

Kennedys Law LLP

ANNUAL REPORT AND GROUP FINANCIAL STATEMENTS

For the year ended 30 April 2022

FRIDAY



ABW4B3SW

A09

27/01/2023

#49

COMPANIES HOUSE

Registration No: OC353214

Kennedys Law LLP
REPORT AND FINANCIAL STATEMENTS
Year ended 30 April 2022

CONTENTS

1	Contents and LLP information
2	Members report
7	Statement of members' responsibilities
8	<i>Streamlined energy and carbon report</i>
10	Independent auditors' report
13	Consolidated income statement
14	Consolidated statement of comprehensive income
15	Consolidated statement of financial position
16	LLP statement of financial position
17	Consolidated statement of cash flows
18	Consolidated statement of changes in members' interests
19	LLP statement of changes in members' interests
20	Notes to the financial statements

DESIGNATED MEMBERS

N P G Thomas
N D Williams
R P West
B Aram
C Malla

REGISTERED OFFICE

25 Fenchurch Avenue
London
EC3M 5AD

REGISTRATION NUMBER

OC353214

INDEPENDENT AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

Kennedys Law LLP

MEMBERS' REPORT

Year ended 30 April 2022

The designated members submit their report on behalf of the members together with the audited Group financial statements of Kennedys Law LLP ("the LLP") and its subsidiaries and other related entities for the year ended 30 April 2022.

Included within the Group's subsidiaries are UK statutory entities with branches based outside of the UK (located in Dubai, Singapore, Portugal and Belgium).

PRINCIPAL ACTIVITIES

The principal activity of the Group and the LLP during the year continued to be the provision of legal services. The LLP is authorised and regulated by the Solicitors Regulation Authority.

RESULTS

The profit for the year after taxation and members fixed shares was £47.050m (2021: £47.836m).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The members are delighted with the strong performance reflected in the financial statements for the year ended 30 April 2022.

We reported our highest ever revenue, up 8% from the previous year. The most significant growth came from North America, where we saw continued growth from existing and new clients; a series of lateral hires and the opening of a new office in Delaware. We also saw double digit growth in Latin America, EMEA and Asia.

Our increase in revenue reflects our continued trajectory to becoming a significant global player. It is testament to all our partners and people across the world, and the way they have continued to respond to the challenging environment while continuing to exceed client expectations.

We continue to deliver against our strategy 'Facing our future with confidence', which focuses on our people, our clients and our performance.

Supporting our people

We have continued to support our people and we are delighted that we have been able to recruit, develop and promote our people.

- In the last 12 months we have made 18 partner hires, strengthening our offering in the Australia, Dubai, Israel, Colombia, Israel, UAE, Oman, UK and the US.
- On 1 September 2021, we introduced a new legal director role and promoted 44 legal directors and 2 special counsels. We also promoted 86 associates to senior associate.
- On 1 May 2022 we promoted a record number to partner, with 22 new partners promoted across Australia, Denmark, Ireland, UK and the US.
- We launched WorkWise, our global transformation programme, which focuses on our people, technology and space. As part of the programme, we spent six months speaking to our people, at all levels across the business to find out what was important to them as part of our programme. Their feedback, ideas and support have helped us to shape our future of work strategy across the world.
- In November 2021, we announced that we will be moving into London's iconic Walkie-Talkie building in December 2022, as part of WorkWise. Our office in Sydney has also moved as part of this programme.
- We appointed a new global HR director in April, who will be driving our people transformation agenda. We have also appointed our first global transformation director in May.
- We launched our new Global Learning and Development Programme KITE - Kennedys Interactive Training Experience, to provide learning and development tools, resources and training to support the ongoing development of our people. Our colleagues have accessed 18,000 tailored learning courses.

Kennedys Law LLP

MEMBERS' REPORT

Year ended 30 April 2022

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

Supporting our clients

Despite the continuing challenging environment, the firm has continued to expand and grow in response to the needs of our clients with two new offices opening, one office moving into larger premises and the formation of three new associate offices.

- We have continued to support our growth in the Middle East with the opening of a new office in Muscat, in the Sultanate of Oman in June 2021.
- We moved into new larger office in Madrid and opened a new office in Wilmington, Delaware in March 2022.
- We formed two new associate offices in Bolivia and Ecuador, strengthening our presence across Latin America.
- In August 2021, the firm formed an association with Turkish law firm, Baysal & Demir.
- We appointed our first Head of Data Strategy, to help us drive our global data transformation programme.
- We have continued to invest in Kennedys IQ, our technology software company, and in Kennedys Kognitive Computing, our growing product development team in India, with the recruitment of more data scientists and developers.
- In March 2022, we closed our office in Moscow. We had already taken the decision to close our office, but this was accelerated as a result of the invasion of Ukraine.

Being a responsible business

We take pride in our values-lead approach to everything that we do, including responsible business. Being a responsible business, supporting our Diversity and Inclusion (D&I) and Corporate Social Responsibility (CSR) programmes, continues to be a key focus for the firm, our people and our clients.

With environmental, social and governance (ESG) considerations playing a significant part in all we do, we have made further investments to build and expand our core responsible business programme this year.

Our ambition is to move beyond ESG compliance to:

- Build a firm which is fit for the future.
- Build a firm that integrates social and environmental responsibility into its culture.
- Act as trusted advisors to clients in response to the same challenges that many of them are facing.

Our activities this year include:

- We signed up to the Mansfield Rule to help drive greater transparency around diversity and inclusion in the US and the UK.
- Our virtual work experience programme, launched in 2021, reached 10,000 enrolments in just over a year. Pre-Covid we took on 120 students each year. We have a proud reputation for innovation, and a commitment to making access to the law available as widely as possible, we developed the virtual programme to allow anyone anywhere to experience life at one of the world's leading law firms.
- A consortium led by Kennedys was awarded funding from Innovate UK to develop ground-breaking software to help identify and assess reputational ESG risks.
- We actively look for opportunities to collaborate and work with other like-minded professionals and organisations to help us achieve our goals e.g., ISC Group, Insurance Industry Charitable Foundation, The Chancery Lane Project, Mansfield Rule, Greener Litigation, United Nations Global Compact, Ecovadis, to name a few.
- We have partnered with Carbon Intelligence, a recognised industry expert, to support us in measuring our carbon baseline and monitoring our ongoing emissions. We have set our targets in line with the Science-Based Targets Initiative (SBTi). Our targets are being validated.
- Every colleague within the firm is entitled to 10 paid volunteer hours to take part in CSR, D&I and pro bono activities and initiatives.

Kennedys Law LLP

MEMBERS' REPORT

Year ended 30 April 2022

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS (continued)

- We continued to be a global sponsor of the Dive In Festival, which is run by Lloyd's of London. Over three days 145 online and in person events are held in 35 countries. 10 of our colleagues, spoke at 8 of the global events and we supported, organised or hosted a further 24 events across the world, collaborating with our global insurance clients.
- To date, the firm and our people have donated £50,000 to charities providing targeted humanitarian aid to Ukraine.

The firm's vision and the strategies adopted to date, mean that Kennedys is well placed to continue to deliver consistent world class legal services to its prestigious client base across the globe.

KEY PERFORMANCE INDICATORS

The members consider a number of key performance indicators usually associated with the financial management of the business including operating profit and profit per share point on a continual basis throughout the year.

FINANCIAL RISK MANAGEMENT

The Group's liquidity risk is managed by periodic reviews of its short, medium and long term funding requirements as well as continuously monitoring its working capital usage to ensure that sufficient funds are available for ongoing operations and future developments.

The amount of income receivable from bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. We have implemented an interest rate hedging strategy to assist in managing this risk.

CHARITABLE DONATIONS

During the year the Group made charitable donations of £0.123m (2021: £0.095m) primarily to the firm's nominated charities.

EMPLOYEE INVOLVEMENT

The Group encourages the involvement of its employees in its management through regular consultation (for example in developing the Workwise programme), by keeping them informed and up to date on issues affecting the performance of the Group and also on matters affecting them as employees. This is achieved through both formal and informal meetings. All staff are provided with access to an Employee Assistance Programme if they so require it.

DISABLED PERSONS

The Group will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise.

Each employee is given an equal opportunity within the Group. Where there are employees with disabilities the Group always seeks to provide them with appropriate assistance and equipment to ensure their optimum level of performance. The number of disabled persons employed by the Group during the year was 27 (2021: 25).

Kennedys Law LLP

MEMBERS' REPORT

Year ended 30 April 2022

GOING CONCERN

After reviewing the Group's forecasts and projections, the members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

In addition to partner funding, the Group's external working capital requirements are provided in the form of overdrafts, term loans and a revolving credit facility. In October 2021, AIB and HSBC entered into a revised bank facility agreement to provide funding to Kennedys Law LLP for a period of three years and with options to renew for a further two years. The total amount of the facility was £70m and is secured by a debenture in favour of AIB and HSBC as a charge over the assets of the LLP and supported by designated guarantors within the Kennedys Group.

The members are pleased that the business has continued to operate profitably during the COVID-19 pandemic. At the start of the pandemic, the firm took prudent decisions to delay some non-essential expenditure and ensure additional financing arrangements were in place should they be needed. The firm's Global Strategy Board has been closely monitoring the impact of COVID-19 on both our markets and the markets in which our clients operate and continue to evolve strategies to manage any issues and uncertainties. During the year under review, and subsequently, the business has remained robust and continues to operate profitably. Global cash flow forecasts and financial modelling looking forward 3 financial years have provided the members with confidence that the future business outlook remains profitable and cash generative.

MEMBERS DRAWINGS AND CAPITAL

In accordance with the LLP agreement members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial year, taking into account the anticipated cash needs of the Group and the LLP. Any further distributions are made only once the results and the allocation of profits for the year are finalised.

Each member is personally liable for the tax payable on their profit allocations. However, a sum equivalent to tax is withheld and remitted to the tax authorities on behalf of members as, and when, the tax becomes due.

The Group's capital requirements are regularly reviewed and determined by the Board. New members are required to subscribe a minimum level of capital and in subsequent years members are invited to subscribe for further capital, the amount of which is determined by the performance and seniority of those members. On retirement or cessation of membership of the firm, capital is repaid to members as set out in the terms of the members' agreement.

During the reporting period £4.702m of capital was contributed and £1.523m was returned to members.

The LLP agreement provides that for certain members fixed amounts determined each year, will be paid to them, irrespective of the profit of the LLP. These amounts are included on the income statement within members' remuneration charged as expense - fixed shares. The allocation of profits is governed by the Members Agreement and the automatic allocation of these amounts are included on the income statement within members' remuneration - automatic allocation of profits.

A member's share of the profit or loss for the year is accounted for as an allocation of profits. Unallocated profits and losses that relate to certain corporate subsidiaries are included within 'other reserves classified as equity'.

DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS

In the case of each of the persons who are designated members of the LLP at the date this report is approved, the following applies:

- So far as each of the designated members is aware, there is no relevant audit information of which the LLP's auditors are unaware; and
- Each of the designated members has taken all steps that they ought to have taken as a designated member to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Kennedys Law LLP

MEMBERS' REPORT

Year ended 30 April 2022

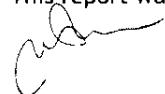
DESIGNATED MEMBERS

The following designated members have held office during the year and up to the date of signing these financial statements:

N P G Thomas
N D Williams
R P West
B Aram
C Malla

APPROVAL AND SIGNING OF MEMBERS REPORT

This report was approved by the members and signed on their behalf by:



N P G Thomas
Designated member

Date: 9/12/2022

Kennedys Law LLP

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS Year ended 30 April 2022

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

Company law, as applied to Limited Liability Partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the Group and Limited Liability Partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, as applied to Limited Liability Partnerships, 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 Group and Limited Liability Partnership and of the profit or loss of the Group and Limited Liability Partnership for that period. In preparing the financial statements, the members are required to:


- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Limited Liability Partnership will continue in business.

The members are also responsible for safeguarding the assets of the Group and Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Limited Liability Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Limited Liability Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to Limited Liability Partnerships by the Regulations.

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

This report was approved by the members and signed on their behalf by:



N P G Thomas
Designated member

Date: 9/12/2022

Kennedys Law LLP

STREAMLINED ENERGY AND CARBON REPORT

Year ended 30 April 2022

Introduction

Kennedys Law LLP will continue to improve our commitment to climate change and measuring and reducing our environmental impact through proactive central management of our buildings, support activities, and stakeholder engagement. We have committed to the Science Base Targets initiative to reduce our greenhouse emissions.

For the last two years, Kennedys have partnered with a third party carbon specialist, Carbon Intelligence, who have assisted with the preparation of this report on our (location based) UK carbon emissions data as reported below:

	2022	2021
Type of Emission	Tonnes of CO ₂ e	Tonnes of CO ₂ e
Scope 1 - Direct (Gas emission and owned transport)	225 tCO ₂ e	78 tCO ₂ e
Scope 2 - Indirect (Purchased electricity and heat)	471 tCO ₂ e	460 tCO ₂ e
Scope 3 - Indirect (Business travel Air and Rail)	451 tCO ₂ e	117 tCO ₂ e
Total carbon emissions	1,146 tCO ₂ e	655 tCO ₂ e
Carbon offset	-	-
Total carbon emissions with offset	1,146 tCO ₂ e	655 tCO ₂ e

	2022	2021
Energy Consumption	Total kWh	Total kWh
Scope 1 - Direct (Gas emission and owned transport)	925,682 kWh	245,256 kWh
Scope 2 - Indirect (Purchased electricity and heat)	2,216,791 kWh	1,973,274 kWh
Scope 3 - Indirect (Business travel Air and Rail)	15,461 kWh	33,743 kWh
Total carbon emissions	3,157,934 kWh	2,252,273 kWh
Carbon offset	-	-
Total carbon emissions with offset	3,157,934 kWh	2,252,273 kWh

The group's methodology uses the Government's greenhouse gas reporting conversion factors to quantify emissions and aligns with Defra's environmental reporting guidelines.

Emissions Ratios	2022	2021
Tonnes of CO ₂ e per £m revenue	7.75	4.48
Tonnes of CO ₂ e per employee	0.87	0.51

Energy efficiency improvement measures undertaken during the year

Overall, our Scope 1 and 2 emissions have increased by 29% in the year compared to 2021. This was primarily due to an increase in leased vehicle fuel consumption as travel has returned following the COVID-19 Pandemic, as well as it being the first full year that our new Leeds office has been in operation. We have increased our renewable electricity to four of our UK offices.

Our project of digitalising paper, to reduce our paper waste within our offices, resulted in a reduction in 2021 compared to 2020.

Kennedys Law LLP

STREAMLINED ENERGY AND CARBON REPORT

Year ended 30 April 2022

Energy efficiency improvement measures undertaken during the year (continued)

We have continued to build on existing policies, campaigns and lessons learnt from COVID-19 to engage and influence behaviours with our people to support our environmental initiatives. In November 2021, we held our first Eco Awareness Week showcasing local and global eco initiatives. Activities were designed to help our people learn about our plans to tackle climate change, take part, and increase awareness of their individual environmental impact.

An assessment of our major suppliers has been completed to identify potential climate change-associated risks. We are now working with internal stakeholders to develop a supplier questionnaire which will help us build understanding of our suppliers, identify areas for improvement and collect data which will enable us to collaborate to help us achieve our Science-Based target.

Future energy efficiency improvement

The firm continues to align our carbon footprint reporting and our ISO14001 targets globally. We have hired an Environmental and Procurement Manager to further embed ESG and sustainability into our business practices.

Now that we have measured our baseline as part of our commitment to Science Based Targets, our key priorities for implementation over the next 12 months and beyond includes:

- Premises: Working with facilities teams and Kennedys' landlords, we will integrate renewables into management protocols, switch to renewable tariffs or purchase Energy Attribute Certificates.
- Supplier engagement programme: integrating sustainability criteria into procurement and onboarding. Due to the rise in emissions resulting from leased vehicles, we are looking to implement a policy to increase the procurement of hybrid vehicles.
- Business Travel: implementing a global business travel platform to measure emissions more effectively and train our people to be 'smarter' when they do travel.

Beyond our target boundary we will explore innovation investment in low-carbon technology, materials, and policies as well as to further reduce our emissions in waste management and employee commuting.

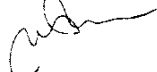
Our workplace transformation programme continues to incorporate future sustainable ways of working. In 2022/23 we are moving our London office to a BRE AAM Excellent accredited office, resulting in a potential reduction in energy consumption at this office due to the energy efficiency measures in place.

As we continue to collect more accurate data on our Scope 1, 2 & 3 emissions over the next year, we will scope and commit to setting a net zero target aligned to the SBTi net zero standard that was released in October 2021.

Members

A full list of members of the LLP can be found at Companies House:
<https://find-and-update.company-information.service.gov.uk/company/OC353214/officers>

This report was approved by the members and signed on their behalf by:



N P G Thomas
Designated Member

Date 9/12/2022

Kennedys Law LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENNEDYS LAW LLP

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Limited Liability Partnership's affairs as at 30 April 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of Kennedys Law Limited Liability Partnership ("the Limited Liability Partnership") and its subsidiaries ("the Group") for the year ended 30 April 2022 which comprise the Consolidated income statement, Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Members' interests and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

Kennedys Law LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENNEDYS LAW LLP

Other Companies Act 2006 reporting as applied to limited liability partnerships

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Members' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Limited Liability Partnership and its environment obtained in the course of the audit, we have not identified material misstatements in the Members' report.

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

- adequate accounting records have not been kept by the Limited Liability Partnership, 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 Statement of Members' Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group and 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.

Extent to which the audit was 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. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Kennedys Law LLP and the Group. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102 and the Companies Act 2006), regulations impacting labour regulations, and the solicitors Regulation Authority Rules in the United Kingdom.

Kennedys Law LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KENNEDYS LAW LLP

- We understood how the Group and Limited Liability Partnership is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and confirmation from insurers of the status of and completeness of professional indemnity claims ongoing at year end. Our review of legal expenses accounts were performed to ensure no other material legal matters were detected through our audit procedures.
- We assessed the susceptibility of the Group and Limited Liability Partnership's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. Our considerations include enquiries of management and group management.
- We also considered potential fraud drivers; including financial and other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the Group and Limited Liability Partnership has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing journals and key areas of estimation uncertainty or judgement, for example; estimations of valuation of amounts recoverable on contracts relating to work performed in the year and estimation of provisions in place for trade receivables.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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 by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. 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 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.

DocuSigned by:



B74585C2373744A

Nicholas Carter-Pegg (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

Date: 09 December 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Kennedys Law LLP
CONSOLIDATED INCOME STATEMENT
For the year ended 30 April 2022

	Notes	2022 £'000	2021 £'000
TURNOVER	5	279,479	259,171
OTHER OPERATING INCOME		<u>3,424</u>	<u>2,703</u>
		282,903	261,874
 STAFF COSTS	 7	 (135,411)	 (116,031)
OTHER OPERATING EXPENSES	6	<u>(61,338)</u>	<u>(49,148)</u>
OPERATING PROFIT		86,154	96,695
SHARE OF OPERATING LOSS OF JOINT VENTURE	20	-	(44)
INTEREST RECEIVABLE AND SIMILAR INCOME		4,036	1,098
INTEREST PAYABLE AND SIMILAR CHARGES		<u>(777)</u>	<u>(1,344)</u>
PROFIT FOR THE FINANCIAL YEAR BEFORE TAX AND BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		89,413	96,405
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	<u>(3)</u>	<u>(1,410)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAX AND BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES		89,410	94,995
MEMBERS' REMUNERATION CHARGED AS AN EXPENSE - FIXED SHARES		<u>(42,360)</u>	<u>(47,159)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER MEMBERS FIXED SHARES		<u>47,050</u>	<u>47,836</u>
MEMBERS' REMUNERATION CHARGED AS AN EXPENSE - AUTOMATIC ALLOCATION OF PROFITS		<u>(41,090)</u>	<u>(45,291)</u>
PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		<u>5,960</u>	<u>2,545</u>
 PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		5,757	2,022
NON-CONTROLLING INTERESTS		<u>203</u>	<u>523</u>

The notes on pages 20 to 39 form part of these financial statements

Kennedys Law LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2022

	2022 £'000	2021 £'000
PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	5,960	2,545
EXCHANGE DIFFERENCES ON RETRANSLATION OF FOREIGN OPERATIONS	<u>2,135</u>	<u>(2,162)</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>8,095</u>	<u>383</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO:		
OWNERS OF THE PARENT	7,853	(140)
NON-CONTROLLING INTERESTS	<u>242</u>	<u>523</u>

The notes on pages 20 to 39 form part of these financial statements

Kennedys Law LLP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 April 2022

Registration No: OC353214

	Notes	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	10	1,407	1,922
Tangible assets	11	8,901	6,004
Investments	12	-	-
		<u>10,308</u>	<u>7,926</u>
CURRENT ASSETS			
Debtors	13	151,227	142,221
Cash at bank and in hand		<u>26,753</u>	<u>23,354</u>
		177,980	165,575
CREDITORS: Amounts falling due within one year	14	<u>(82,013)</u>	<u>(84,866)</u>
NET CURRENT ASSETS		95,967	80,709
TOTAL ASSETS LESS CURRENT LIABILITIES		106,275	88,635
CREDITORS: Amounts falling due after more than one year	15	(15,750)	(8,250)
PROVISIONS FOR LIABILITIES			
Other provisions	17	<u>(5,330)</u>	<u>(3,316)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>85,195</u>	<u>77,069</u>
DEFINED BENEFIT PENSION LIABILITY	25	-	(275)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>85,195</u>	<u>76,794</u>
REPRESENTED BY:			
LOANS AND OTHER DEBTS DUE TO MEMBERS WITHIN ONE YEAR			
Members' capital classified as a liability		26,117	22,938
Other amounts due to members		<u>51,144</u>	<u>49,828</u>
		77,261	72,766
MEMBERS' OTHER INTERESTS			
Undistributed reserves classified as equity	20	8,191	4,528
NON-CONTROLLING INTEREST			
Amounts attributable to non-controlling interest	21	(257)	(499)
		<u>85,195</u>	<u>76,795</u>
TOTAL MEMBERS' INTERESTS			
Members' capital classified as a liability		26,117	22,938
Other amounts due to members		51,144	49,828
Members' other interests		8,191	4,528
		<u>85,452</u>	<u>77,294</u>

These financial statements on pages 13 to 39 were approved and authorised for issue by the members and signed on their behalf by:

N P G Thomas
Designated Member
Date: 9/12/2022

N D Williams
Designated Member
Date: 9/12/2022

The notes on pages 20 to 39 form part of these financial statements

Kennedys Law LLP

LIMITED LIABILITY PARTNERSHIP STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

Registration No. OC353214

	Notes	<u>2022</u> £'000	2021 £'000
FIXED ASSETS			
Intangible assets	10	1,406	1,916
Tangible assets	11	4,531	3,023
Investments	12	<u>7,337</u>	<u>7,377</u>
		<u>13,274</u>	<u>12,316</u>
CURRENT ASSETS			
Debtors	13	114,954	104,760
Cash at bank and in hand		<u>10,408</u>	<u>6,618</u>
		<u>125,362</u>	<u>111,378</u>
CREDITORS: Amounts falling due within one year	14	<u>(77,745)</u>	<u>(68,158)</u>
NET CURRENT ASSETS		<u>47,617</u>	<u>43,220</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		60,891	55,536
CREDITORS: Amounts falling due after more than one year	15	(15,750)	(8,250)
PROVISIONS FOR LIABILITIES			
Other provisions	17	<u>(8,054)</u>	<u>(3,310)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>37,087</u>	<u>43,976</u>
DEFINED BENEFIT PENSION LIABILITY	25	-	(275)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>37,087</u>	<u>43,701</u>
REPRESENTED BY:			
LOANS AND OTHER DEBTS DUE TO MEMBERS WITHIN ONE YEAR			
Members' capital classified as a liability		21,454	18,610
Other amounts due to members		<u>15,633</u>	<u>25,091</u>
		<u>37,087</u>	<u>43,701</u>
TOTAL MEMBERS' INTERESTS			
Members' capital classified as a liability		21,454	18,610
Other amounts due to members		<u>15,633</u>	<u>25,091</u>
		<u>37,087</u>	<u>43,701</u>

The exemption taken under section 408 of the Companies Act 2006 from presenting the parent LLP's income statement has been taken. The LLP's profit after members fixed shares for the year ended 30 April 2022 was £27.965m (2021: £36.885m).

These financial statements on pages 13 to 39 were approved and authorised for issue by the members and signed on their behalf by:

N P G Thomas
Designated Member
Date: 9/12/2022

N D Williams
Designated Member
Date: 9/12/2022

The notes on pages 20 to 39 form part of these financial statements

Kennedys Law LLP
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 30 April 2022

	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year before members' remuneration and profit shares	89,410	94,995
Adjustments for:		
Depreciation and amortisation	5,533	3,082
Loss on disposal of fixed assets	5	493
Share of operating loss from joint ventures	-	44
Interest paid	777	1,344
Interest received	(117)	(71)
Taxation (credit)/ expense	(3)	1,410
Increase in trade and other debtors	(9,208)	(14,395)
(Decrease)/ increase in trade and other creditors	(8,759)	3,843
Increase in provisions	2,014	2,718
Decrease in defined benefit pension liability	(275)	(644)
Cash from operations	79,377	92,818
Taxation paid	(1,916)	(390)
Members drawings	(84,874)	(78,370)
Net cash (used by) / generated from operating activities	(7,413)	14,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(4,310)	(4,141)
Interest received	120	71
Net cash from investing activities	(4,190)	(4,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	36,100	-
Repayment of borrowings	(23,500)	(12,485)
Interest paid	(777)	(1,343)
Capital introduced by members	4,702	4,085
Capital repaid to members	(1,523)	(505)
Net cash from / (to) financing activities	15,002	(10,248)
Net increase in cash and cash equivalents	3,399	(259)
Cash and cash equivalents at the beginning of the year	<u>23,354</u>	<u>23,613</u>
Cash and cash equivalents at the end of the year	<u>26,753</u>	<u>23,354</u>
Cash and cash equivalents comprise:		
Cash at bank and in hand	<u>26,753</u>	<u>23,354</u>

In the comparative figures an adjustment has been made to restate interest received.

Kennedys Law LLP

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTERESTS

Year ended 30 April 2022

	Members' capital classified as a liability £'000	Amounts due to members £'000	Sub-total £'000	Members' other interest £'000	Total members' interests £'000
Year ended 30 April 2021:					
At 1 May 2020	19,358	38,371	57,729	2,845	60,574
Profit for the financial year available for discretionary division among members	-	-	-	2,022	2,022
Members remuneration charged as an expense - automatic profit allocation	-	45,291	45,291	-	45,291
Other comprehensive income	-	(1,823)	(1,823)	(339)	(2,162)
Members interests after total comprehensive income	<u>19,358</u>	<u>81,839</u>	<u>101,197</u>	<u>4,528</u>	<u>105,725</u>
Drawings	-	(32,011)	(32,011)	-	(32,011)
Capital introduced	4,085	-	4,085	-	4,085
Capital repaid	<u>(505)</u>	<u>-</u>	<u>(505)</u>	<u>-</u>	<u>(505)</u>
At 30 April 2021	<u>22,938</u>	<u>49,828</u>	<u>72,766</u>	<u>4,528</u>	<u>77,294</u>
Year ended 30 April 2022:					
At 1 May 2021	22,938	49,828	72,766	4,528	77,294
Profit for the financial year available for discretionary division among members	-	-	-	5,757	5,757
Members remuneration charged as an expense - automatic profit allocation	-	41,090	41,090	-	41,090
Other comprehensive income	-	2,537	2,537	(402)	2,135
Members interests after total comprehensive income	<u>22,938</u>	<u>93,455</u>	<u>116,393</u>	<u>9,883</u>	<u>126,276</u>
Drawings	-	(42,311)	(42,311)	(1,692)	(44,003)
Capital introduced	4,702	-	4,702	-	4,702
Capital repaid	<u>(1,523)</u>	<u>-</u>	<u>(1,523)</u>	<u>-</u>	<u>(1,523)</u>
At 30 April 2022	<u>26,117</u>	<u>51,144</u>	<u>77,261</u>	<u>8,191</u>	<u>85,452</u>

Kennedys Law LLP

LIMITED LIABILITY PARTNERSHIP STATEMENT OF CHANGES IN MEMBERS' INTERESTS Year ended 30 April 2022

	Members' capital classified as a liability £'000	Amounts due to members £'000	Members other interests £'000	Total members' interests £'000
Year ended 30 April 2021:				
At 1 May 2020	16,118	20,545	-	36,663
Members remuneration charged as an expense - automatic profit allocation	-	36,885	-	36,885
Members interests after total comprehensive income	<u>16,118</u>	<u>57,430</u>	<u>-</u>	<u>73,548</u>
Drawings	-	(32,339)	-	(32,339)
Capital introduced	3,106	-	-	3,106
Capital repaid	<u>(614)</u>	<u>-</u>	<u>-</u>	<u>(614)</u>
At 30 April 2021	<u>18,610</u>	<u>25,091</u>	<u>-</u>	<u>43,701</u>
Year ended 30 April 2022:				
At 1 May 2021	18,610	25,091	-	43,701
Members remuneration charged as an expense - automatic profit allocation	-	27,965	-	27,965
Members interests after total comprehensive income	<u>18,610</u>	<u>53,056</u>	<u>-</u>	<u>71,666</u>
Drawings	-	(37,423)	-	(37,423)
Capital introduced	3,677	-	-	3,677
Capital repaid	<u>(833)</u>	<u>-</u>	<u>-</u>	<u>(833)</u>
At 30 April 2022	<u>21,454</u>	<u>15,633</u>	<u>-</u>	<u>37,087</u>

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

1. ENTITY INFORMATION

The principal activity of the Group and the LLP during the year continued to be the provision of legal services. The LLP is authorised and regulated by the Solicitors Regulation Authority.

The LLP is incorporated and registered in England & Wales at 25 Fenchurch Avenue, London, EC3M 5AD, which is also its principal place of business.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Companies Act 2006 as applied by LLPs, and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in January 2017. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The functional currency of Kennedys Law LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates. The financial statements are also presented in pounds sterling.

BASIS OF CONSOLIDATION

The consolidated financial statements present the results of Kennedys Law LLP and its subsidiaries ("the Group") as if they formed a single entity. Intergroup transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The result of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

PARENT LLP DISCLOSURE

The LLP has taken advantage of section 408 of The Companies Act 2006 as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own profit and loss account in these financial statements. The LLP's profit after members fixed shares for the year ended 30 April 2022 was £27.965m (2021: £36.885m).

The individual financial statements of Kennedys Law LLP have also adopted the following disclosure exemption:

- the requirement to present a statement of cash flows and related notes.
- the requirement to disclose financial instruments.
- the requirement to disclose certain related party transactions.
- the requirement to disclose remuneration of key management personnel.

GOING CONCERN

After reviewing the Group's forecasts and projections, the members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

In addition to partner funding, the Group's external working capital requirements are provided in the form of overdrafts, term loans and a revolving credit facility. In October 2021, AIB and HSBC entered into a revised bank facility agreement to provide funding to Kennedys Law LLP for a period of three years and with options to renew for a further two years. The total amount of the facility was £70m and is secured by a debenture in favour of AIB and HSBC as a charge over the assets of the LLP and supported by designated guarantors within the Kennedys Group.

GOING CONCERN (continued)

The members are pleased that the business has continued to operate profitably during the COVID-19 pandemic. At the start of the pandemic, the firm took prudent decisions to delay some non-essential expenditure and ensure additional financing arrangements were in place should they be needed. The firm's Global Strategy Board has been closely monitoring the impact of COVID-19 on both our markets and the markets in which our clients operate and continue to evolve strategies to manage any issues and uncertainties. During the year under review, and subsequently, the business has remained robust and continues to operate profitably. Global cash flow forecasts and financial modelling looking forward 3 financial years have provided the members with confidence that the future business outlook remains profitable and cash generative.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below and have been consistently applied during the period.

3.1. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

3.2. Intangible Assets

Intangible assets are measured at cost less accumulated amortisation and any provision for impairment. Amortisation is calculated to write down the cost less estimated residual value of all intangible assets over their expected useful lives, using the straight line method. The estimated useful lives are as follows:

Computer Software	3 years
-------------------	---------

3.3. Tangible Assets

Tangible assets are measured at cost less accumulated depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible assets over their expected useful lives, using the straight line method. The estimated useful lives range as follows:

Leasehold Improvements	The shorter of: the length of the lease or the remaining length of the lease.
Fixtures & Fittings	7 years
Computer Hardware	5 years
Motor Vehicles	4 years

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that their carrying values may not be recoverable.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income and losses' within total comprehensive income.

3.4. Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the LLP and entities controlled by the Group (its subsidiaries).

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.5. Investments in associates and joint ventures

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the Group's share of total comprehensive income and equity of the associate or joint venture, less any impairment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate or joint venture. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate or joint venture are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate or joint venture.

Investments in associates and joint ventures are accounted for at cost less impairment in the individual financial statements.

3.6. Financial instruments

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

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity Instruments

Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivables, net of direct issue costs.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are available, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

3.7. Turnover and amounts recoverable on contracts

Fee income represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the LLP obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration which represents amounts chargeable to clients, including expenses and disbursements but excluding VAT.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the outstanding 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 not billed to clients is included in current assets as amounts recoverable on contracts.

3.8. Debtors

Short term debtors are measured at transaction price, less any provision for impairment.

3.9. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including loans, are measured initially at fair value net of transactions costs, and are measured subsequently at amortised cost using the effective interest method.

3.10. Leases

Assets financed by leasing agreements that give rights approximating to ownership ("finance leases"), are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the income statement in proportion to the remaining balance outstanding.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Depreciation on the relevant asset is charged to the income statement over the shorter of estimated useful economic life and the term of the lease.

3.11. Provisions

Provision for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

3.12. Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.13. Members drawings and profit allocations

Members are permitted to make drawings in anticipation of profits which will be allocated to them. The amount of such drawings is set at the beginning of each financial year, taking into account the anticipated cash needs of the Group and the LLP.

The LLP agreement provides that for certain members fixed amounts determined each year, will be paid to them, irrespective of the profit of the LLP. These amounts are included on the income statement within members' remuneration charged as expense - fixed shares. The allocation of profits is governed by the Members Agreement and the automatic allocation of these amounts are included within on the income statement within members' remuneration - automatic allocation of profits.

Profit allocations are recognised in the year they are declared and become a present obligation of the LLP. A member's share of the profit or loss for the year is accounted for as an allocation of profits. Unallocated profits and losses that relate to certain corporate subsidiaries are included within 'other reserves classified as equity'.

3.14. Members capital

New members are required to subscribe a minimum level of capital and in subsequent years members are invited to subscribe for further capital, the amount of which is determined by the performance and seniority of those members. On retirement capital is repaid to members.

3.15. Taxation

The tax payable on profits is the personal liability of the members. A retention from profits is made to fund payments of taxation on members' behalf. The retention is reflected in amounts due to/from members and payments are charged against this retention.

Group entities are subject to a variety of income and corporation taxes based on their taxable profits, at rates between 15% and 35%. Generally, limited liability partnerships and partnerships, within the Group are not subject to taxation; rather their members are subject to personal income tax. This is a personal liability of the members individually and not of the limited liability partnerships and partnerships.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

3.16. Pension costs

The Group contributes to the personal pension schemes of certain employees. Amounts charged in the income statement represent amounts payable in the year.

The Group also operates a defined benefit pension scheme for certain qualifying employees. This scheme was transferred to Kennedys Law LLP following the merger with Waltons & Morse LLP.

The assets of the scheme are held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

In accordance with the terms of the merger agreement, the contributions payable in respect of the defined benefit pension scheme are charged directly to the former partners of Waltons & Morse LLP.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

3.17. Foreign Currency Translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and the financial position are presented in pounds sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to the income statement.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated from their functional currency to pounds sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimations have been made include:

Working capital assets

Management review the policies applied in the valuation of the various elements of working capital regularly. The approach to revenue recognition depends on work type. For work that is not contingent, revenue is recognised through an assessment of the fair value of unbilled services provided at the reporting date as a proportion of the anticipated value of the engagement. Revenue from contingent work is recognised where the amount of revenue can be measured reliably and it is probable that economic benefits will arise from that work. The judgement applied in testing the reliability of expected future recovery rates is based on historical data and analysis over a period consistent with the work type. Management recognise that a proportion of invoices billed to clients and disbursements incurred on behalf of clients, will prove to be irrecoverable and appropriate provision is made based on transaction age and work type.

Other provisions

Provisions represent an estimate of the potential cost of defending claims and the estimated cost of settling claims up to the excess terms of the LLP's professional indemnity insurance. Factors taken into consideration when making this estimation include the likelihood of an unfavourable ruling as well as the potential cost.

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Recoverability of intercompany balances

The partnership deems that all intergroup balances and amounts owed by related parties are recoverable whilst the group is solvent. The group utilises intergroup and related party balances to transfer funds to meet working capital and other obligations. On a periodic basis, the balances are reviewed to ensure they remain recoverable in reference to the growth and performance of the corresponding entities or related parties to which funds are due from. Where balances are not thought to be recoverable, provisions against those balances are made.

5. TURNOVER

	2022 £'000	2021 £'000
Turnover analysed geographically between markets was as follows:		
UK	154,133	168,720
North America	52,961	40,690
Asia Pacific	39,099	31,619
Europe, Middle East and Africa	28,786	14,773
Latin America and the Caribbean	4,500	3,369
	<u>279,479</u>	<u>259,171</u>

Turnover arose from the rendering of services and was attributable to the principal activity.

6. OPERATING PROFIT

	2022 £'000	2021 £'000
The operating profit is stated after:		
Other operating lease rentals	12,607	13,019
Foreign exchange losses	121	611
Depreciation of tangible assets	4,372	2,224
Amortisation of intangible assets	1,161	858
Loss on disposal of assets	5	493
Fee payable to the LLP's auditors for the audit of the LLP's annual financial statements	203	193
Fees payable to the LLP's auditors and its associates for other services:		
-audit of the financial statements of subsidiaries	57	55
-other services	53	44

7. STAFF COSTS

	2022 £'000	2021 £'000
Staff costs during the year were as follows:		
Wages and salaries	109,148	94,022
Social security costs	9,419	8,391
Other pension costs	4,297	3,626
Other benefits	6,749	4,892
Other staff costs	5,798	5,099
	<u>135,411</u>	<u>116,030</u>

Kennedys Law LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2022

7. STAFF COSTS (continued)

The average number of employees of the Group during the year was:	2022	2021
	No.	No.
Fee earners	1,152	1,108
Other	783	726
	1,935	1,834

There were no staff employed directly by Kennedys Law LLP during the current or prior year.

The average number of members during the year was:	2022	2021
	No.	No.
Full members	104	95
Partial members	176	156
	280	251

Partial members receive a fixed remuneration and a variable element of profit share. The variable profit share element is the members' allocated profit points. Profit share is based on distributable profits available within the global profit pool.

	2022	2021
	£'000	£'000
Distributable profits allocated to partial members	3,126	3,216
Distributable profits available for division amongst full members	40,500	40,252
	43,626	43,468
Total remuneration to key management (being designated members and Board Members) in the group for the year:	11,938	13,819
The amount of profit attributable to the member with the largest entitlement was:	1,582	1,809

Profit attributable to the member with the largest entitlement is calculated based upon any remuneration included within 'members remuneration charged as an expense' plus any profit allocations.

8. DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a stakeholder defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are administered by independent pensions providers. Pension payments recognised as an expense during the year amounted to £4.297m (2021: £3.626m).

Contributions totalling £539,862 (2021: £548,583) were payable to schemes at the end of the year and are included in creditors.

Kennedys Law LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2022

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2022 £'000	2021 £'000
UK corporation tax		
Current year taxation	323	1,486
Overseas taxation		
Current year taxation	110	137
Adjustments in respect of previous periods	(228)	-
Total current tax	<u>(118)</u>	<u>1,623</u>
Deferred taxation: Origination and reversal of timing differences:	(202)	(213)
Tax on profit on ordinary activities	<u>3</u>	<u>1,410</u>

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the United Kingdom at 19% (2021: 19%). The differences are explained as follows:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	<u>89,414</u>	<u>96,405</u>
Tax on profit on ordinary activities at the standard rate of 19% (2021: 19%)	16,989	18,317
Factors affecting change for the year:		
Tax effect of profits of the Group not chargeable to corporation tax	(14,587)	(15,394)
Difference in tax rates	(58)	549
Short term timing differences and non-taxable items	(1,911)	(1,815)
Adjustments in respect of previous periods	(228)	(34)
Deferred tax timing differences	(202)	(213)
Tax results on ordinary activities	<u>3</u>	<u>1,410</u>

10. INTANGIBLE ASSETS

	Group £'000	LLP £'000
Computer Software		
COST		
1 May 2021	6,535	6,477
Additions	646	645
30 April 2022	<u>7,181</u>	<u>7,122</u>
ACCUMULATED AMORTISATION		
1 May 2021	4,613	4,561
Charge for the year	1,161	1,155
30 April 2022	<u>5,774</u>	<u>5,716</u>
NET BOOK VALUE		
30 April 2022	<u>1,407</u>	<u>1,406</u>
30 April 2021	<u>1,922</u>	<u>1,916</u>

Kennedys Law LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2022

11. TANGIBLE ASSETS

GROUP	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Hardware £'000	Motor Vehicles £'000	Total £'000
COST					
1 May 2021	12,007	5,796	6,549	231	24,583
Additions	4,723	410	2,142	-	7,275
Disposals	(1,049)	(19)	(3)	-	(1,071)
30 April 2022	15,681	6,187	8,688	231	30,787
ACCUMULATED DEPRECIATION					
1 May 2021	9,532	4,410	4,482	155	18,579
Charge for the year	3,085	379	885	23	4,372
Disposals	(1,049)	(14)	(2)	-	(1,065)
30 April 2022	11,568	4,775	5,365	178	21,886
NET BOOK VALUE					
30 April 2022	<u>4,113</u>	<u>1,412</u>	<u>3,323</u>	<u>53</u>	<u>8,901</u>
30 April 2021	<u>2,475</u>	<u>1,386</u>	<u>2,067</u>	<u>76</u>	<u>6,004</u>
LLP					
	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
COST					
1 May 2021	8,293	3,802	5,093	205	17,393
Additions	3,208	144	1,471	-	4,823
Disposals	(319)	(19)	-	-	(338)
30 April 2022	11,182	3,927	6,564	205	21,878
ACCUMULATED DEPRECIATION					
1 May 2021	7,528	3,379	3,336	127	14,370
Charge for the year	2,445	132	709	23	3,309
Disposals	(319)	(13)	-	-	(332)
30 April 2022	9,654	3,498	4,045	150	17,347
NET BOOK VALUE					
30 April 2022	<u>1,528</u>	<u>429</u>	<u>2,519</u>	<u>55</u>	<u>4,531</u>
30 April 2021	<u>765</u>	<u>423</u>	<u>1,757</u>	<u>78</u>	<u>3,023</u>

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

12. INVESTMENTS

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Total fixed asset investments comprise :				
Interests in associates	-	-	-	-
Interests in subsidiaries	-	-	7,337	7,377
	<u>-</u>	<u>-</u>	<u>7,337</u>	<u>7,377</u>

Interests in subsidiaries

As at 30 April 2022 the Group and the LLP had interests in the following subsidiaries:

Subsidiary undertaking	Class of holding	Proportion held	Country of Incorporation	Direct / indirect holding	Nature of business
Registered office: 25 Fenchurch Avenue, London, EC3M 5AD					
Kennedys Dubai LLP	Equity	100%	England	Direct	Legal Services
Kennedys Belfast LLP	Equity	100%	Northern Ireland	Direct	Legal Services
Kennedys Singapore LLP	Equity	100%	England	Direct	Provision of Staff
Kennedys Portugal LLP ¹	Equity	50%	England	Direct	Legal Services
Kennedys Brussels LLP	Equity	100%	England	Direct	Legal Services
Kennedys Innovations Limited	Ordinary	100%	England	Direct	Intermediate Holding Company
Kennedys Management Holdings Limited	Ordinary	100%	England	Direct	Intermediate Holding Company
Kennedys Management Services Limited	Ordinary	100%	England	Direct	Provision of Staff
Kennedys International Holdings LLP	Equity	100%	England	Direct	Dormant
Kennedys CIS Limited	Ordinary	100%	England	Indirect	Cost Control Services
Kennedys Overseas Services Limited	Ordinary	100%	England	Indirect	Dormant
Kennedys IQ Limited	Ordinary	100%	England	Indirect	Research and Development

Registered office: Westlands Rd, Eastern District, Hong Kong

Kennedys	Equity	100%	Hong Kong	Direct	Legal Services
----------	--------	------	-----------	--------	----------------

Registered office: Level 48, 25 Martin Place, Sydney, NSW 2000, Australia

Kennedys (Australasia) Partnership	Equity	100%	Australia	Indirect	Legal Services
Kennedys (Australasia) Service Trust	Equity	100%	Australia	Indirect	Provision of Staff
Kennedys (Australasia) Pty Ltd ²	Ordinary	100%	Australia	Indirect	Holding Company

Registered office: Baird House, 4 Lower Gilmore Bank, Edinburgh EH3 9QP

Kennedys Scotland LLP	Equity	100%	Scotland	Direct	Legal Services
-----------------------	--------	------	----------	--------	----------------

Kennedys Law LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2022

12. INVESTMENTS (continued)

Subsidiary undertaking	Class of holding	Proportion held	Country of Incorporation	Direct / indirect holding	Nature of business
Registered office: 2nd Floor, Bloodstone Building, Sir John Rogerson's Quay, Dublin 2, D02 KF24, Ireland					
Kennedys Solicitors LLP	Equity	100%	Ireland	Direct	Legal Services
Kennedys Law Ltd	Ordinary	100%	Ireland	Direct	Property Management
Registered office: No. 98, Room 2901-2904, 29th Floor, Sathorn Square Office Building, North Sathorn Road, Silom, Bang Rak, Bangkok, 10500					
Kennedys (Thailand) Limited ³	Ordinary	74%	Thailand	Indirect	Legal Services
Kennedys Holding (Thailand) Co. Limited ¹	Ordinary	49%	Thailand	Direct	Intermediate Holding Company
Registered office: 31 Rue de Lisbonne, Paris 75008, France					
Kennedys France AARPI	Equity	-	France	Indirect	Legal Services
Registered office: 20 Brunswick Street, Hamilton HM 10, Bermuda					
Kennedys Chudleigh Ltd ⁵	-	-	Bermuda	-	Legal Services
Registered office: 120 Mountain View Boulevard, P.O. Box 650, Basking Ridge, New Jersey 07920, USA					
Kennedys CMK LLP ⁴	Equity	100%	USA	Direct	Legal Services
Registered office: Regnbuepladsen 5, 4th Floor, 1550 Copenhagen, Denmark					
Kennedys Advokatpartnerselskab	Equity	100%	Denmark	Direct	Legal Services
EDS ApS	Equity	100%	Denmark	Direct	Holding Company
Registered office: Av Rivera Navarrete 495 Piso 13, San Isidro Lima 27, Lima, Peru					
Kennedys Law Peru SRL	Equity	100%	Peru	Direct	Legal Services
Registered office: Ground Floor, Chandragiri, Technopark, Kazhakuttom, Trivandrum 695581, India					
Kennedys Kognitive Computing Private Ltd	Equity	100%	India	Indirect	Research and Development
Registered office: Cuzco IV, Paseo de Castellana 141 - 5 floor, Madrid, Comunidad de Madrid 28046, Spain					
Kennedys Law SL	Ordinary	100%	Spain	Indirect	Legal Services

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

12. INVESTMENTS (continued)

Subsidiary undertaking	Class of holding	Proportion held	Country of Incorporation	Direct / indirect holding	Nature of business
Registered office: Avenida Insurgentes Sur 1524, Piso 10 PO-06, Colonia Credito Constructor, Mexico City, 03940, Mexico					
Kennedys Holdings Mexico	Ordinary	100%	Mexico	Direct	Intermediate Holding Company
Kennedys Law Mexico	Equity	100%	Mexico	Direct	Legal services
Registered office: 80 Raffles Place, #44-01 UOB Plaza 1, Singapore 048624, Singapore					
Kennedys Legal Solutions Pte	Ordinary	65%	Singapore	Indirect	Legal Services
Registered office: Unit No. 30-01-2430, Jewellery & Gemplex 3, Plot No: DMCC-PH2-J&GPlexS, Dubai, UAE					
Kennedys Tuli & Co DMCC Dubai	Ordinary	100%	UAE	Indirect	Cost Control Services
Registered office: Carrera 9 #113-01, Piso 28, Edificio Tierra Firme, Usaquen, Bogota, Colombia					
Kennedys Colombia SA	Ordinary	100%	Colombia	Indirect	Legal Services
Registered office: Ed. Brasken Century Office, Rua Joaquim Floriano, 466 - Conj 506/507, Itaim-Bibi, São Paulo CEP 04534-002, Brazil					
Kennedys Technical Services Ltd	Ordinary	75%	Brazil	Indirect	Cost Control Services
Registered office: 2 Hamanofim Street, 4672553 Herzliya, Tel Aviv, Israel					
Kennedys Israel	Equity	100%	Israel	Direct	Legal Services
Registered office: Office 323 Globex Business Centre 2nd Floor, Office Tower, Panorama Mall, Bousher Muscat, Sultanate of Oman					
Kennedys Muscat SPC	Equity	100%	UAE	Indirect	Cost Control Services
Registered office: Office 375 Globex Business Centre 2nd Floor, Office Tower, Panorama Mall, Bousher Muscat, Sultanate of Oman					
Naser Bin Rasheed Bin Sulaiman Al Shamali, Advocates & Legal Consultants (NASLAW) ⁵	-	-	UAE	-	Legal Services
Registered office: Av. Alonso de Córdova 2860, Of. 504 Vitacura, Santiago, Chile					
Kennedys Chile Abogados SpA	Ordinary	100%	Chile	Indirect	Legal Services

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2022

12. INVESTMENTS (continued)

¹ Kennedys Law LLP is deemed to be the controlling party of Kennedys Portugal LLP and Kennedys Holding (Thailand) Co. Limited. As such, these entities have been treated as subsidiary undertakings.

² Kennedys (Australasia) Pty Ltd is owned 6% directly and 94% indirectly.

³ Kennedys (Thailand) Limited is owned 49% directly and 25% indirectly.

⁴ Kennedys CMK LLP is owned 99% directly and 1% indirectly.

⁵ Kennedys Law LLP has no ownership in Kennedys Chudleigh Ltd or NASLAW but a trade agreement is in place.

Audit exemption

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act: Kennedys Dubai LLP (OC352675), Kennedys Belfast LLP (NC000601), Kennedys Singapore LLP (OC352676), Kennedys Portugal LLP (OC360324), Kennedys Brussels LLP (OC305968), Kennedys Scotland LLP (SO307315), Kennedys IQ Limited (10774749), Kennedys CIS Limited (09488173), Kennedys Innovations Limited (07653371) and Kennedys Management Holdings Limited (03114872).

	Group £'000	LLP £'000
At 1 May 2021	-	7,377
Additions	-	-
Disposals	-	(40)
At 30 April 2022	-	7,337

Interests in associates

At 30 April 2022 the Group had interests in the following associates:

Associate undertaking (held indirectly) :	Class of holding	Proportion held	Country of Incorporation	Place of business	Nature of business
Legal Solutions LLC	Ordinary	30%	Singapore	Singapore	Legal Services

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

13. DEBTORS

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Amounts falling due within one year:				
Trade debtors	98,701	91,175	58,770	58,520
Amounts recoverable on contracts	33,802	32,360	13,381	15,388
Amounts owed by subsidiary undertakings	-	-	27,383	18,653
Amounts owed by associated undertakings	3,706	2,944	1,969	1,559
Other debtors	6,867	8,340	8,430	6,048
Prepayments and accrued income	7,704	6,753	5,021	4,592
	<u>150,780</u>	<u>141,572</u>	<u>114,954</u>	<u>104,760</u>
Amounts falling due after one year (see note 18):				
Deferred tax asset	447	649	-	-
	<u>151,227</u>	<u>142,221</u>	<u>114,954</u>	<u>104,760</u>

Impairment losses of £7.068m (2021: £5.768m) have been recognised against trade debtors and £2.6m (2021: £2.6m) against amounts owed by subsidiary undertakings.

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and attract interest at a fixed rate of 3.25% per annum.

14. CREDITORS: Amounts falling due within one year

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans (secured - see note 15)	26,100	21,000	26,100	21,000
Trade creditors	32,452	31,448	23,570	23,205
Amounts due to subsidiary undertakings	-	-	23,330	14,062
Taxation and social security	4,102	8,825	1,255	6,059
Corporation tax	144	852	-	-
Other creditors	3,625	5,568	271	522
Accruals and deferred income	15,590	17,173	3,219	3,310
	<u>82,013</u>	<u>84,866</u>	<u>77,745</u>	<u>68,158</u>

Amounts due to subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Amounts due to members rank behind unsecured creditors.

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

15. CREDITORS: Amounts falling due after more than one year

	Group		LLP	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans	15,750	8,250	15,750	8,250
	<u>15,750</u>	<u>8,250</u>	<u>15,750</u>	<u>8,250</u>
Maturity analysis				
Between 1 to 2 years	4,500	8,250	4,500	8,250
Between 2 to 5 years	11,250	-	11,250	-
	<u>15,750</u>	<u>8,250</u>	<u>15,750</u>	<u>8,250</u>

Bank loans are secured by a fixed and floating charge over the assets of the LLP and supported by designated guarantors within the Kennedys Group. They accrue interest at a rate of 2.1% plus SONIA per annum.

16. NET DEBT RECONCILIATION

Group	1 May 2021 £'000	Cash movements £'000	30 April 2022 £'000
Cash at bank and in hand	23,354	3,399	26,753
Bank loans	(29,250)	(12,600)	(41,850)
	<u>(5,896)</u>	<u>(9,201)</u>	<u>(15,097)</u>

17. PROVISIONS FOR LIABILITIES

Group	Professional Indemnity £'000	Property Provisions £'000	Total £'000
At 1 May 2021	1,992	1,324	3,316
(Decrease)/ increase in provision	(470)	2,484	2,014
At 30 April 2022	<u>1,522</u>	<u>3,808</u>	<u>5,330</u>
LLP	Professional Indemnity £'000	Property Provisions £'000	Total £'000
At 1 May 2021	1,992	1,318	3,310
Increase in provision	3,330	1,414	4,744
At 30 April 2022	<u>5,322</u>	<u>2,732</u>	<u>8,054</u>

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

18. DEFERRED TAXATION

Deferred taxation is provided for at the latest known rate of tax applicable in the relevant local jurisdiction as set out below:

	2022 £'000	2021 £'000
Group		
Differences in the tax bases	<u>447</u>	<u>649</u>
Deferred tax asset	<u>447</u>	<u>649</u>
	<u>447</u>	<u>649</u>

19. FINANCIAL INSTRUMENTS

The Group has the following financial instruments:

	2022 £'000	2021 £'000
Group		
Financial assets		
<i>Instruments measured at amortised cost:</i>		
Trade debtors	98,701	91,175
Amounts recoverable on contracts	33,802	32,360
Amounts owed by associated undertakings	3,706	2,944
Other debtors	6,867	1,756
	<u>143,076</u>	<u>128,235</u>

	2022 £'000	2021 £'000
Group		
Financial liabilities		
<i>Instruments measured at amortised cost:</i>		
Bank loans due within one year	26,100	21,000
Trade creditors	32,452	31,448
Other creditors	3,625	5,568
Accruals	15,590	17,173
Bank loans due after more than one year	15,750	8,250
	<u>93,517</u>	<u>83,439</u>

Kennedys Law LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2022

20. UNDISTRIBUTED RESERVES

	2022 £'000	2021 £'000
1 May 2021	4,528	2,845
Foreign exchange differences on reserves and profits	(402)	(339)
Profit for the year on subsidiaries	5,757	2,066
Share of operating profit of joint ventures and associates	-	(44)
Drawings from subsidiaries of corporate entities	(1,692)	-
30 April 2022	<u>8,191</u>	<u>4,528</u>

Undistributed reserves arise where the subsidiary undertaking, joint venture or investment is a corporate body. They are included in members' other interests.

21. NON-CONTROLLING INTEREST

	2022 £'000	2021 £'000
1 May 2021	(499)	(1,021)
Profit for the year	202	523
Foreign exchange differences on reserves	40	(1)
30 April 2022	<u>(257)</u>	<u>(499)</u>

22. LEASING COMMITMENTS

The Group's future minimum operating lease payments are as follows:

	2022 £'000	2021 £'000
Expiring:		
Within one year	8,966	9,524
Between one and five years	15,185	16,832
More than five years	6,596	7,232
	<u>30,747</u>	<u>33,588</u>

The LLP's future minimum operating lease payments are as follows:

	2022 £'000	2021 £'000
Expiring:		
Within one year	3,257	3,865
Between one and five years	4,192	4,153
More than five years	550	242
	<u>7,999</u>	<u>8,260</u>

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

23. RELATED PARTIES TRANSACTIONS

The Group has taken advantage of the exemption available under Financial Reporting Standard 102 not to disclose transactions with other members of the Group where the voting rights are wholly controlled within the Group. The following disclosures apply to non-wholly owned entities.

	2022 £'000	2021 £'000
Sales to associates	162	121
Sales to subsidiaries	335	231
Purchases from associates	28	45
Purchases from subsidiaries	26	23
Amounts due (to)/from associates	929	572
Amounts due from subsidiaries	1,308	1,511
Key management personnel compensation	2,533	2,503

Loans to subsidiaries and associates are unsecured and incur interest at a fixed rate of 3.25% per annum.

Key management personnel include designated members and a number of senior partners and managers within the group who have authority and responsibility for planning, directing and controlling the activities of group entities.

24. FINANCIAL RISK MANAGEMENT

The Group has exposure to three main areas of risk - foreign exchange transactional currency exposure, liquidity risk and client credit exposure. To a lesser extent the Group is exposed to interest rate risk.

Foreign exchange transactional currency exposure

The Group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the treasury function.

Liquidity risk

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has credit facilities available. Given the maturity of the bank loans (see note 15), the Group is in a position to meet its commitments and obligations as they come due.

Client credit exposure

The Group may offer credit terms to its clients which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a client may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going client relationships.

Interest rate risk

The Group borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rate.

Kennedys Law LLP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2022

25. DEFINED BENEFIT PENSION LIABILITY

The Group participates in a defined benefit pension plan arising from a merger with Waltons & Morse LLP which took place on 31 October 2016. The scheme requires contributions to be made to separately administered funds. The scheme is closed to new entrants and became paid up with effect from 31 July 2009.

The scheme deficit as at 30 April 2022 was £nil (2021: £275k) and is included on the face of the statement of financial position while any deficit is fully recoverable from the former partners of Waltons & Morse LLP (and therefore there is a debtor balance of £nil (2021: £275k) included within other debtors). The scheme is accounted for under FRS 102. However further FRS 102 disclosures have not been provided because the amounts involved are not considered to be material to the partnership and Group financial statements.

26. CONTROLLING PARTY

The LLP does not have a parent undertaking. The ultimate controlling party of the LLP and Group is considered to be the members in aggregate.