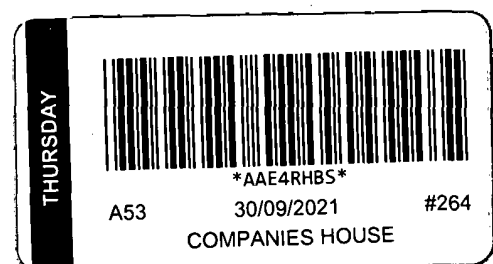


Registered no. OC323639

# Hogan Lovells International LLP Report & Financial Statements

For the year ended 31 December 2020



## 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 2020.

### Basis of preparation

These financial statements are the statutory accounts for the LLP and reflect the results for the year ended 31 December 2020. The financial statements consolidate the accounts of the LLP and all its subsidiary undertakings ("the group"), drawn up for the year ended 31 December 2020.

### Principal activity

The principal activity of the LLP and the Group is the provision of legal services from offices in 21 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\*  
Miguel Zaldivar, CEO\*  
Stephen Immelt, CEO\* (resigned 30 June 2020)  
Michael Davison, Deputy CEO  
David Hudd, Deputy CEO (resigned 30 June 2020)  
Susan Bright (resigned 30 June 2020)  
Leopold Von Gerlach\*  
Ina Brock  
Alice Valder Curran  
Andreas Von Falck (appointed 1 May 2021)  
David Gibbons (resigned 30 April 2021)  
Burkart Goebel  
Ben Higson (resigned 30 June 2020)  
Karen Hughes\*  
Adrian Walker\*  
Joaquin Ruiz Echaury (resigned 6 August 2020)  
Owen Chan\*  
Matthew Cottis (resigned 30 June 2021)  
Lloyd Parker (appointed 1 July 2020)  
Penny Angell (appointed 1 July 2020)  
Tobias Faber\* (appointed 1 October 2020)  
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 2020 by £15.2 million to £93.4 million (2019: £78.2 million).

The Group had £220.7 million of net cash at 31 December 2020 (2019: £106.8 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 2021 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 2021 and into 2022. 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 (2019: £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.

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

In the year ended 31 December 2020, 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

We have reported on sources of GHG emissions and energy usage for UK operations as required under the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 as amended.

Hogan Lovells appointed Incendium Consulting (Management Consulting company which specialise in carbon and energy measurement) to assist in the assessment of Green House Gas (GHG) emissions and provide third party review of the data. Hogan Lovells has signed up to: CDP Programme and UN Ambition for 1.5°C.

Hogan Lovells committed to setting science-based targets across our global business. Using the SBTi absolute contraction methodology, we have aligned our target to a 1.5°C trajectory. Hogan Lovells' existing commitments to operate sustainably includes being a signatory to the UN Business Ambition for 1.5°C, Race to Zero, and the Net Zero Lawyers Alliance, all of which require the firm to develop and implement Science Based Targets to reduce its carbon emissions. The commitments are backed by adherence to the robust CDP reporting framework.

The assessment has used the 2020 emission conversion factors published by the Department for Environment, Food and Rural Affairs (Defra). The assessment follows the reporting method of the GHG methodology.

### RESULTS:

**Scope 1** includes Fuel Combustion (Natural Gas and Diesel) Fugitive Emissions (Refrigerants). There are no owned transport or process emissions – **1,336.6**

**Scope 2** includes consumption of purchased electricity, heat steam and cooling (electricity) – **1,602.5**

**Scope 3** includes Transport related activities (Air Travel) – **53.0**

### GHG emissions and energy usage

GHG emissions and energy usage data for period 1 January 2020 to 31 December 2020	
	2020
Emissions from combustion of gas (Scope 1 – tonnes of CO <sub>2</sub> e)	1,336.6
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO <sub>2</sub> e)	-
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO <sub>2</sub> e)	1,602.5
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 - tonnes of CO <sub>2</sub> e)	-
<b>Total gross CO<sub>2</sub>e based on above</b>	<b>2,939.1</b>

## Members' Report continued...

### Statement of Members' responsibilities in respect of the financial statements

The Members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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 IFRS as adopted by the European Union. 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

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

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

#### Auditor

Deloitte LLP will be proposed for reappointment.

Signed on behalf of the Board



Marie-Aimee de Dampierre  
Chair

28 September 2021

# 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 parent limited liability partnership's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships; and
- 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 28.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements 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 ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

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

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

We have nothing to report in this regard.

### **Responsibilities of members**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

We considered the nature of the Group's 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
- 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  
29 September 2021

## Consolidated income statement

	Note	2020 £'000	2019 £'000
Revenue	4	962,664	893,345
Other operating income		4,621	2,482
<b>Operating expenses</b>			
Staff costs	6	(362,443)	(349,828)
Depreciation and amortisation	10/12	(25,361)	(25,977)
Depreciation and amortisation – Right-of-use assets	14	(49,256)	(41,831)
Other operating expenses		(147,021)	(189,850)
<b>Profit from operations</b>		<b>383,204</b>	<b>288,341</b>
Investment income	7	451	694
Finance expense	7	(7,452)	(8,340)
<b>Profit before tax</b>	5	<b>376,203</b>	<b>280,695</b>
Tax expense	8	(27,458)	(26,178)
<b>Profit before Members' remuneration and profit share</b>		<b>348,745</b>	<b>254,517</b>
Members' remuneration charged as an expense		(40,902)	(34,746)
<b>Profit for the period for division amongst equity Members</b>	9	<b>307,843</b>	<b>219,771</b>

The results from both years were derived from continuing operations.

## Consolidated statement of comprehensive income

	Note	2020 £'000	2019 £'000
Profit for the financial period for division amongst equity Members		307,843	219,771
Other comprehensive income:			
Items that will not be reclassified subsequently to the consolidated income statement:			
Actuarial loss on defined benefit pension scheme	21	(12,700)	(6,700)
Items that may be reclassified subsequently to the consolidated income statement:			
Exchange differences on translation of foreign operations		(11,644)	(3,780)
Other comprehensive loss for the period		(24,344)	(10,480)
<b>Total comprehensive income for the period</b>		<b>283,499</b>	<b>209,291</b>

## Consolidated balance sheet

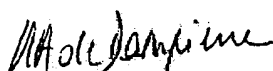
	Note	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	7,309	11,293
Property, plant and equipment	12	58,223	61,803
Right-of-use assets	14	218,761	218,444
Finance lease receivables	17	589	743
Investments		480	222
		<b>285,362</b>	<b>292,505</b>
<b>Current assets</b>			
Client and other receivables	16	456,636	452,415
Current tax receivables		3,071	5,064
Finance lease receivables	17	159	514
Cash and cash equivalents		220,732	106,772
		<b>680,598</b>	<b>564,765</b>
<b>Total assets</b>		<b>965,960</b>	<b>857,270</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	211,860	182,526
Current tax liabilities		39,797	20,196
Lease liabilities	18	46,393	44,951
Members' capital	22	93,352	78,199
Provisions	20	518	599
		<b>391,920</b>	<b>326,471</b>
<b>Non-current liabilities</b>			
Lease liabilities	18	200,925	200,249
Retirement benefit scheme deficit	21	30,500	19,300
Provisions	20	9,443	8,551
		<b>240,868</b>	<b>228,100</b>
<b>Equity</b>			
Members' other reserves	22	333,172	302,699
<b>Total liabilities and equity</b>		<b>965,960</b>	<b>857,270</b>
<b>Members' interests</b>			
Current assets – amounts due from Members	16 / 22	(86,979)	(87,804)
Current liabilities – Members' capital	22	93,352	78,199
Equity – other reserves	22	333,172	302,699
<b>Total Members' interests</b>		<b>339,545</b>	<b>293,094</b>

## Hogan Lovells International LLP balance sheet

	Note	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	7,203	11,174
Property, plant and equipment	13	42,274	48,243
Right-of-use assets	14	152,589	136,850
Finance lease receivables	17	572	669
Investments	15	10,952	10,952
		<b>213,590</b>	<b>207,888</b>
<b>Current assets</b>			
Client and other receivables	16	342,950	356,959
Current tax receivables		2,098	4,423
Finance lease receivables	17	98	413
Cash and cash equivalents		191,671	70,652
		<b>536,817</b>	<b>432,447</b>
<b>Total assets</b>		<b>750,407</b>	<b>640,335</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	155,142	127,498
Current tax liabilities		38,474	18,567
Lease liabilities	18	28,869	27,683
Members' capital	23	93,352	78,199
Provisions	20	518	599
		<b>316,355</b>	<b>252,546</b>
<b>Non-current liabilities</b>			
Lease liabilities	18	147,153	130,909
Retirement benefit scheme deficit	21	30,500	19,300
Provisions	20	9,443	8,551
		<b>187,096</b>	<b>158,760</b>
<b>Equity</b>			
Members' other reserves	23	246,956	229,029
<b>Total liabilities and equity</b>		<b>750,407</b>	<b>640,335</b>
<b>Members' interests</b>			
Current assets – amounts due from Members	16 / 23	(86,979)	(87,804)
Current liabilities – Members' capital	23	93,352	78,199
Equity – other reserves	23	246,956	229,029
<b>Total Members' interests</b>		<b>253,329</b>	<b>219,424</b>

The profit for division amongst members for the financial period dealt with in the financial statements of the LLP was £232,874,000 (2019: £172,641,000).

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 28 September 2021 by:



Marie-Aimee de Dampierre, Chair



Miguel Zaldívar, CEO



Michael Davison, Deputy CEO

## Consolidated cash flow statement

	Note	2020 £'000	2019 £'000
<b>Net cash from operations</b>	24	460,528	368,800
<b>Investing activities</b>			
Purchase of intangible assets		(1,492)	(5,290)
Purchase of property, plant and equipment		(15,405)	(27,208)
Interest received		434	660
Finance lease income		390	832
Proceeds on disposal of property, plant and equipment		47	10
<b>Net cash used in investing activities</b>		<b>(16,026)</b>	<b>(30,996)</b>
<b>Financing activities</b>			
Members' capital introduced		21,965	9,465
Capital repayments to Members		(6,812)	(5,452)
Payments to and on behalf of Members		(294,058)	(261,746)
Interest paid		(692)	(3,975)
Repayment of lease liabilities		(52,334)	(50,077)
<b>Net cash used in financing activities</b>		<b>(331,931)</b>	<b>(311,785)</b>
Net increase in cash and cash equivalents		112,571	26,019
Cash and cash equivalents at beginning of period		106,772	82,982
Effects of foreign exchange rate changes on cash		1,389	(2,229)
<b>Cash and cash equivalents at end of period</b>		<b>220,732</b>	<b>106,772</b>

## Hogan Lovells International LLP cash flow statement

	Note	2020 £'000	2019 £'000
<b>Net cash from operations</b>	24	353,985	265,706
<b>Investing activities</b>			
Purchase of intangible assets		(1,471)	(5,275)
Purchase of property, plant and equipment		(7,172)	(22,629)
Interest received		418	295
Finance lease income		390	728
Proceeds on disposal of property, plant and equipment		47	15
<b>Net cash used in investing activities</b>		<b>(7,788)</b>	<b>(26,866)</b>
<b>Financing activities</b>			
Members' capital introduced		21,965	9,465
Capital repayments to Members		(6,812)	(5,452)
Payments to and on behalf of Members		(209,303)	(186,100)
Interest paid		(482)	(3,934)
Repayment of lease liabilities		(31,485)	(31,016)
<b>Net cash used in financing activities</b>		<b>(226,117)</b>	<b>(217,037)</b>
Net increase in cash and cash equivalents		120,080	21,803
Cash and cash equivalents at beginning of period		70,652	50,133
Effects of foreign exchange rate changes on cash		939	(1,284)
<b>Cash and cash equivalents at end of period</b>		<b>191,671</b>	<b>70,652</b>

## Consolidated statement of changes in equity

	Note	2020 £'000	2019 £'000
Equity at 1 January 2020 / 1 January 2019		302,699	310,600
Profit for the financial period attributable to equity Members		307,843	219,771
Actuarial loss on defined benefit pension scheme		(12,700)	(6,700)
Exchange differences on translation of foreign operations		(11,644)	(3,780)
Total comprehensive income for the period		283,499	209,291
Profit allocated to Members		(253,026)	(217,192)
<b>Equity at 31 December</b>	<b>22</b>	<b>333,172</b>	<b>302,699</b>

## Hogan Lovells International LLP statement of changes in equity

	Note	2020 £'000	2019 £'000
Equity at 1 January 2020 / 1 January 2019		229,029	226,135
Profit for the financial period attributable to equity Members		232,874	172,641
Actuarial loss on defined benefit pension scheme		(12,700)	(6,700)
Exchange differences on translation of foreign operations		(3,505)	3,150
Total comprehensive income for the period		216,669	169,091
Profit allocated to Members		(198,742)	(166,197)
<b>Equity at 31 December</b>	<b>23</b>	<b>246,956</b>	<b>229,029</b>

## 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 IFRS as adopted by the European Union 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 2021 and into 2022. 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 (2019: £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 £232,874,000 (2019: £172,641,000).

### 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 £30.5 million (2019: £19.3 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 £97.7 million (2019: £83.6 million).

#### **Client receivables provision**

The valuation of the provision for irrecoverable client receivables requires significant judgement. In the current year, this provision is valued at £19.6 million (2019: £24.3 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.

**4. Revenue**

	2020 £'000	2019 £'000
Revenue generated by Region:		
United Kingdom	362,750	323,285
Continental Europe	478,878	444,779
Asia, Pacific and Middle East	121,036	125,281
<b>Total</b>	<b>962,664</b>	<b>893,345</b>

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

**5. Profit before taxation**

	2020 £'000	2019 £'000
Profit before tax has been arrived at after charging/(crediting):		
Operating lease payments		
– land and buildings	1,228	1,299
– other	16	12
Amortisation of intangible assets	5,482	5,297
Depreciation of property, plant and equipment	19,879	20,680
Depreciation on Right-of-use assets	49,256	41,831
Loss/ (profit) on sale of property, plant and equipment	37	(60)
Net foreign exchange loss/ (profit)	1,623	(113)
Fees payable to LLP auditor Deloitte LLP	2,056	1,475
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	153	136
Audit of LLP's subsidiaries and overseas branches pursuant to legislation	289	258
Tax compliance services	494	467
Tax advisory services	280	454
Other services pursuant to legislation	55	102
All other services	785	58
<b>Total fees payable to LLP auditor Deloitte LLP</b>	<b>2,056</b>	<b>1,475</b>

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

**6. Staff costs**

	Group		LLP	
	2020	2019	2020	2019
<b>The average monthly number of people employed during the year (excluding Members) was:</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
Fee earners	1,718	1,702	672	696
Support staff	1,562	1,598	556	550
<b>Total</b>	<b>3,280</b>	<b>3,300</b>	<b>1,228</b>	<b>1,246</b>
<b>Staff costs incurred during the year were:</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Salaries	311,071	303,114	212,510	206,648
Social security costs	32,323	32,908	25,633	24,750
Pension costs*	9,019	7,412	8,898	7,226
Other costs	10,030	6,394	9,722	4,889
<b>Total</b>	<b>362,443</b>	<b>349,828</b>	<b>256,763</b>	<b>243,513</b>

\*Includes actuarial adjustments

**7. Investment income / (Finance expense)**

	2020	2019
	£'000	£'000
<b>Investment income</b>		
Interest receivable	434	660
Interest on lease receivables	17	34
	<b>451</b>	<b>694</b>
<b>Finance expense</b>		
Interest payable on bank loans and overdrafts	(479)	(748)
Net finance expense on retirement benefit scheme	(400)	(400)
Interest on lease liabilities	(6,201)	(6,770)
Unwinding of discount on provisions	(372)	(422)
	<b>(7,452)</b>	<b>(8,340)</b>

**8. Taxation**

	2020	2019
	£'000	£'000
Current tax	27,458	26,178
	<b>27,458</b>	<b>26,178</b>

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 2020 (2019: 19%).

	2020	2019
	£'000	£'000
Profit before taxation from continuing operations	335,301	245,949
Less: Amounts subject to personal taxation	(303,306)	(219,554)
<b>Profits subject to taxation</b>	<b>31,995</b>	<b>26,395</b>
Tax at the effective UK corporation tax rate of 19% (2019: 19%)	6,079	5,015
Different tax rates and bases in other jurisdictions	22,156	21,601
Adjustments in respect of prior years	(777)	(438)
<b>Charge for the period</b>	<b>27,458</b>	<b>26,178</b>

**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.

	2020	2019
Group	No.	No.
Average number of Members	331	328
Average number of Equity Members	224	227
	£'000	£'000
Profit available for division among Equity Members	£307,843	£219,771
<b>Average profit per Equity Member</b>	<b>£1,374</b>	<b>£968</b>

**10. Intangible assets - Group**

	Computer software £'000	Consideration for client base £'000	Total £'000
<b>Cost</b>			
At 1 January 2019	24,251	2,381	26,632
Currency translation adjustments	(79)	(115)	(194)
Additions	5,290	-	5,290
<b>At 31 December 2019</b>	<b>29,462</b>	<b>2,266</b>	<b>31,728</b>
Currency translation adjustments	67	108	175
Additions	1,492	-	1,492
<b>At 31 December 2020</b>	<b>31,021</b>	<b>2,374</b>	<b>33,395</b>
<b>Amortisation</b>			
At 1 January 2019	12,942	2,381	15,323
Currency translation adjustments	(70)	(115)	(185)
Charge for the year	5,297	-	5,297
<b>At 31 December 2019</b>	<b>18,169</b>	<b>2,266</b>	<b>20,435</b>
Currency translation adjustments	61	108	169
Charge for the year	5,482	-	5,482
<b>At 31 December 2020</b>	<b>23,712</b>	<b>2,374</b>	<b>26,086</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>7,309</b>	-	<b>7,309</b>
At 31 December 2019	11,293	-	11,293

**11. Intangible assets - LLP**

	Computer software £'000	Consideration for client base £'000	Total £'000
<b>Cost</b>			
At 1 January 2019	23,625	2,380	26,005
Currency translation adjustments	(51)	(115)	(166)
Additions	5,275	-	5,275
<b>At 31 December 2019</b>	<b>28,849</b>	<b>2,265</b>	<b>31,114</b>
Currency translation adjustments	43	108	151
Additions	1,471	-	1,471
<b>At 31 December 2020</b>	<b>30,363</b>	<b>2,373</b>	<b>32,736</b>
<b>Amortisation</b>			
At 1 January 2019	12,463	2,380	14,843
Currency translation adjustments	(48)	(115)	(163)
Charge for the year	5,260	-	5,260
<b>At 31 December 2019</b>	<b>17,675</b>	<b>2,265</b>	<b>19,940</b>
Currency translation adjustments	41	108	149
Charge for the year	5,444	-	5,444
<b>At 31 December 2020</b>	<b>23,160</b>	<b>2,373</b>	<b>25,533</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>7,203</b>	<b>-</b>	<b>7,203</b>
At 31 December 2019	11,174	-	11,174

**12. Property, plant and equipment – Group**

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	75,725	90,180	68,061	606	234,572
Currency translation adjustments	(926)	(1,282)	(2,429)	(34)	(4,671)
Additions	15,150	7,240	4,781	37	27,208
Disposals	-	(448)	(237)	(150)	(835)
<b>At 31 December 2019</b>	<b>89,949</b>	<b>95,690</b>	<b>70,176</b>	<b>459</b>	<b>256,274</b>
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)
<b>At 31 December 2020</b>	<b>98,314</b>	<b>101,656</b>	<b>71,726</b>	<b>494</b>	<b>272,190</b>
<b>Depreciation</b>					
At 1 January 2019	43,272	72,387	62,414	344	178,417
Currency translation adjustments	(649)	(969)	(2,225)	(18)	(3,861)
Charge for the year	7,303	9,362	3,980	35	20,680
Disposals	-	(447)	(229)	(89)	(765)
<b>At 31 December 2019</b>	<b>49,926</b>	<b>80,333</b>	<b>63,940</b>	<b>272</b>	<b>194,471</b>
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)
<b>At 31 December 2020</b>	<b>56,490</b>	<b>88,598</b>	<b>68,611</b>	<b>268</b>	<b>213,967</b>
<b>Carrying amount</b>					
<b>At 31 December 2020</b>	<b>41,824</b>	<b>13,058</b>	<b>3,115</b>	<b>226</b>	<b>58,223</b>
At 31 December 2019	40,023	15,357	6,236	187	61,803

**13. Property, plant and equipment – LLP**

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	59,672	73,982	47,766	431	181,851
Transfer to Group undertakings	-	-	-	-	-
Currency translation adjustments	(290)	(622)	(1,712)	(28)	(2,652)
Additions	13,753	4,878	3,961	37	22,629
Disposals	-	(13)	-	(150)	(163)
<b>At 31 December 2019</b>	<b>73,135</b>	<b>78,225</b>	<b>50,015</b>	<b>290</b>	<b>201,665</b>
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)
<b>At 31 December 2020</b>	<b>75,602</b>	<b>81,286</b>	<b>50,777</b>	<b>326</b>	<b>207,991</b>
<b>Depreciation</b>					
At 1 January 2019	35,733	62,265	43,011	171	141,180
Transfer to Group undertakings	-	-	-	-	-
Currency translation adjustments	(239)	(527)	(1,563)	(10)	(2,339)
Charge for the year	5,190	6,345	3,113	35	14,683
Disposals	-	(13)	-	(89)	(102)
<b>At 31 December 2019</b>	<b>40,684</b>	<b>68,070</b>	<b>44,561</b>	<b>107</b>	<b>153,422</b>
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)
<b>At 31 December 2020</b>	<b>44,332</b>	<b>73,190</b>	<b>48,091</b>	<b>104</b>	<b>165,717</b>
<b>Carrying amount</b>					
<b>At 31 December 2020</b>	<b>31,270</b>	<b>8,096</b>	<b>2,686</b>	<b>222</b>	<b>42,274</b>
At 31 December 2019	32,451	10,155	5,454	183	48,243

**14. Leases (Group as a Lessee)****Right-of-use assets**

	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 January 2020	257,857	2,301	260,158
Additions	75,163	132	75,295
Disposals	(32,786)	-	(32,786)
Currency Translation Adjustment	3,704	-	3,704
<b>At 31 December 2020</b>	<b>303,938</b>	<b>2,433</b>	<b>306,371</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	41,293	421	41,714
Currency Translation Adjustment	(447)	2	(445)
Charge for the year	48,723	533	49,256
Disposals	(2,915)	-	(2,915)
<b>At 31 December 2020</b>	<b>86,654</b>	<b>956</b>	<b>87,610</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>217,284</b>	<b>1,477</b>	<b>218,761</b>
At 31 December 2019	216,564	1,880	218,444

The maturity analysis of lease liabilities is presented in note 18.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts recognised in profit and loss:</b>		
Depreciation expense on right-of-use assets	49,256	41,831
Interest expense on lease liabilities	6,201	6,770
Expense relating to short-term leases	1,228	1,299
Expense relating to leases of low value assets	16	12
Income from subleasing right-of-use assets	(17)	(34)

At 31 December 2020, the Group is committed to £1 million for short-term leases (see Note 26).

**14. Leases (LLP as a Lessee) (continued)****Right-of-use assets**

	Buildings £'000	Equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2020	161,356	878	162,234
Additions	41,873	130	42,003
Disposals	(2,515)	-	(2,515)
Currency Translation Adjustment	4,389	22	4,411
<b>At 31 December 2020</b>	<b>205,103</b>	<b>1,030</b>	<b>206,133</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	25,190	194	25,384
Currency Translation Adjustment	(74)	2	(72)
Charge for the year	29,906	273	30,179
Disposals	(1,947)	-	(1,947)
<b>At 31 December 2020</b>	<b>53,075</b>	<b>469</b>	<b>53,544</b>
<b>Carrying amount</b>			
<b>At 31 December 2020</b>	<b>152,028</b>	<b>561</b>	<b>152,589</b>
At 31 December 2019	136,166	684	136,850

**15. Investments - Group and LLP**

Investments of £110,952,000 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 2019 and 2020.

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%
Lovling 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 3	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 Watsonave 22, Alicante, Spain, 03003

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

5 Suite 810, Shanghai Centre, Olympic Street 19A, Sukhbaatar District, 1st Khoroо, 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 <sup>3</sup>	Hong Kong	Legal services
Loviting (H.K.) (No. 2) Limited <sup>3</sup>	Hong Kong	Dormant
S.I Nominees (H.K.) Limited <sup>3</sup>	Hong Kong	Legal services
S.I. Nominees (H.K.) (No. 2) Limited <sup>3</sup>	Hong Kong	Dormant
S.I. Nominees (H.K.) (No. 3) Limited <sup>3</sup>	Hong Kong	Dormant
Lovells Limited <sup>3</sup>	Hong Kong	Legal services
Lovells (Hong Kong) Limited <sup>3</sup>	Hong Kong	Dormant
Hogan Lovells Limited <sup>3</sup>	Hong Kong	Dormant
Thunderground Limited <sup>3</sup>	Hong Kong	Legal services
Hogan Lovells (Hong Kong) (No 1) LLP <sup>1</sup>	United Kingdom	Legal services
Hogan Lovells (Hong Kong) (No 2) LLP <sup>1</sup>	United Kingdom	Legal services
Hogan Lovells (Paris) LLP <sup>1</sup>	United Kingdom	Legal services
Hogan Lovells (Middle East) LLP <sup>2</sup>	United Kingdom	Legal services
Hogan Lovells (Prague) LLP – dissolved 6 August 2019 <sup>1</sup>	United Kingdom	Legal services
Hogan Lovells (Shanghai) Intellectual Property Service Co-Ltd <sup>4</sup>	China	Legal services
Hogan Lovells <sup>2</sup>	United Kingdom	Legal services
Hogan Lovells Horitsu Jimusho Gaikokuho Kyodo Jigyo <sup>5</sup>	Japan*	Legal services
Hogan Lovells Studio Legale <sup>6</sup>	Italy*	Legal services
Hogan Lovells (Luxembourg) LLP <sup>1</sup>	United Kingdom	Legal services
Hogan Lovells (Mongolia) LLP <sup>7</sup>	Mongolia	Legal services
Hogan Lovells (Australia) (No 1) LLP <sup>1</sup>	United Kingdom	Dormant
Hogan Lovells (Australia) (No 2) LLP <sup>1</sup>	United Kingdom	Dormant
Hogan Lovells (Australia) Limited Partnership <sup>8</sup>	New South Wales Australia*	Legal services
Hogan Lovells Services (Australia) Pty Limited <sup>8</sup>	Victoria, Australia	Legal services
Hogan Lovells <sup>8</sup>	New South Wales Australia*	Legal services
Hogan Lovells Lee & Lee <sup>9</sup>	Singapore	Legal services
Hogan Lovells Indemnity Co. Limited <sup>2</sup>	United Kingdom	Dormant
Hogan Lovells Johannesburg Inc. <sup>10</sup>	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:

<sup>1</sup> Atlantic House, Holborn Viaduct, London, United Kingdom EC1A 2FG

<sup>2</sup> 21 Holborn Viaduct, London, United Kingdom EC1A 2DY

<sup>3</sup> 11th Floor, One Pacific Place, 88 Queensway, Hong Kong, China

<sup>4</sup> 1802 Park Place, 1601 Nanjing Road West, Shanghai 200040

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

<sup>6</sup> Via Santa Maria alla Porta 2, 20123 Milan, Italy

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

<sup>8</sup> Level 17, 20 Martin Place, Sydney, New South Wales 2000, Australia

<sup>9</sup> 50 Raffles Place, 06-00, Singapore Land Tower, Singapore 048623

<sup>10</sup> 140 West Street, Sandton, Johannesburg 2196

**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*	United Kingdom	Service Company	50% joint venture
Hogan Lovells Solutions (Transfer Pricing) Limited*	United Kingdom	Consultancy Services	50% joint venture

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

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**

	2020 £'000	2019 £'000
Current assets	3,482	2,202
Current liabilities	(3,040)	(1,831)
Total equity	442	371

	2020 £'000	2019 £'000
Revenue	11,451	9,629
Profit before tax	545	459
Profit for the period	442	371

**Hogan Lovells Solutions (Transfer Pricing) Limited**

	2020 £'000	2019 £'000
Current assets	1,815	1,022
Current liabilities	(2,706)	(2,398)
Total equity	(891)	(1,376)

	2020 £'000	2019 £'000
Revenue	2,819	2,389
Profit/(Loss) before tax	518	(680)
Profit/(Loss) for the period	518	(680)

**16. Client and other receivables**

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts to be billed to clients	97,652	83,588	61,665	55,155
Client receivables	211,943	223,411	152,907	159,454
Amounts due from Members	86,979	87,804	86,979	87,804
Other debtors	23,025	25,233	17,369	22,739
Amounts due from group undertakings	-	-	-	10,471
Prepayments	37,037	32,379	24,030	21,336
	<b>456,636</b>	<b>452,415</b>	<b>342,950</b>	<b>356,959</b>

There is no material difference between the fair value and carrying value of client and other receivables. Amounts due from group undertakings are repayable on demand and are interest-free.

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 £19.6 million (2019: £24.3 million), movements on which are shown below:

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At start of period	24,268	26,430	15,016	14,100
Exchange adjustments	4	(859)	132	(395)
Write offs	(4,866)	(4,503)	(3,067)	(2,677)
Charge	158	3,192	444	3,988
<b>At end of period</b>	<b>19,564</b>	<b>24,268</b>	<b>12,525</b>	<b>15,016</b>

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)**

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 but not impaired at the reporting date was:

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Not past due	83,603	127,585	64,019	96,940
Past due by 0 – 30 days	72,234	42,643	56,240	30,837
Past due by 31 – 120 days	43,900	34,278	28,386	21,060
Past due by greater than 120 days	12,206	18,905	4,262	10,617
	<b>211,943</b>	<b>223,411</b>	<b>152,907</b>	<b>159,454</b>

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets	542,679	443,220	448,926	340,649
Amounts to be billed to clients	97,652	83,588	61,665	55,155
	<b>640,331</b>	<b>526,808</b>	<b>510,591</b>	<b>395,804</b>

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

**17. Lease receivables****Finance lease receivables**

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Undiscounted lease payments analysed as:				
Recoverable after 12 months	600	783	584	708
Recoverable within 12 months	187	531	125	429
	787	1,314	709	1,137

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net investment in the lease analysed as:				
Recoverable after 12 months	589	743	572	669
Recoverable within 12 months	159	514	98	413
	748	1,257	670	1,082

The Group entered into finance leasing arrangements as a lessor for the sublet of property. The average term of finance leases entered into is 13 years. Generally, these lease contracts do not include extension or early termination options:

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts receivable under finance leases:				
Year 1	187	531	125	429
Year 2	141	184	125	125
Year 3	124	140	124	125
Year 4	122	124	122	124
Year 5	122	122	122	122
Onwards	91	213	91	212
Undiscounted lease payments	787	1,314	709	1,137
Less: unearned finance income	(39)	(57)	(39)	(55)
Present value of lease payments receivable	748	1,257	670	1,082

**17. Lease receivables (continued)**

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

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Finance income on the net investment in finance leases	(17)	(34)	(16)	(31)
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 2.7 per cent per annum.

**18. Lease liabilities**

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Lease Liability				
At 1 January 2020	245,200	-	158,592	-
Additions	75,239	19,948	41,946	9,853
Disposals	(31,369)	-	(631)	-
Lease payments	(52,334)	(50,077)	(31,485)	(31,016)
Interest	6,201	6,770	2,865	3,307
Currency translation adjustment	4,381	(6,498)	4,735	(3,426)
Adjustment on transition to IFRS 16	-	275,057	-	179,874
At 31 December 2020	247,318	245,200	176,022	158,592

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Analysed as:				
Non-current	200,925	200,249	147,153	130,909
Current	46,393	44,951	28,869	27,683
	247,318	245,200	176,022	158,592

**18. Lease liabilities (continued)**

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Maturity analysis				
Year 1	52,678	50,554	32,376	30,026
Year 2	52,892	47,835	32,023	27,936
Year 3	42,633	45,859	31,584	26,680
Year 4	33,447	35,902	25,398	25,867
Year 5	30,010	28,729	22,148	20,141
Onwards	53,963	57,354	41,489	36,072
Undiscounted lease payments	265,623	266,233	185,018	166,722
Less: future finance expense	(18,305)	(21,033)	(8,996)	(8,130)
Present value of lease payments	247,318	245,200	176,022	158,592

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

**19. Trade and other payables**

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	142,661	113,896	113,488	91,937
Social security and other taxes	25,772	27,393	14,757	13,054
Accruals and deferred income	43,427	41,237	20,697	22,507
Amounts due to group undertakings	-	-	6,200	-
	<b>211,860</b>	<b>182,526</b>	<b>155,142</b>	<b>127,498</b>

	Group		LLP	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Included in current liabilities	211,680	182,526	155,142	127,498
Included in non-current liabilities	-	-	-	-
	<b>211,680</b>	<b>182,526</b>	<b>155,142</b>	<b>127,498</b>

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

## 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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At start of period	9,150	8,392	9,150	8,392
Currency translation	127	(85)	127	(85)
Utilisation of provision	(525)	(612)	(525)	(612)
Actuarial adjustment	837	1,033	837	1,033
Unwinding of discount	372	422	372	422
Net movement in provision	811	758	811	758
At end of period	9,961	9,150	9,961	9,150
<b>Provisions are analysed as follows:</b>	<b>2020 £'000</b>	<b>2019 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
Current liabilities	518	599	518	599
Non-current liabilities	9,443	8,551	9,443	8,551
	9,961	9,150	9,961	9,150
<b>Major assumptions used in valuation:</b>	<b>2020 % p.a.</b>	<b>2019 % p.a.</b>	<b>2020 % p.a.</b>	<b>2019 % p.a.</b>
Discount rate	1.40	2.10	1.40	2.10
Price inflation	2.80	2.90	2.80	2.90

## 21. Retirement benefit schemes – Group and LLP

### Defined contribution scheme

Employer contributions to defined contribution retirement benefit schemes totalled £8,571,425 (2019: £8,303,022).

### 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 with regard to the assets plus the day-to-day administration of the benefits.

The defined benefit scheme of the LLP is closed to new members and all future accrual. Under the scheme, employees are entitled to a cash lump sum and annual pensions on retirement. Benefits are also payable on death.

### Profile of the Scheme

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 63% of the DBO are attributable to deferred pensioners and 37% 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 19 years reflecting the approximate split of the defined benefit obligation between deferred members (duration of 22 years) and current pensioners (duration of 13 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 2017 and showed a deficit of £8.6m. The Firm is paying deficit contributions of £1.9m p.a. which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 30 November 2022. The next funding valuation is currently being undertaken at 31 December 2020, as part of which progress towards full-funding will be reviewed.

A contribution of £1.9m is expected to be paid by the Firm during the year ending 31 December 2021 until a new contribution schedule is agreed following completion of the 31 December 2020 funding valuation.

### 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 UK government has recently consulted on reforming RPI and the outcome of the consultation was released in late 2020. 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:

	2020	2019
Key assumptions used:	%	%
Discount rate	1.4	2.1
RPI Inflation	2.8	2.9
CPI Inflation	2.1	2.1
Expected rate of salary increases	n/a	n/a
Future pension increases	2.0	2.1

The post retirement mortality assumptions used are based on the standard published tables "S1" 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 2017 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 2020 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 2020 was 23 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 £19.9m
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by £15.2m
Rate of mortality	Increase/decrease expected lifetime at retirement by 1 year	Increase/decrease by £9.3m

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:

	2020 £'000	2019 £'000
Fair value of scheme assets	173,900	165,800
Present value of defined benefit obligations	(204,400)	(185,100)
Retirement benefit deficit	(30,500)	(19,300)

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

	2020 £'000	2019 £'000
Interest cost	3,800	4,600
Expected return on scheme assets	(3,400)	(4,200)
	400	400

Of the charge for the year a net debit of £400,000 (2019: 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 2020. Movements in the fair value of scheme assets were as follows:

	2020 £'000	2019 £'000
At start of period	165,800	146,500
Expected return on scheme assets	3,400	4,200
Actuarial gains	8,300	17,300
Contributions from sponsoring employer	1,900	1,900
Benefits paid	(5,500)	(4,100)
<b>At end of period</b>	<b>173,900</b>	<b>165,800</b>

The actual return on scheme assets was as follows:

	2020 £'000	2019 £'000
Expected return on scheme assets	3,400	4,200
Actuarial gains on scheme assets	8,300	17,300
	11,700	21,500

**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	
	2020	2019
	£'000	£'000
Equity instruments	71,000	85,000
Long-term gilts and bonds	37,000	15,400
Property	9,500	10,900
Absolute return fund	12,200	11,900
Annuities	43,400	42,000
Cash/net current assets	800	600
<b>Overall</b>	<b>173,900</b>	<b>165,800</b>

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:

	2020	2019
	£'000	£'000
At start of period	185,100	160,600
Interest cost	3,800	4,600
Actuarial (gains)/ losses from changes in demographic assumptions	(300)	700
Actuarial losses from changes in financial assumptions	23,200	23,800
Actuarial gains due to liability experience	(1,900)	(500)
Benefits paid	(5,500)	(4,100)
<b>At end of period</b>	<b>204,400</b>	<b>185,100</b>

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

	2020	2019
	£'000	£'000
Actuarial gains on scheme assets	8,300	17,300
Actuarial losses on scheme liabilities	(21,000)	(24,000)
<b>Total actuarial losses</b>	<b>(12,700)</b>	<b>(6,700)</b>

**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 2019	74,186	(73,798)	310,600	310,988
Allocated profits	-	217,192	(217,192)	-
Drawings and distributions	-	(231,198)	-	(231,198)
Capital introduced	9,465	-	-	9,465
Capital repaid	(5,452)	-	-	(5,452)
Differences on translation	-	-	(3,780)	(3,780)
Pension scheme actuarial gain	-	-	(6,700)	(6,700)
Profit for the financial period	-	-	219,771	219,771
<b>Members' interests at 31 December 2019</b>	<b>78,199</b>	<b>(87,804)</b>	<b>302,699</b>	<b>293,094</b>
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 loss	-	-	(12,700)	(12,700)
Profit for the financial period	-	-	307,843	307,843
<b>Members' interests at 31 December 2020</b>	<b>93,352</b>	<b>(86,979)</b>	<b>333,172</b>	<b>339,545</b>

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 2019	74,186	(73,798)	226,135	226,523
Allocated profits	-	166,197	(166,197)	-
Drawings and distributions	-	(180,203)	-	(180,203)
Capital introduced	9,465	-	-	9,465
Capital repaid	(5,452)	-	-	(5,452)
Differences on translation	-	-	3,150	3,150
Pension scheme actuarial gain	-	-	(6,700)	(6,700)
Profit for the financial period	-	-	172,641	172,641
<b>Members' interests at 31 December 2019</b>	<b>78,199</b>	<b>(87,804)</b>	<b>229,029</b>	<b>219,424</b>
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 loss	-	-	(12,700)	(12,700)
Profit for the financial period	-	-	232,874	232,874
<b>Members' interests at 31 December 2020</b>	<b>93,352</b>	<b>(86,979)</b>	<b>246,956</b>	<b>253,329</b>

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**

	<b>Group</b>		<b>LLP</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Profit from continuing operations</b>	<b>383,204</b>	<b>288,341</b>	<b>288,527</b>	<b>225,186</b>
Adjustments for:				
Amortisation of intangible assets	5,482	5,297	5,444	5,260
Depreciation of property, plant and equipment	19,879	20,680	13,597	14,683
Depreciation on Right-of-use assets	49,256	41,831	30,179	25,479
(Profit)/loss on disposal of property, plant and equipment	(37)	60	(28)	59
Increase in provisions	811	758	811	758
Operating cash flows before movements in working capital	<b>458,595</b>	<b>356,967</b>	<b>338,530</b>	<b>271,425</b>
(Increase)/ decrease in receivables	(7,105)	21,593	17,319	10,198
Increase/ (decrease) in payables	15,904	(630)	1,350	(8,219)
Cash generated by operations	<b>467,394</b>	<b>377,930</b>	<b>357,199</b>	<b>273,404</b>
Corporation taxes paid	(6,866)	(9,130)	(3,214)	(7,698)
<b>Net cash from operating activities</b>	<b>460,528</b>	<b>368,800</b>	<b>353,985</b>	<b>265,706</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents comprise:				
Cash at bank	220,732	106,772	191,671	70,652

**25. Capital commitments**

At the period-end the group had contracted to spend £1.0m on property fit-out costs and associated professional fees (2019: £6.6m). At the period-end the LLP had contracted to spend £0.8m on property fit-out costs and associated professional fees (2019: £2.6m). These amounts were not provided for in the financial statements.

**26. Operating lease commitments**

At 31 December 2020, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>Group</b>			
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>2020 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>	<b>2019 £'000</b>
Within one year	1,048	4	1,056	6
Between one and five years	-	-	-	-
In more than five years	-	-	-	-
	<b>1,048</b>	<b>4</b>	<b>1,056</b>	<b>6</b>

**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:

	<b>Group</b>		<b>LLP</b>	
	<b>2020 £'000</b>	<b>2019 £'000</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>Financial assets</b>				
Client receivables	211,943	223,411	152,907	159,454
Amounts due from Members	86,979	87,804	86,979	87,804
Other receivables	23,025	25,233	17,369	22,739
Cash and deposits	220,732	106,772	191,671	70,652
<b>Assets at amortised cost</b>	<b>542,679</b>	<b>443,220</b>	<b>448,926</b>	<b>340,649</b>
<b>Financial liabilities</b>				
Members' capital	(93,352)	(78,199)	(93,352)	(78,199)
Trade payables	(142,661)	(113,896)	(113,488)	(91,937)
<b>Liabilities at amortised cost</b>	<b>(236,013)</b>	<b>(192,095)</b>	<b>(206,840)</b>	<b>(170,136)</b>
<b>Net financial instruments</b>	<b>306,666</b>	<b>251,125</b>	<b>242,086</b>	<b>170,513</b>

## 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 2020, the LLP had committed bank facilities for periods up to a year totalling £120 million (2019: £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 2021 and June 2023 when they are expected to be renewed or replaced.

Trade payables of £143 million (2019: £114 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 £221 million (2019: £107 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 % (2019: 2.0%). 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 2020 would have increased by £2,207,000 (2019: £1,068,000).

**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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
US Dollar	47,054	43,436	27,310	22,428
Euro	169,285	96,563	149,082	75,787
Japanese Yen	4,347	3,695	502	(14)
Singapore Dollar	(2,137)	(1,990)	-	-
Chinese Renminbi	(5,956)	(6,669)	(3,100)	(3,780)
Hong Kong Dollar	5,886	7,963	16	17
Other	3,845	3,533	1,937	226
	<b>222,324</b>	<b>146,531</b>	<b>175,747</b>	<b>94,664</b>

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Group	16,928	9,656	4,705	4,344	598	653
LLP	14,908	7,579	2,731	2,243	(64)	(355)

**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 2020, the LLP incurred costs of £11,451,000 (2019: £9,629,000) through transactions with Hogan Lovells Global Services Limited. As at 31 December 2020 the Group owed Hogan Lovells Global Services Limited £3,441,000 (2019: £2,202,000).

As at 31 December 2020 the Hogan Lovells Solutions (Transfer Pricing) Limited owed the Group £2,409,000 (2019: £2,124,881).

The share of the profit and the remuneration of the key management team for the year ended 31 December 2020 amounted to £17.4 million (2019: £16.3 million). This is a consolidated set of financial statements. The members control the LLP and as such there is no one controlling party.