

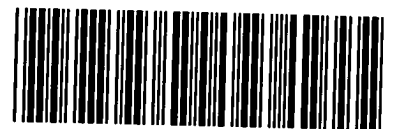
Dechert LLP

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2022

Registration No.OC306029

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COMPANIES HOUSE

Dechert LLP

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Dechert LLP

MEMBERS AND ADVISERS

DESIGNATED MEMBERS

Black, Gus
Butler, Philip
Wynn-Evans, Charles

REGISTERED OFFICE

25 Cannon Street
London EC4M 5UB

AUDITOR

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

BANKERS

Royal Bank of Scotland
36-37 New Bridge Street
London EC4V 6BJ

National Westminster Bank
156 Fleet Street
London EC4A 2DX

HSBC
60 Queen Victoria Street
London EC4N 4TR

Dechert LLP

MEMBERS' REPORT

for the year ended 31 December 2022

The members submit their report and the audited financial statements of Dechert LLP (the Firm) for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the Firm is the provision of a full range of legal services from its office in England.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The members consider the results for the year to be satisfactory and that future results will be of a similar nature.

At the time of approval of these financial statements, the ongoing geopolitical situations, and their resulting effects on global supplies and inflation, give rise to additional risk and uncertainty. The Firm continues to monitor these situations including risk assessment, readiness evaluation covering all business functions, and robust financial scrutiny. Since the Firm utilises the accrual basis of accounting, the Firm does not consider there to be any material changes in the value of assets and liabilities as disclosed in these financial statements.

Subsequent to the reporting date, the Firm made an agreed interim payment of £8.9 million to a former client of the Firm in relation to a claim brought by the former client against the Firm, a former partner of the Firm, and the Serious Fraud Office (SFO). See note 20 for further details.

DESIGNATED MEMBERS

The following designated members held office during the year, or subsequent.

Black, Gus
Butler, Philip (appointed 19 September 2023)
Butwick, Jason (resigned 29 July 2023)
Cory-Wright, Dorothy (resigned 29 July 2023)
Field, Christopher (resigned 29 July 2023)
Wynn-Evans, Charles

ENERGY AND CARBON REPORT

The Firm conducts business from its office in London, England. It qualifies for the need to report scope 1 & 2 greenhouse gas emissions under 'The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018' by meeting certain thresholds regarding staff, turnover and balance sheet totals.

Greenhouse gas emissions (GHG emissions) are identified as one of three groups, known as scopes. These scopes relate to means of control, as follows:

Scope 1: Direct emissions - GHG emissions from the Company's owned buildings/assets – such as gas or fuel where the company has direct control over its purchase and consumption. The Firm's scope 1 emissions include air conditioning and refrigeration.

Scope 2: Indirect emissions - GHG emissions from other organisations that produced the electricity, district heat, steam, or cooling that the Company bought to use but has little or no control over. The Firm's scope 2 emissions include heating from landlord's boiler, tenant's metered electricity, and landlord's supplied electricity for chiller, ventilation, car park and communal spaces.

Scope 3: Other indirect emissions - GHG emissions due to the Company's actions and supply chain.

Dechert LLP

MEMBERS' REPORT

for the year ended 31 December 2022

United Kingdom greenhouse gas emissions and energy use data during the year:

Key data points:	<u>2022</u>	<u>2021</u>
Scope 1 GHG emissions	0.18 tCO ₂ e	0.18 tCO ₂ e
Scope 2 GHG emissions	515.24 tCO ₂ e	378.08 tCO ₂ e
Total Scope 1 and 2	515.42 tCO ₂ e	387.26 tCO ₂ e
Total energy consumption used to calculate emissions	2,598,499 kWhs	1,805,525 kWhs
Employees	323	264
Intensity Ratio:	<u>2022</u>	<u>2021</u>
Per employee	1.60 tCO ₂ e	1.47 tCO ₂ e

The methodology for calculating and reporting greenhouse gas emissions came from the Greenhouse Gas Protocol and Environmental Reporting Guidelines (March 2019). Greenhouse gas emissions have been calculated using the UK Government GHG Conversion Factors for Company Reporting (2020).

The Firm managed its energy consumption during the reporting year, and in turn scope 1 and 2 Greenhouse gas emissions, using ISO 14001 Environmental Management Systems. A key component of the ISO 14001 Environment Management Systems is continual improvement, with objectives, targets and action plans set to reduce the organisation's environmental impact.

During the financial period, the following objectives were successfully completed:

- Reduce our electricity consumption by 1,032 kWhs from lighting by re-siting presence detectors to avoid nuisance tripping;
- Reduce energy consumption by 4,411 kWhs from air conditioning in lower ground floor meeting rooms by aligning the use of air conditioning to times when the rooms are occupied;
- Reduce energy consumption from office equipment by 3,328 kWhs by reducing the number of single office printers;
- Reduce energy consumption by 6,774 kWhs from fan coil units per year by delaying the start-up for 15 minutes per day.

MEMBERS' DRAWINGS, CONTRIBUTIONS AND REPAYMENTS

All members participate in the Firm's profit, share the losses and contribute to the Firm's capital. The Firm's drawings policy allows each member to draw a proportion of their profit share in twelve monthly instalments with the balance of their profits, net of foreign taxes, paid subsequently.

An individual member's capital requirement for amounts reported as members' capital classified as equity is set at £100.

Certain members have additional capital requirements that will be returned to them upon withdrawal from the Firm. This capital is reported as members' capital classified as debt and is included in loans due to members.

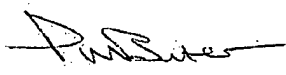
AUDITOR

A resolution to reappoint RSM UK Audit LLP, Chartered Accountants, will be put to the members of the Firm.

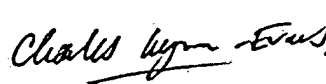
On behalf of the members, dated 27 September 2023.



Gus Black
Designated Member



Philip Butler
Designated Member



Charles Wynn-Evans
Designated Member

Dechert LLP

MEMBERS' REPORT

for the year ended 31 December 2022

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

Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) requires the members to prepare financial statements for each financial year. Under that law, the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under the 2008 Regulations, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Firm and of the profit or loss of the Firm for that period.

In preparing those financial statements, the members are required to:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Firm will continue in business.

Under the 2008 Regulations, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the Firm's transactions and disclose with reasonable accuracy at any time the financial position of the Firm and to enable them to ensure that the financial statements comply with the requirements of those Regulations. 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 are exercised by the designated members on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECHERT LLP

Opinion

We have audited the financial statements of Dechert LLP (the 'limited liability partnership') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Reconciliation of Members' Interests, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance 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 limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECHERT LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 4, 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 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 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the limited liability partnership operates in and how the limited liability partnership is complying with the legal and regulatory framework;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECHERT LLP

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and the LLP SORP. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are compliance with the Solicitors Regulation Authority Code of Conduct, including the Solicitors Accounts Rules as regulated by the Solicitors Regulation Authority in the UK. We performed audit procedures to inquire of management and those charged with governance whether the group and limited liability partnership is in compliance with these law and regulations. We inspected compliance documentation, enquired over any risk and breaches in the year and reviewed regulatory returns.

The audit engagement team identified the risk of management override of controls, revenue recognition and valuation of accrued income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. We performed data analytics over the revenue balance by reviewing transaction flows and investigating anomalies, as well as reviewing cut-off and completeness. In addition, we performed detailed testing on a sample of accrued income balances, validating balances to bills raised post year end and supporting documentation. We also reviewed the aging of accrued income to identify the need for any further provision.

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

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.



HYWEL PEGLER (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street,
London, EC4A 4AB

28 September 2023

Dechert LLP

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2022

Registration No. OC306029

		2022	(As restated) 2021
	Notes	£	£
TURNOVER	2	122,654,807	122,242,366
Operating expenses	3	(87,375,841)	(62,180,371)
OPERATING PROFIT	5	35,278,966	60,061,995
Interest receivable and similar income	6	74,181	1,212
Interest payable	7	(91,654)	(749,110)
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION & PROFIT SHARES		35,261,493	59,314,097
Members' remuneration charged as an expense	8	(35,261,493)	(59,314,097)
RESULTS FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		-	-
OTHER COMPREHENSIVE INCOME			
Actuarial gain on defined benefit scheme	16	3,574,000	16,813,000
TOTAL COMPREHENSIVE INCOME		3,574,000	16,813,000

The results for the year arise from the Firm's continuing operations.

Dechert LLP


STATEMENT OF FINANCIAL POSITION at 31 December 2022

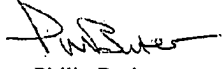
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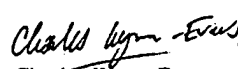
	Notes	2022 £	2021 £
FIXED ASSETS			
Tangible assets	10	3,525,987	2,316,724
CURRENT ASSETS			
Debtors	12	70,677,004	85,985,259
Cash at bank and in hand		13,538,558	15,950,785
		84,215,562	101,936,044
CREDITORS: Amounts falling due within one year	13	(93,737,527)	(102,454,314)
NET CURRENT LIABILITIES		(9,521,965)	(518,270)
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,995,978)	1,798,454
CREDITORS: Amounts falling due after more than one year	14	(2,294,980)	-
Net defined benefit liability	16	(1,436,100)	(4,919,100)
Provision for liabilities	20	(8,932,473)	(20,000,000)
NET LIABILITIES ATTRIBUTABLE TO MEMBERS		(18,659,531)	(23,120,646)
REPRESENTED BY:			
Loans and other debts due to members:			
Members' capital classified as debt	17	4,309,104	3,422,589
		4,309,104	3,422,589
Members' other interests:			
Members' capital classified as equity	17	5,500	4,900
Other reserves classified as equity	17	(22,974,135)	(26,548,135)
		(22,968,635)	(26,543,235)
TOTAL MEMBERS' INTERESTS			
Loans and other debts due to members		4,309,104	3,422,589
Members' other interests		(22,968,635)	(26,543,235)
		(18,659,531)	(23,120,646)

These financial statements on pages 8 to 28 were approved by the designated members of Dechert LLP and authorised for issue on: 27 September 2023

Signed on behalf of the members:


Gus Black
Designated Member


Philip Butler
Designated Member


Charles Wynn-Evans
Designated Member

Dechert LLP

RECONCILIATION OF MEMBERS' INTERESTS (As restated)

for the year ended 31 December 2022

Registration No. OC306029

	<u>Members' other interest</u> <u>(equity)</u>			<u>Loans and other debts due to members</u> <u>(debt)</u>			<u>Total</u> <u>Members'</u> <u>Interests</u>
	Members' capital classified as equity £	Other reserves £	Total £	Members' capital classified as debt £	Loans and other debts due to members £	Total £	Total £
At 31 December 2020	5,100	(43,361,135)	(43,356,035)	2,529,170	-	2,529,170	(40,826,865)
Members' remuneration charged as an expense	-	-	-	-	59,314,097	59,314,097	59,314,097
Members' interests after results for the year	5,100	(43,361,135)	(43,356,035)	2,529,170	59,314,097	61,843,267	18,487,232
Other comprehensive income	-	16,813,000	16,813,000	-	-	-	16,813,000
Distributions to members	-	-	-	-	(59,314,097)	(59,314,097)	(59,314,097)
Capital:							
Paid in	500	-	500	1,115,648	-	1,115,648	1,116,148
Repaid	(700)	-	(700)	(222,229)	-	(222,229)	(222,929)
Amounts due to members				893,419			
At 31 December 2021	4,900	(26,548,135)	(26,543,235)	3,422,589	-	3,422,589	(23,120,646)
Members' remuneration charged as an expense	-	-	-	-	35,261,493	35,261,493	35,261,493
Members' interests after results for the year	4,900	(26,548,135)	(26,543,235)	3,422,589	35,261,493	38,684,082	12,140,847
Other comprehensive income	-	3,574,000	3,574,000	-	-	-	3,574,000
Distributions to members	-	-	-	-	(35,261,493)	(35,261,493)	(35,261,493)
Capital:							
Paid in	1,000	-	1,000	1,380,334	-	1,380,334	1,381,334
Repaid	(400)	-	(400)	(493,819)	-	(493,819)	(494,219)
Amounts due to members				886,515			
At 31 December 2022	5,500	(22,974,135)	(22,968,635)	4,309,104	-	4,309,104	(18,659,531)

Dechert LLP

STATEMENT OF CASH FLOWS for the year ended 31 December 2022

Registration No. OC306029

	Notes	2022 £	(As restated) 2021 £
OPERATING ACTIVITIES			
Transactions with non-members:			
Cash generated from operations	18	34,565,190	86,042,660
Interest received	6	74,181	1,212
Interest paid	7	(654)	(427,110)
Pension contributions	16	-	(6,575,000)
Net legal provisions	20	-	-
Transactions with members and former members:			
Distributions		(35,261,493)	(59,314,097)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(622,776)	19,727,665
INVESTING ACTIVITIES			
Transactions with non-members:			
Purchase of tangible fixed assets	10	(2,676,475)	(302,895)
Transfer of tangible fixed assets		-	5,273
NET CASH USED IN INVESTING ACTIVITIES		(2,676,475)	(297,622)
FINANCING ACTIVITIES			
Transactions with members and former members:			
Repayment of loans with related parties		-	(17,137,251)
Capital contributed by members		1,381,334	1,116,148
Capital repaid to members		(494,219)	(222,929)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		887,115	(16,244,032)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,412,136)	3,186,011
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		15,950,785	12,979,519
Effect of foreign exchange rate changes		(91)	(214,745)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		13,538,558	15,950,785

*The 2021 cashflow statement has been restated to more accurately represent movements associated with provisions. There is no overall impact on cash generated from operating activities.

Dechert LLP

ACCOUNTING POLICIES

for the year ended 31 December 2022

GENERAL INFORMATION

Dechert LLP (the Firm) has prepared these financial statements covering the individual entity's results for the year to 31 December 2022.

Dechert LLP is a limited liability partnership and is incorporated in England and Wales. The address of the Firm's registered office is disclosed on page 1 of these financial statements under Members and Advisers. The Firm's principal activity is disclosed on page 2 under Members' Report.

BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' effective on or after January 2022 (LLP SORP 2022) and FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). These financial statements present information about Dechert LLP as an individual undertaking. Group accounts have not been prepared on the basis that the subsidiary undertakings are immaterial to Dechert LLP. Monetary amounts in these financial statements are rounded to the nearest whole British pound, except where otherwise indicated.

GOING CONCERN

At 31 December 2022, Dechert LLP had net liabilities of £18.7 million. This is primarily due to the Firm's policy of distributing all profits on an annual basis. As a result, certain amounts related to the Firm's pension obligation and the adoption of UITF abstract 40 'Revenue Recognition and Service Contracts' (now reported under FRS 102 Chapter 23 'Revenue'), which were recorded as other comprehensive income and therefore did not affect distributions, remain on the Statement of Financial Position resulting in the overall net liabilities.

At 31 December 2022, Dechert LLP had cash at bank and in hand of £13.5 million. The net current liabilities of the Firm also included amounts due to related parties of £85.1m and amounts due from related parties of £23.8 million as detailed further in note 22. These amounts have no agreed repayment terms, however the majority of the balances are not anticipated to be settled within twelve months from the date of signing the accounts.

The ongoing geopolitical situations and their resulting effects on global supplies and inflation, give rise to additional risk and uncertainty. In response to this risk, the Firm continues to monitor these situations as described on page 2 of these financial statements under Members' Report.

The members, after considering the Firm's profit or loss and cash flow forecasts for the year to 31 December 2023, and expected cash flow requirements and available resources for the period to 30 September 2024, have concluded that the business will have adequate financial resources to continue in operation for the foreseeable future. The members have therefore prepared these financial statements on a going concern basis.

FOREIGN CURRENCIES

The financial statements are presented in British pounds which is the currency of the primary economic environment in which the Firm operates. The British pound is the Firm's functional and presentational currency. Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

Dechert LLP

ACCOUNTING POLICIES

for the year ended 31 December 2022

All translation differences are taken to profit or loss except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income. In such cases, the related translation gain or loss is also recognised in other comprehensive income.

TURNOVER

Turnover represents revenue earned, net of third party disbursements and value added tax, under a wide variety of contracts to provide professional services. Revenue is recognised at the fair value of the consideration earned when, and to the extent that, Dechert LLP obtains the right to consideration in exchange for its performance under these contracts. The fair value of consideration takes into account any settlement discounts.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts, the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed.

Revenue that has not yet been billed to clients, where it is probable that the future economic benefits will flow to the Firm, is included in debtors. Client payments on account that are in excess of the relevant amount of revenue are included in creditors.

Revenue that is contingent on events outside of Dechert LLP's control, where it is not probable that the future economic benefits will flow to the Firm, is recognised when the contingent event has occurred.

OPERATING LEASES

Lease payments under operating leases (excluding costs for services such as insurance and maintenance) are recognised as an expense on a straight line basis over the lease term. Rent-free periods or other incentives received for entering into a lease are recognised as a reduction of expense on a straight line basis over the lease term. Lease term is defined as the non-cancellable period for which the Firm has contracted to lease the asset. Lease term also includes any further terms for which the Firm has the option to continue to lease the asset if, at the inception of the lease, it is reasonably certain that the Firm will exercise the option. If payments to the lessor are structured to increase in line with expected general inflation to compensate the lessor for expected inflationary cost increases, then the lease payments are recognised as an expense in accordance with the lease payment schedule.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Leasehold improvements	Over the lesser of the period of the lease or 10 years
Computer equipment	Over a period of four years
Furniture and equipment	Over a period of five years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Dechert LLP

ACCOUNTING POLICIES

for the year ended 31 December 2022

FINANCIAL INSTRUMENTS

The Firm has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Firm becomes a party to the contractual provisions of a financial instrument. Set-off occurs only when the Firm has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

Financial assets are classified into specific categories depending on the nature and purpose of the financial assets at the time of recognition. Basic financial assets, which include cash, bank balances, and trade and other receivables, are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Financial assets that are classified as financing transactions are measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets that are classified as fair value through profit or loss (FVTPL) are measured at fair value.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into.

Financial liabilities are classified into specific categories depending on the nature and purpose of the financial liabilities at the time of recognition. Basic financial liabilities are initially measured at transaction price and subsequently measured at amortised cost. Financial liabilities that are classified as financing transactions are measured at the present value of the future payments discounted at a market rate of interest. Other financial liabilities that are classified as fair value through profit or loss (FVTPL) are measured at fair value.

An equity instrument is any contract that evidences a residual interest in the assets of the Firm after deducting all of its liabilities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, and short-term liquid investments with original maturities of three months or less. Bank overdrafts are repayable on demand and are considered an integral part of the Firm's cash management. As such, bank overdrafts, if any, are included in cash and cash equivalents.

INVESTMENTS

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss. See note 11 for further details.

Dechert LLP

ACCOUNTING POLICIES

for the year ended 31 December 2022

PENSION AND RETIREMENT BENEFITS

Defined contribution scheme

For the Firm's defined contribution scheme, the amount charged to profit or loss as operating expense represents contributions to the scheme as they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit scheme

For the Firm's defined benefit scheme, a pension scheme asset is recognised in the Statement of Financial Position only to the extent that a surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Firm has a legal or constructive obligation to settle the liability.

The net defined benefit liability is measured as the net total of the present value of the obligation at the reporting date (i.e. its defined benefit obligation) minus the fair value of the scheme assets out of which the obligation is to be settled at the reporting date.

The defined benefit obligation is measured on a discounted present value basis. The rate used to discount the future payments is based on market yields on high quality corporate bonds at the reporting date. The projected unit credit method is used to measure the defined benefit obligation and the related expense.

The net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate both at the start of the annual reporting period and taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Gains or losses recognised in profit or loss include:

- The current pension service cost, if any
- The net interest on the net defined benefit liability
- The cost of scheme introductions, benefit changes, curtailments and settlements, if any

Gains or losses recognised in other comprehensive income include:

- Actuarial gains and losses on scheme liabilities
- Experience gains and losses on scheme liabilities
- The return on scheme assets (excluding net interest on the net defined benefit liability)

The defined benefit scheme is funded with the assets held separately from the Firm in funds administered by trustees. Full actuarial valuations carried out by a professionally qualified actuary are obtained at least every three years. On an annual basis, the most recent actuarial valuation is updated by a professionally qualified actuary to reflect current conditions at the reporting date.

Members of Dechert LLP are at liberty to make their own provisions for retirement by contributing to personal retirement schemes.

OTHER EMPLOYEE BENEFITS

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

CLAIMS

Provision is made on a case-by-case basis in respect of the estimated cost of defending and/or settling claims against the Firm.

Dechert LLP

ACCOUNTING POLICIES

for the year ended 31 December 2022

TAXATION

The taxation payable on profits is the personal liability of the members during the period. Consequently, neither partnership tax nor related deferred taxation arising in respect of the Firm is accounted for in the financial statements.

MEMBERS' PARTICIPATION RIGHTS

Members' participation rights are the rights of a member against the Firm that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the Firm are analysed between those that are, from the Firm's perspective, either a financial liability or equity, in accordance with FRS 102 Chapter 11 'Basic Financial Instruments' and FRS 102 Chapter 22 'Liabilities and Equity'. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the Firm.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classified as equity if the Firm has an unconditional right to refuse payment to members.

Where profits are automatically divided as they arise, so the Firm does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore recognised as members remuneration charged as an expense in the Statement of Comprehensive Income. To the extent that they remain unpaid at the reporting date, they are recognised as liabilities in the Statement of Financial Position.

Conversely, where profits are divided only after a decision by the Firm or its representative, so that the Firm has an unconditional or discretionary right to refuse payment, such profits are classified as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Statement of Comprehensive Income and are equity appropriations in the Statement of Financial Position.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits as described above, according to whether the Firm has, in each case, an unconditional or discretionary right to refuse payment.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty:

The Firm makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accrued income

Accrued income is valued at the reporting date based on chargeable hours that have not yet been billed to clients net of an estimated allowance for uncollectible amounts. The estimated allowance is calculated based on a combination of management judgement, current billing and collection data, and historical realisation rates.

Trade debtors

Trade debtors is valued at the reporting date based on amounts billed to clients net of an estimated allowance for uncollectible amounts. The estimated allowance is calculated based on a combination of management judgement, current billing and collection data, and historical realization rates.

Defined benefit scheme

The net defined benefit liability is valued at the reporting date based on an actuarial valuation. The valuation inherently includes estimates and assumptions. A key assumption within the valuation is the discount rate which is used to measure the present value of the defined benefit obligation. The discount rate is determined based on management judgement with reference to market yields on high quality corporate bonds that are generally of the same currency and duration as the defined benefit obligation, where possible.

Critical areas of judgement:

Leases

In categorising leases as finance leases or operating leases, management makes judgments as to whether significant risks and rewards of ownership have transferred from the lessor to the Firm, as lessee.

Tangible fixed assets

In calculating depreciation expense, management makes judgements as to the useful economic life of the associated asset.

Provisions

In calculating provisions, management makes judgements as to whether: 1) the Firm has an obligation at the reporting date related to a past event, 2) it is probable that the Firm will be required to transfer economic benefits in settlement, and 3) the amount of the obligation can be estimated reliably.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

2 TURNOVER

Turnover comprises amounts rendered, net of third party disbursements and value added tax, and movements in work in progress in respect of the provision of legal services. Revenue is recognised when earned.

An analysis of the geographical location of the Firm's turnover was as follows:

	2022 £	2021 £
United Kingdom	86,000,272	91,132,597
Rest of world	36,654,535	31,109,769
	<u>122,654,807</u>	<u>122,242,366</u>

3 ANALYSIS OF OPERATING EXPENSES

	2022 £	2021 £
Staff costs (note 4)	39,799,755	37,090,158
Depreciation (note 10)	1,441,922	1,371,269
Other operating charges	46,134,164	23,718,944
	<u>87,375,841</u>	<u>62,180,371</u>

4 STAFF COSTS

	2022 No.	2021 No.
The average monthly number of persons employed during the year (excluding members) was:		
Associates and counsel	96	91
Paralegals and other non-lawyers	39	41
Secretaries and word processors	27	34
Firm administration	108	98
	<u>270</u>	<u>264</u>

	2022 £	2021 £
Staff costs incurred during the year in respect of these employees were:		
Salaries	33,446,337	31,301,348
Social security costs	5,236,758	4,739,839
Pension and retirement benefits	1,116,660	1,048,971
	<u>39,799,755</u>	<u>37,090,158</u>

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

5	OPERATING PROFIT	2022 £	2021 £
	Operating profit is stated after charging:		
	Operating lease rentals for land and buildings	7,420,122	3,862,933
	Depreciation (note 10)	1,441,922	1,371,269
	Auditor's remuneration for statutory audit	43,500	38,000
	Auditor's remuneration for non-audit services	15,000	16,362
	Loss on disposal of fixed assets	624	486
	Foreign exchange (gain)/loss	(2,683,713)	1,370,373
		<u> </u>	<u> </u>
6	INTEREST RECEIVABLE AND SIMILAR INCOME	2022 £	2021 £
	Bank interest income	74,181	1,212
		<u> </u>	<u> </u>
7	INTEREST PAYABLE	2022 £	2021 £
	Interest on loans with related parties	-	425,615
	Net interest on the net defined benefit liability (note 16)	91,000	322,000
	Other interest expense	654	1,495
		<u>91,654</u>	<u>749,110</u>
8	MEMBERS' REMUNERATION CHARGED AS AN EXPENSE		
	Member remuneration arrangements and capital requirements are structured such that the Firm has no salaried members.		
9	MEMBERS' SHARES OF PROFIT		
	Profits are shared among the members in accordance with agreed profit sharing arrangements.		
		2022 No.	2021 No.
	Average monthly number of members	53	48
		<u> </u>	<u> </u>

The share of profits of the Firm and related parties that is attributable to the member with the largest entitlement to profit is £6,266,291 (2021: £5,669,747).

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

10 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Computer equipment £	Furniture and equipment £	Total £
Cost				
At 1 January 2022	7,435,809	3,387,220	2,275,343	13,098,372
Additions	1,424,721	1,219,002	32,752	2,676,475
Disposals	-	(736,702)	(187,555)	(924,257)
At 31 December 2022	8,860,530	3,869,520	2,120,540	14,850,590
Depreciation				
At 1 January 2022	6,225,007	2,748,547	1,808,094	10,781,648
Charged in the year	993,537	319,122	129,263	1,441,922
Disposals	-	(732,726)	(166,241)	(898,967)
At 31 December 2022	7,218,544	2,334,943	1,771,116	11,324,603
Net book value				
At 31 December 2022	1,641,986	1,534,577	349,424	3,525,987
Net book value				
At 31 December 2021	1,210,802	638,673	467,249	2,316,724

11 INVESTMENTS

At 31 December 2022, the Firm holds more than 20% of the nominal value of any class of share capital in the following undertakings:

	Class of holding	Percent directly held	Nature of Business
Dechert Secretaries Ltd	Ordinary	100	Dormant
Dechert Nominees Ltd	Ordinary	100	Dormant
Dechert Trustee Company Limited	Ordinary	100	Dormant

The above entities are dormant and have no assets or liabilities other than a nominal value of share capital and a related receivable. As such, the investment value has been previously written down to zero, being the carrying value of the investment. The registered office for the above entities is 160 Queen Victoria Street, London, EC4V 4QQ.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

12	DEBTORS	2022 £	2021 £
	Trade debtors	16,605,567	13,559,771
	Amounts due from related parties (note 22)	23,793,098	20,495,125
	Accrued income	25,877,578	29,387,759
	Prepayments	1,472,536	2,409,915
	Other debtors	2,421,211	20,132,689
	Other taxation and social security costs	507,014	-
		<u>70,677,004</u>	<u>85,985,259</u>

At 31 December 2022, other debtors include an asset of £2.2 million (2021: £20.0 million) as described in note 20. Amounts due from related parties are unsecured, interest free and due on demand.

13	CREDITORS: Amounts falling due within one year	2022 £	2021 £
	Trade creditors	2,035,074	1,042,821
	Amounts due to related parties (note 22)	85,053,549	93,784,202
	Accruals	6,393,819	6,606,486
	Other taxation and social security costs	255,085	367,092
	Other creditors	-	653,713
		<u>93,737,527</u>	<u>102,454,314</u>

Amounts due to related parties are unsecured, interest free and due on demand.

14	CREDITORS: Amounts falling due after more than one year	2022 £	2021 £
	Deferred rent	2,294,980	-
		<u>2,294,980</u>	<u>-</u>

During the year, the Firm entered into a new lease agreement with termination date April 2037. Deferred rent represents the long term portion of lease incentives related to the Firm's operating lease agreement with its landlord. Deferred rent is amortized over the term of the lease ending in 2037.

Dechert LLP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

15 FINANCIAL INSTRUMENTS

At 31 December, the carrying amount of the Firm's financial instruments were:

	2022 £	2021 £
Financial assets:		
Debt instruments measured at amortised cost		
Trade debtors (note 12)	16,605,567	13,559,771
Amounts due from related parties (note 12)	23,793,098	20,495,125
Accrued income (note 12)	25,877,578	29,387,759
Other debtors	539,183	63,768
	<u>66,815,426</u>	<u>63,506,423</u>
	2022 £	2021 £
Financial liabilities:		
Instruments measured at amortised cost		
Trade creditors (note 13)	2,035,074	1,042,821
Amounts due to related parties (note 13)	85,053,549	93,784,202
Accrued expenses	3,393,819	3,606,486
Employee benefits	245,478	247,120
Other creditors	-	19,995
	<u>90,727,920</u>	<u>98,700,624</u>

16 STAFF RETIREMENT BENEFITS

Dechert LLP operates a defined benefit scheme and a defined contribution scheme. The Final Salary Scheme ("Plan") is a defined benefit scheme and is closed to new entrants. The Group Personal Pension Plan is a defined contribution scheme which opened to new entrants effective 1 April 2014. The assets of these schemes are held separately from those of the Firm in funds administered by trustees.

The contributions paid during the year for the schemes were:	2022 £	2021 £
Final Salary Scheme	-	6,575,000
Group Personal Pension Plan	1,116,660	1,048,971
	<u>1,116,660</u>	<u>7,623,971</u>

During the year ended 31 December 2021, the regularly scheduled payment of £3,250,000 for the Final Salary Scheme was paid by 31 January 2021 as required, and an additional payment of £3,325,000 was paid in December 2021 although it wasn't due until 31 January 2022. Therefore, no contributions were paid in the year ended 31 December 2022.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

16 STAFF RETIREMENT BENEFITS (continued)

Final Salary Scheme

Effective 30 June 2017, a guarantee was signed by Dechert LLP (US), the Firm, and the Trustee of the Plan. As Guarantor, Dechert LLP (US) agreed to an aggregate liability cap of £4.5M in respect of the Guaranteed Obligations, as defined, falling due for payment in each individual calendar year separately, and \$150M in respect of the Guaranteed Obligations, as defined, falling due for payment in aggregate. Broadly, the Guaranteed Obligations are the obligations of the Firm, or any relevant employer who replaces the Firm, under the Schedule of Contributions. The payment obligations under this agreement rank on an equal footing with all other present and future unsecured payment obligations of Dechert LLP (US), except for obligations mandatorily preferred by relevant laws. In exchange for this guarantee, the Firm and the Trustee of the Plan signed an agreement effective 30 June 2017 to revise certain terms of the Plan related to the employer debt provisions under Section 75 of the Pensions Act 1995.

On 29 March 2018, the Firm and the Trustee of the Plan signed a Deed of Amendment to the rules of the Plan to close it to future accrual with effect from 1 April 2018. Plan participants who were in Pensionable Service (as defined) immediately prior to the effective date will be entitled to a preserved pension subject to and in compliance with the rules of the Plan. Additionally, the requirement for plan participants to pay contributions to the Plan, and the ability of plan participants to pay additional voluntary contributions to the Plan, ceased on the date of closure. As a result of the plan closure, a one-time curtailment cost of approximately £1.7M was incurred during 2018.

The contributions paid by the Firm to the Final Salary Scheme are agreed by the Firm and the Trustee of the Plan as part of the triennial actuarial valuation process and are set out in a Schedule of Contributions. The most recent triennial actuarial valuation of the Plan was completed as at 1 January 2022 and the next triennial actuarial valuation of the Plan will be completed as at 1 January 2025.

On 29 March 2023, a new Schedule of Contributions was agreed as required by Section 227 of the Pensions Act 2004. Under the new schedule, which covers the period from 1 January 2024 to 30 September 2026, the Firm agreed to make equal quarterly payments due on 31 January, 31 March, 30 June and 30 September, with annual increases of £75,000 applying from 1 January 2025. The first quarterly contribution of £868,750 is due 31 January 2024, and the final quarterly contribution of £906,250 is due 30 September 2026.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

16 STAFF RETIREMENT BENEFITS (continued)

The most recent triennial actuarial valuation report was carried out as at 1 January 2022 and updated by an actuary as at the reporting date to provide the information required by FRS 102. The principal assumptions used under FRS102 are:

	2022	2021
Discount rate	4.85%	1.85%
Revaluation in deferment	5.0%	5.0%
Pension increases	5.0%	5.0%
Post retirement mortality - base tables	104% of S3PMA 104% of S3PFA_M	93% of S3PMA 93% of S3PFA_M
Post retirement mortality – future improvements	CMI 2021 1.25% p.a. S _k =7.0 A=1.25% p.a.	CMI 2020 1.25% p.a. S _k =7.0 A=0.5% p.a.
Male life expectancy from age 65:		
• Pensioner currently aged 65	23.1	22.6
• Non-pensioner currently aged 45	24.4	23.9
Female life expectancy from age 65:		
• Pensioner currently aged 65	24.7	24.5
• Non-pensioner currently aged 45	26.1	26.0

Cash commutation: The maximum permissible amount of pension is commuted in exchange for cash at retirement on current factors.

Amounts recognised in profit or loss in respect of the defined benefit scheme were as follows:

	2022 £000	2021 £000
Net interest on the net defined benefit liability	91	322

Amounts recognised in other comprehensive income in respect of the defined benefit scheme were as follows:

	2022 £000	2021 £000
Actuarial gain on defined benefit obligation	37,172	14,407
Return (loss)/gain on assets excluding interest income	(33,598)	2,406
Actuarial gain on defined benefit scheme	3,574	16,813

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

16 STAFF RETIREMENT BENEFITS (continued)

Amounts recognised in the Statement of Financial Position in respect of the defined benefit scheme were as follows:

	2022 £000	2021 £000
Fair value of scheme assets at the end of the year	52,736	86,303
Present value of the defined benefit obligation at the end of the year	(54,172)	(91,222)
Net defined benefit liability	<u>(1,436)</u>	<u>(4,919)</u>

	2022 £000	2021 £000
<u>Changes in the present value of the defined benefit obligation:</u>		
Present value of the defined benefit obligation at the beginning of the year	(91,222)	(105,395)
Interest cost on defined benefit obligation	(1,673)	(1,363)
Actuarial gain on defined benefit obligation	37,172	14,407
Benefits paid	1,551	1,129
Present value of the defined benefit obligation at the end of the year	<u>(54,172)</u>	<u>(91,222)</u>

	2022 £000	2021 £000
<u>Changes in the fair value of scheme assets:</u>		
Fair value of scheme assets at the beginning of the year	86,303	77,410
Interest income on assets	1,582	1,041
Return (loss)/gain on assets excluding interest income	(33,598)	2,406
Contributions by the Firm	-	6,575
Benefits paid	(1,551)	(1,129)
Fair value of scheme assets at the end of the year	<u>52,736</u>	<u>86,303</u>

The actual loss on scheme assets was £32,016,000 (2021: £3,447,000 gain).

	2022 £000	2021 £000
Scheme assets consisted of the following at the reporting date:		
Equities	6,080	35,932
Liability Driven Investments (LDI)	10,637	18,861
Newton Real Return Fund	5,838	26,644
Government bonds	16,361	-
Corporate bonds	11,085	-
Cash	2,735	4,866
Fair value of scheme assets	<u>52,736</u>	<u>86,303</u>

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

17 MEMBERS' INTEREST

Members' capital classified as equity represents capital that the Firm has an unconditional right to refuse payment to the members. No additional rights or preferences attach to the members' capital classified as equity.

Members' capital classified as debt represents capital that the Firm does not have an unconditional right to refuse payment to the members.

Loans and other debts due to members represent profits that have been approved for allocation to the members by the Firm but which have not yet been paid.

Other reserves represent the cumulative actuarial gains and losses on the defined benefit pension scheme and the one-time effect of adopting UITF abstract 40 'Revenue Recognition and Service Contracts' (now reported under FRS 102 Chapter 23 'Revenue').

Members' interests rank after unsecured creditors in the event of the winding up of the Firm. A member's capital contribution is not repayable until after the member withdraws or retires. All amounts due to members relate to items falling due within one year. There are no restrictions or limitations on the ability of the members to reduce the amount of members' other interests.

18 RECONCILIATION OF PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS TO NET CASH GENERATED FROM OPERATIONS

	2022 £	(As restated) 2021 £
Profit for the financial year before members' remuneration	35,261,493	59,314,097
Adjustment for non-cash transactions:		
Depreciation (note 10)	1,441,922	1,371,269
Provision for liabilities (note 20)	8,932,473	20,000,000
Loss on disposal of tangible fixed assets	624	486
Adjustment for movements in working capital:		
Debtors	(4,772,218)	(27,545,088)
Creditors	(6,316,577)	32,153,998
Interest receivable (note 6)	(74,181)	(1,212)
Interest payable (note 7)	91,654	749,110
Cash generated from operations	<u>34,565,190</u>	<u>86,042,660</u>

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

19 COMMITMENTS UNDER OPERATING LEASES

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

	2022	2021
	£	£
Amounts due for land and buildings:		
Within one year	572,602	3,849,033
Between one and five years	12,264,703	572,602
After five years	39,372,346	-
Amounts due for equipment:		
Within one year	42,369	3,135
Between one and five years	42,369	-

During the year, the Firm entered into a new lease agreement with termination date April 2037.

20 PROVISIONS

	Legal £
Balance at 1 January 2021	-
Provisions made during the year	20,000,000
Balance at 31 December 2021	20,000,000
Payment made during the year	(20,000,000)
Provisions made during the year	8,932,473
Balance at 31 December 2022	8,932,473

In May 2022, the High Court in London delivered judgment in favour of a former client of the Firm in relation to a claim brought by the former client against the Firm, a former partner of the Firm, and the Serious Fraud Office (SFO). In 2022, the Firm made an agreed interim payment on account of costs of £20.0 million, and in 2023 the Firm made an additional interim payment of £8.9 million. As a result, at 31 December 2022, the Firm recorded a provision of £8.9 million (2021: £20.0 million) in the Statement of Financial Position and an asset of £2.2 million (2021: £20.0 million).

21 CONTINGENT LIABILITIES

As discussed in note 20 above, the Firm recorded a provision for a claim brought by a former client against the Firm. Further disclosure is not made in relation to this matter on the grounds that the legal matter is ongoing, and the outcome is uncertain.

The Firm may receive claims in the normal course of business, but it is not considered that any further provisions are required in addition to those that may already be included in these financial statements.

Dechert LLP

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2022

22 RELATED PARTY TRANSACTIONS

The members of the Firm are also partners of Dechert LLP, a limited liability partnership organised in Pennsylvania, USA (Dechert LLP (US)). Dechert globally is comprised of separate legal entities. The global partnership agreement, to which all partners are party, provides that each constituent entity shall remain a separate legal entity and will not have legal liability for the obligations of any other constituent entity save where exceptionally a guarantee has been given. The separate legal entities are reported as 'related parties' in the schedule that follows.

The Firm had the following transactions with related parties during the year and the following balances at the reporting date:

	Other related parties	
	2022	2021
	£	£
Cash transfers from related parties	31,731,739	61,582,322
Cash transfers to related parties	7,710,520	27,545,807
Corporate overhead charge	13,751,580	9,729,701
Fees and receipts by related parties	78,396,355	63,401,375
Fees and receipts on behalf of related parties	23,962,071	15,629,775
Payments made by related parties	23,073,319	22,044,682
Payments made on behalf of related parties	18,440,461	2,344,427
Amounts due from related parties at 31 December (note 12)	23,793,098	20,495,125
Amounts due to related parties (note 13)	85,053,549	93,784,202

The amounts outstanding are unsecured, interest free and due on demand. No guarantees have been given or received. At 31 December 2022, there was a provision for uncollectible receivables of £nil related to amounts outstanding (2021: £1,521,647), and an expense of £nil has been recognised in the year in respect of bad debts from related parties (2021: £1,521,647).

23 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Firm is controlled by its members and as such there is no one controlling party. The results of the Firm are consolidated within a group directly and ultimately headed by Dechert LLP (US) as discussed in note 22.

24 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration from the Firm and related parties to the members who are considered key management personnel was £11,640,274 (2021: £11,813,192).

25 RESTATEMENT ARISING ON APPLICATION OF STATEMENT OF RECOMMENDED PRACTICE "ACCOUNTING BY A LIMITED LIABILITY PARTNERSHIP" EFFECTIVE 1 JANUARY 2022 (LLP SORP 2022)

In applying the LLP SORP 2022, the members have reviewed the terms of their members' agreement relating to the allocation, division, and distribution of profits. As a result of this review, profits previously presented as profits available for discretionary division to members are presented as members' remuneration charged as an expense in the Statement of Comprehensive Income. This has led to a reclassification of prior year profits of £59,314,097.