This is a consolidated set of financial statements. The members control the LLP and as such there is no one controlling party.

29. Subsequent events

The invasion of Ukraine by Russia, on 24 February 2022, caused disruption to economic activity in Ukraine and as a result multiple jurisdictions have and continue to impose economic sanctions on Russia. Post 31 December 2021, Hogan Lovells has discontinued operations in Russia including the closure of the Moscow office. This is considered a non-adjusting post balance sheet event and therefore no adjustments have been made to the figures in the financial statements.