LLP registration number OC343897

Irwin Mitchell LLP

Members' report and financial statements

For the year ended 30 April 2023

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Irwin Mitchell LLP

Members' report and financial statements
For the year ended 30 April 2023

Contents

Irwin Mitchell LLP
LLP information

LLP Name	Irwin Mitchell LLP
LLP Registration number	OC343897
Registered office	Riverside East 2 Millsands Sheffield United Kingdom S3 8DT
Designated members	Richard Allen Susana Berlevy Victoria Brackett Neil Gilbert Bruce Macmillan Craig Marshall Andrew Tucker Nirupa Wikramanayake
Bankers	Barclays Bank plc Leicester United Kingdom LE87 2BB HSBC Bank plc Carmel House 46-63 Fargate Sheffield United Kingdom S1 2HD Lloyds Bank plc 14 Church Street Sheffield United Kingdom S1 1HP Santander UK plc 2 Triton Square Regents Place London United Kingdom NW1 3AN
Auditor	Ernst & Young LLP Bridgewater Place 1 Water Ln, Holbeck Leeds United Kingdom LS11 5QR

Irwin Mitchell LLP
Statement of Members' Responsibilities
For the year ended 30 April 2023

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with International Accounting Standards in conformity with the requirement of the Companies Act 2006. The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the profit or loss of the firm for that period. In preparing these financial statements, the members are required to:

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

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to Limited Liability Partnerships, and in accordance with the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnership (issued July 2014). They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Irwin Mitchell LLP
Members' Report
For the year ended 30 April 2023

Principal activity
The LLP's principal activity is to provide a broad range of legal and financial services to both individuals and businesses. All results derive from continuing activities.

Business review
Our underlying financial performance in FY23 was robust despite the uncertain environment following the pandemic and the impact of the ongoing macroeconomic volatility due to several factors including the war in Ukraine, high inflation and the cost of living crisis. Overall, revenue decreased by £2.2m (1%) resulting from the planned run-off of our Volume Personal Injury business.

Supported by a strong balance sheet and the resilient nature of our business model, which gives us high revenue and cash forward visibility, we head into FY24 with cautious optimism. Consistent with the rest of the UK legal services sector, and indeed the wider economy, we are seeing cost rises due to both inflationary pressures and the impact of wider macroeconomic volatility. We continue to actively manage the LLP's cost base to help mitigate the impact of these and remain focused on growing the business and realising operational efficiencies.

<u>Progress against our Strategic Objectives</u>

Our strategy is closely aligned with our purpose and is focused on delivering positive outcomes for all our stakeholders, clients, colleagues and communities. We will provide exceptional client experiences through our leading approach to doing business responsibly which will result in the sustainable growth of our business.

We will measure the success of our strategy through the following key objectives:

- Becoming a leading responsible business;
- Meeting more needs for more clients;
- Enhancing our clients' experiences by extending our human touch across our digital platforms;
- Being flexible, diverse and agile; and
- Developing valuable and enduring relationships.

Becoming a leading responsible business

Being a responsible business is at the heart of our business model. Our commitment to responsible business is about inclusive and sustainable relationships with all our stakeholders and our progress over the past 12 months has been pleasing. From our work on climate action, to the launch of our client ESG proposition, to supporting colleagues with wellbeing and the changes we are making through our colleague-led diversity and inclusion groups, through to the range of charitable initiatives and partnerships we have supported this year. We have launched three national charity partnerships which our colleagues across the UK will support together over the next three years.

Meeting more needs for more clients

Meeting more needs for clients is a key business imperative and the focus of our growth strategy. We differentiate ourselves via our ability to provide complementary solutions that support businesses and families throughout their lifetime in a human and responsible way. This enables us to attract new clients, provide additional services, improve retention levels, and therefore improve our overall clients' experiences. Our growth strategy is focused on four key components:

i) Market development;

ii) Market penetration;

iii) Product development; and

iv) Diversification.

Business review (continued)

During FY23 we managed to deliver growth against all these focus areas through the completion of lateral partner hires, broadening our geographical footprint in the UK by opening new offices in Liverpool and Cardiff and diversifying our service offering through the launch of our ESG proposition and new client service offerings. As we continue to build our reputation as a premium full service law firm, I am proud to share that we were once again named as a legal Superbrand for the third year running and were again recognised by the Legal 500 as the number one firm for client service out of the top 25 law firms in the UK.

Enhancing our clients' experiences by extending our human touch across our digital platforms

Enhancing our clients' experiences by becoming a digital business is our next strategic priority. Building on our strong foundations, we have plans to accelerate the use of data, analytics, and insight to improve business performance and help deliver higher levels of client satisfaction. Last year, we announced a new strategic partnership to roll out a new platform which will include two elements, a Client Relationship Management platform and the Next Generation approach for case and matter management. The roll-out continues to proceed to plan and will make our processes more efficient, helping our teams to collaborate more effectively around clients' needs and will give us a greater insight into client relationships. We've also commenced a strategic partnership with a new IT services provider which will help us to transform the user experience both our colleagues and clients receive.

Being flexible, diverse and agile

Being flexible, diverse and agile is an important component of our strategy that recognises the need to engage with our colleagues at all levels so that we nurture an inclusive environment where everyone can thrive and contribute to the LLP's long-term targets. By continuing to listen to our colleagues through regular pulse surveys and annual surveys, we have been able to implement several changes that have helped to empower colleagues and promote a healthy workplace culture of openness, trust and collaboration. We have delivered an inclusive and flexible hybrid-working model through which our offices are just one environment in which our colleagues and clients work and collaborate. Our colleagues continue to score us highly in the independent Great Place to Work Initiative's Best UK Workplaces index, where we maintained our high employee engagement score of 77%. This ranked us 19th for 2023, our third consecutive year in the top 20 for Super Large Businesses across all sectors nationally.

Developing valuable and enduring relationships

Lastly, turning to our strategic priority around developing valuable and enduring relationships. It's crucial that we develop strong relationships with all our stakeholders, based on mutual trust and respect. We launched our new flagship Priority Client Programme (PCP) in FY22 to protect and grow our relationships with our strategic clients and referrers. I am pleased to share that one year on, the PCP has achieved more than 12,000 instructions from a broad range of clients across our growth sectors and audiences achieving an average service line penetration of five across these relationships.

Our established presence in the UK positions us well to increase our share of revenue that is generated from international clients based overseas that need legal expertise across the UK and those based in the UK that need complex solutions internationally. We support a range of clients across our three audience segments and have established networks in over 100 countries which we use to generate new business and refer work to. We have specific expertise in certain jurisdictions where colleagues have deep cultural and often linguistic skills to assist our clients.

Financial Performance

Our underlying financial performance in FY23 was robust despite the uncertain environment following the pandemic and the impact of the ongoing macroeconomic volatility due to several factors including the war in Ukraine, high inflation and the cost-of-living crisis.

Revenue decreased from the previous year by 1% to £262.0m (FY22: £264.2m), driven by the planned reduction in our Volume Personal Injury business where revenues decreased by £3.0m to £5.7m (FY22: £8.7m). Operating profit decreased by 9.8% to £61.0m (FY22: £67.6m), largely reflecting the impact of cost inflation, as well as one off costs related to property write downs (£2.9m) as we seek to optimise our office footprint to cater to the evolving needs or both our clients and colleagues. Profit for the financial year available for discretionary division among members reduced by £5.9m to £24.0m (FY22: £29.9m) due to the lower operating profit as well as a £2.2m increase to Members' remuneration charged as an expense, due to a combination of headcount increases and increases in profit share.

Our Statement of Financial Position remains healthy, including cash at bank or on hand of £29.6m (FY22: £35.1m). The Irwin Mitchell Holdings Group, of which the LLP is a part, has a committed combined overdraft and revolving credit facility (RCF) arrangement of £50m, providing the LLP with additional liquidity to manage future challenges and execute our plans for growth. The LLP is an obligor to the RCF, along with Irwin Mitchell Holdings Limited. Net assets increased during FY23 by £5.2m to £139.0m (FY22: £133.8m).

The Complex Personal Injury ('CPI') segment provides a range of legal services to individuals in relation to CPI claims, covering Medical Negligence, Serious Injury and Workplace Illness. The complex nature of the cases means that the average case duration is around four years, with the more complex cases (which generate the highest revenues) taking longer to achieve a successful outcome for our clients. Our CPI segment grew in the year; however, revenue growth was offset by the impact of staff cost inflation resulting in a decreased gross margin compared to prior year. As a result of the pandemic and the implications of the various lockdown measures, we saw a temporary reduction in new business volumes across our CPI business, a key driver being reduced road traffic accidents. We also saw a reduction in new medical negligence cases as a result of medical procedures being cancelled or postponed. Following the lifting of final lockdown restrictions in Q4 FY22, we have seen new client enquiries and the value of new business improve significantly. Due to the prolonged nature of CPI cases, the temporary drop in new case volumes during the pandemic period is likely to continue to impact revenue until at least FY24, however, this is expected to be largely offset by the expected completion of older cases approaching settlement and by the growth of new higher value cases. Our revenue pipeline, which is an indicator of the visibility of our future revenue from ongoing cases, demonstrates this with a £17m or 7% increase since pre-pandemic to £266m (FY21: £249m) leaving the segment with a robust foundation from which to drive further growth. We continue to influence and respond to market change and legal reforms, seeking to protect claimant rights and adapt our CPI business to maintain profit margins.

The Life Cycle Legal Services ('LCLS') segment delivered revenue growth of £6.0m or 7.2% to £89.7m (FY22: £83.7m). This was a strong performance and demonstrates the benefit of the diversified nature of our cyclical and countercyclical services. Our Private Client and Family Law service lines performed particularly strongly in a competitive market to deliver significant growth year on year, while our Commercial Advisory and Disputes service business fell slightly during the year. Gross profit in LCLS was up 7.1% or £2.3m to £34.5m (FY22: £32.2m). The growth in revenue and the implementation of cost control measures, helped hold gross margin at 38.5%, consistent with prior year (38.5%) and significantly ahead of pre-COVID FY20 levels of 35.7%.

Our non-core Other Businesses segment largely comprises the Volume Personal Injury ('VPI') service line, which is being disposed as part of a runoff agreement with Minster Law and Gildeas Solicitors to enable the Company to focus on the higher value CPI market. The run-off of our VPI operations is expected to complete by the end of FY24.

The Board is satisfied with the performance this year, which has seen the LLP emerge from the pandemic in a robust financial position, having generated profit and cash flow levels in line with expectations, without compromising on our ongoing commitment to continue investing in people and technology, leaving the LLP well positioned to execute its growth plans.

The Board is mindful of the current macroeconomic and geopolitical volatility caused by events in Ukraine and the rapid rise of global inflation and will keep the implications of these events under review, whilst responding to any changes to UK government or regulatory policy.

Financial Performance (continued)

Despite the clear macroeconomic risks our intention remains delivery of sustainable long-term growth.

We head into FY24 from a position of strength, with renewed focus and sense of purpose to make the investments needed to support our plans for growth, while continuing to maintain strict financial discipline.

Future developments and subsequent events

As we continue to deliver our multi-year strategy, the Board expects profit to improve in the year ahead, building on the work done in FY23. We remain focused on delivering positive outcomes for our stakeholders and investing for the future while maintaining a strict approach to managing our cost base and focus on return on investment.

Going concern

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

In arriving at the above assessment, the Board has undertaken a comprehensive review of the LLP's financial position and prospects. A committee oversees and monitors the LLP's financial forecasts. During the year it has reviewed developments on a regular basis and has reviewed the forecasts for the forthcoming 12 months.

The LLP has ended the year in a £29.6m cash positive position and additional committed undrawn liquidity of £50m available to the IMH Group as a whole. Management expect the LLP to remain profitable, cash generative and in compliance with the ratios required in our banking covenants throughout at least the forthcoming 12 months.

Further details regarding the adoption of the going concern basis can be found in note 1(b) to the financial statements.

Transactions with members

The members participate in the firm's profit, share the risks and subscribe the firm's capital. There are two grades of individual member, being full equity members ('FEMs') and fixed share members ('FSMs'). Both grades of membership are awarded a fixed base remuneration, are eligible for a discretionary division of final profit ('bonus') and must contribute capital at the commencement of their membership.

All individual members are awarded a base remuneration at the start of the year, which is treated as Members' remuneration as an expense in the statement of comprehensive income. In addition there is a discretionary allocation of profit available for division amongst members (after the deduction of fixed members' base remuneration for the year), in line with the terms of the LLP deed, which is allocated as a 'bonus pool' and allocated to members after the end of the financial period and is therefore treated as a final division of profits in the statement of members' interests. The remainder of profit available for discretionary division amongst members after the allocation of 'bonus pool' to individual members is allocated to the LLP's corporate member, Irwin Mitchell Holdings Limited as part of the final division of profits.

All individual members (FEM and FSM) are required to contribute capital amounting to a minimum of 30% of their base remuneration (notional salary) and cash allowances within 2 months of becoming a member. FEMs have higher individual target capital requirements which is calculated based on their level of base remuneration. FEMs are able to introduce their increased requirement over a number of years, subject to a minimum increase each year. All FEMs are expected to reach their target capital level over a maximum of 6 years from becoming an FEM.

On leaving the LLP, a member's capital is repayable over a period of time as agreed from time to time.

The LLP's drawings policy allows each individual member to draw their base remuneration in monthly instalments. Any bonus (final division of profit) payment, net of tax retention, is paid after the year end. With the consent of members, the LLP retains a provision for tax from their base remuneration and bonus (final division of profits) which is paid to HMRC on their behalf.

Political contributions
No political donations were made by the LLP during the year (FY22: £nil).

Risk Management
The LLP (which is part of the Irwin Mitchell Holdings Group) actively manages through its Governance and Risk frameworks a number of Principal Risks which are described in detail in the Irwin Mitchell Group Annual Report and financial statements, available at www.irwinmitchell.com.

Effective risk management is integral to our organisation; both helping us to protect our business and realise our strategic objectives. Our Governance structure, supported by our risk architecture ensures that risk receives the requisite level of focus and attention throughout the organisation. The Board are accountable for ensuring the effectiveness of our risk management activities. The Board are supported by Risk Committees who evaluate both existing and emerging risks and provide assurances that these risks are being managed effectively.

The management of Risk is the responsibility of everyone across the organisation; to assist with this we utilise the Three Lines Model meaning that risks are owned and managed by those responsible for them within the business, the First Line. The Risk Management Team, in conjunction with other Second Line control functions, oversee this process and facilitate recommendations and provision of assurance to the Board. This is underpinned by the Third Line of Risk Assurance Audit which provides regular and independent reviews on the effectiveness of our control environment. In the last year we have purchased a bespoke Risk Management software tool, Origami to better service the existing Three Line Model and thus enhance our ability to identify, assess, treat and report on risks across our business and importantly ensure that they are being managed appropriately and proportionately.

Stakeholder engagement
The Board continues to act in a way that they consider would be most likely to promote the success of the LLP for the benefit of its members as a whole, having regard to the interests of a number of stakeholders when making strategic decisions.

Our purpose, which is set out in our annual plan and communicated to all colleagues, is 'Together we'll navigate life's ups and downs'. This helps guide our approach to decision-making and strategic initiatives.

Further detail on Stakeholder Engagement is provided in the Irwin Mitchell Group Annual Report and financial statements, available at www.irwinmitchell.com.

Responsible Business
We're proud of the strong heritage we have of supporting our communities, our colleagues and our clients to do business responsibly. In essence, our purpose is about working together to do the right thing, both now and for the future. It's that ethos which underpins our entire approach to responsible business.

Further detail on Responsible Business is provided in the Irwin Mitchell Holdings Limited Annual Report and financial statements, available at www.irwinmitchell.com.

Designated members
Designated members are those appointed to the LLP Board. The following members were designated members during the year and to the date of this report:

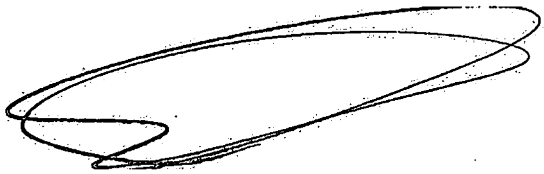
Richard Allen
Susana Berlevy
Victoria Brackett
Garry Dowdle (resigned 31 December 2022)
Neil Gilbert
Bruce Macmillan
Craig Marshall
Andrew Tucker
Nirupa Wikramanayake (appointed 29 June 2023)

Disclosure of Information to Auditor
Having made the required enquiries, so far as the Members are aware, there is no relevant audit information of which the company's auditor is unaware. Further, the Members have taken all steps they ought to have taken as Members in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Reappointment of auditor
A resolution to reappoint Ernst & Young LLP as statutory auditor will be proposed at the forthcoming Annual General Meeting.

Post balance sheet events
There are no post balance sheet events to report.

Approved by and signed on behalf of the members:



Andrew Tucker
Designated Member

Date: 4 August 2023

Irwin Mitchell LLP
Independent Auditor's Report to the Members of Irwin Mitchell LLP
For the year ended 30 April 2023

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Irwin Mitchell LLP for the year ended 30 April 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Financial Position, Statement of Changes in Members' Interest and the related notes 1 to 23, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period to 30 September 2024.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

Responsibilities of members
As explained more fully in the Members' Responsibilities Statement set out on page 2, 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 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership and determined that the most significant are Companies Act 2006 as applied to limited liability partnerships, FRS 101, relevant tax compliance legislation and the requirements of the Solicitors' Regulation Authority.
- We understood how Irwin Mitchell LLP is complying with those frameworks by making enquiries of management and those charged with governance, holding internal, audit team discussion on the inherent risk factors present within the group, and, considering our understanding of the group;
- We assessed the susceptibility of the limited liability partnership's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying controls which are in place at an entity level and whether the design of these controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our risk assessment. We consider the risk of fraud through management override and consider the design and implementation of controls at the financial statement level to prevent this, as well as incorporating data analytics across annual journal entries in our audit approach;

Auditor's responsibilities for the audit of the financial statements (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of management and those charged with governance, reading of board minutes.
- Irwin Mitchell LLP is regulated and we have made enquiries with management in relation to the extent of its current activities, the scope of its authorisation and considered the appropriateness of its control environment.

A further description of our responsibilities for the audit of the financial statements is located 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young LLP
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Kate Jarman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
4 August 2023

Irwin Mitchell LLP
Statement of Comprehensive Income
For the year ended 30 April 2023

	Note	2023 £'000	2022 £'000
Revenue	3	**262,028**	**264,201**
Staff costs	6	(117,033)	(112,237)
Operating costs	4	(84,568)	(84,317)
Other operating income		600	-
Operating profit	4	**61,027**	**67,647**
Interest receivable	8	3,062	378
Interest payable and similar charges	9	(1,551)	(1,785)
Profit for the financial year before members' remuneration and profit shares		**62,538**	**66,240**
Members' remuneration charged as an expense	7	(38,545)	(36,311)
Profit for the financial year available for discretionary division among members and total comprehensive income		**23,993**	**29,929**

All activities relate to continuing operations.

Irwin Mitchell LLP **LLP registration number OC343897**
Statement of Financial Position
As at 30 April 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	10	5,647	3,866
Tangible assets	11	4,242	4,064
Right of use assets	12	37,794	45,615
Trade and other receivables	14	8,477	17,559
Investments	13	750	750
		56,910	71,854
Current assets			
Trade and other receivables	14	273,819	267,200
Cash and cash equivalents		29,578	35,074
		303,397	302,274
Current liabilities			
Amounts due to former members	16	(3,837)	(2,947)
Trade and other payables	15	(145,109)	(146,192)
Taxation and social security		(11,278)	(7,357)
Lease liabilities	17	(8,703)	(10,059)
		(168,927)	(166,555)
Net current assets		**134,470**	**135,719**
Total assets less current liabilities		**191,380**	**207,573**
Non-current liabilities			
Amounts due to former members	16	(3,920)	(5,641)
Lease liabilities	17	(31,696)	(40,707)
		(35,616)	(46,348)
Provisions for liabilities	18	(16,724)	(27,428)
Net assets attributable to members		**139,040**	**133,797**
Represented by:			
Loans and other debts due to members			
Members' capital classified as a liability		24,568	29,424
Other amounts - corporate member		76,359	62,720
Other amounts - individual members		14,120	11,724
		115,047	103,868
Total reserves attributable to members			
Other reserves classified as equity		23,993	29,929
		139,040	**133,797**
Total members' interests			
Loans and other debts due to members		115,047	103,868
Members' other interests		23,993	29,929
		139,040	**133,797**

Irwin Mitchell LLP
Statement of Financial Position
As at 30 April 2023

These financial statements were approved and authorised for issue by the LLP Board.

On behalf of the members

Andrew Tucker
Designated Member

Date: 4 August 2023

Irwin Mitchell LLP
Statement of Changes in Members' Interest
For the year ended 30 April 2023

	Members' other interests		Loans and other debts due to members				
	Other reserves (classified as equity) £'000	**Total equity £'000**	Members' capital (classified as a liability) £'000	Other amounts – corporate member £'000	Other amounts – individual members £'000	**Total loans and other debts due to members £'000**	**Total members interests £'000**
Balance at 30 April 2021	49,964	**49,964**	26,856	35,744	9,044	**71,644**	**121,608**
Members' remuneration charged as an expense	-	-	-	-	36,311	**36,311**	**36,311**
Profit for the financial year ended 30 April 2022 available for discretionary division amongst members	29,929	**29,929**	-	-	-	-	**29,929**
Members' interest after profit for the year	79,893	**79,893**	26,856	35,744	45,355	**107,955**	**187,848**
Final division of profit for the year ended 30 April 2021	(49,964)	**(49,964)**	-	36,437	13,527	**49,964**	-
Transfers to Amounts due to former members in Statement of Financial Position	-	-	(1,223)	-	(987)	**(2,210)**	**(2,210)**
Introduced	-	-	3,791	2,358	-	**6,149**	**6,149**
Payments to members	-	-	-	(11,819)	(46,171)	**(57,990)**	**(57,990)**
Balance at 30 April 2022	29,929	**29,929**	29,424	62,720	11,724	**103,868**	**133,797**
Members' remuneration charged as an expense	-	-	-	-	38,545	**38,545**	**38,545**
Profit for the financial year ended 30 April 2023 available for discretionary division amongst members	23,993	**23,993**	-	-	-	-	**23,993**
Members' interest after profit for the year	53,922	**53,922**	29,424	62,720	50,269	**142,413**	**196,335**
Final division of profit for the year ended 30 April 2022	(29,929)	**(29,929)**	-	20,361	9,568	**29,929**	--
Transfers to Amounts due to former members in Statement of Financial Position	-	-	(3,441)	-	(1,264)	**(4,705)**	**(4,705)**
Introduced	-	-	4,689	830	-	**5,519**	**5,519**
Payments to members	-	-	(6,104)	(7,552)	(44,453)	**(58,109)**	**(58,109)**
Balance at 30 April 2023	23,993	**23,993**	24,568	76,359	14,120	**115,047**	**139,040**

1. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. They have all been applied consistently throughout the current year and in the preparation of the comparative figures.

a. General information and basis of accounting
Irwin Mitchell LLP ("the LLP") is a Limited Liability Partnership incorporated in the United Kingdom and is registered in England and Wales under the Limited Liability Partnership Act 2000. The address of the registered office is given on page 1. The nature of the LLP's operations and its principal activities are set out in the members' report on pages 3 to 8.

These financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the LLP applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("UK Adopted International Accounting Standards"), but makes amendments where necessary in order to comply with Companies Act 2006 as applied to LLPs and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – business combinations that took place prior to 1 May 2019 have not been restated.

The functional currency of Irwin Mitchell LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the LLP operates.

Irwin Mitchell LLP meets the definition of a qualifying entity under FRS 101 and has therefore taken advantage of the following disclosure exemptions available to it in respect of its separate financial statements:

- The requirements of IAS 7 'Statement of Cash Flows' to present a statement of cash flows;
- Disclosure of key management personnel compensation;
- The requirement of IAS 24 'Related Party Disclosures' to disclose related party transactions and balances between two or more members of a group;
- Comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment and intangible assets;
- A reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- Disclosures required by IFRS 7 Financial Instrument Disclosures; and
- Disclosures required by IFRS 15 regarding contracts with customers (including reconciliation of contract assets and contract liabilities).

Where required equivalent disclosures are given in the Group accounts of Irwin Mitchell Holdings Limited. The Group accounts are available to the public and can be obtained as set out in note 23.

Subsidiary undertakings have not been consolidated by Irwin Mitchell LLP as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of Irwin Mitchell Holdings Limited, whose financial statements may be obtained from the Registrar of Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

1. Accounting policies (continued)

b. Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Members' Report.

Performance in the year was good, with the LLP achieving Profit for the financial year available for discretionary division among members of £24.0m.

The LLP meets its day to day working capital requirements primarily through available cash and cash equivalent balances, which stand at £29.6m at April 2023. The LLP is a named party to the Irwin Mitchell Holdings Group's committed £50m revolving credit facility ('RCF'), which has not been drawn down at any point during the year. The RCF was renewed in August 2022 and is committed through to August 2026. The ongoing availability of borrowing facilities is dependent upon continued compliance with associated banking covenants and compliance was maintained throughout the year, and is expected to be comfortably maintained for the foreseeable future.

The LLP has good visibility over its revenue pipeline. On the basis that CPI cases typically take an average of around four years to work through to conclusion and final billing, is it therefore anticipated that the vast majority of CPI income throughout the going concern period will arise from secured work. This forward visibility gives management comfort of the availability of future income.

The Irwin Mitchell Holdings Group's Financial Continuity Committee ('FCC') meets at least monthly to discuss latest cash flow projections, extending out to at least 30 September 2024. The projections are developed, reviewed and updated regularly by senior management across the LLP.

The most recent projections show the LLP as remaining significantly profitable throughout the going concern period and with significant headroom on available cash of at least £44m. This amount of headroom on availability facilities is considered highly likely to be adequate to enable the business to continue in operation and support growth plans for the going concern period to 30 September 2024.

Management have stress tested the base case Strategic Growth Plan ('SGP') by modelling a severe downside scenario, which reduces revenue below that achieved in FY23, represented by a 10% reduction in budgeted revenue and cash collections (offset by corresponding impacts on bonus payments and limited reductions in discretionary spend). This scenario is considered sufficiently unlikely on the basis that management has good visibility over the future income stream (particularly in CPI as noted above) and that the LLP has demonstrated its resilience to short and medium term macro-economic instability through the COVID-19 pandemic and current macro-economic risks. The impact of the severe downside scenario, if unmitigated and when modelled throughout the going concern period, would likely result in a utilisation of the borrowing facilities but with liquidity headroom at all times exceeding £39m and sufficient headroom on all banking covenants.

It is therefore considered highly unlikely that conditions change to such a degree within the outlook period to see headroom on available facilities or covenant headroom be reduced to such a degree that mitigating actions would be required in order to fund ongoing operations, however, the LLP has proven through its reaction to the COVID-19 pandemic that it is capable of reacting swiftly to changing circumstances in order to substantially manage costs during a prolonged period of uncertainty. During FY21, the LLP achieved an estimated cost saving of £12m as a result of actions and decisions taken by the Financial Continuity Committee. Going forward, similar mitigating actions are available to the LLP if required, in addition to others such as reducing spend on Growth plans, should the highly unlikely need arise.

Based upon their assessment of the forecasts described above, the directors have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the going concern period to 30 September 2024. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1. Accounting policies (continued)

c. Intangible assets - goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested at least annually for impairment or where indicators of impairment are present.

d. Intangible assets – software
Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the LLP intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the LLP can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill, with an indefinite useful life, is tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software development costs - Straight line over the estimated useful life of the asset (2-5 years)

e. Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets, as follows:

Leasehold improvements	Straight line over length of lease
Fixtures, fittings & computers	15% - 33% straight line

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

f. Non-current investments
Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

g. Impairment of non-financial assets
The carrying amounts of the LLP's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1. Accounting policies (continued)

g. Impairment of non-financial assets (continued)
For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h. Financial instruments

i. Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the LLP becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement
Financial assets

(a) Classification
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1. Accounting policies (continued)

h. Financial instruments (continued)

(b) Subsequent measurement and gains and losses

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the LLP are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the LLP to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the LLP; and

(b) where the instrument will or may be settled in the LLP's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of equity instruments or is a derivative that will be settled by the LLP exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of equity instruments, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

The LLP's other financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Exchange gains/losses from retranslation of monetary items are recognised in profit and loss, including gains or losses on derecognition.

iii. Impairment

The LLP recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The LLP measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the LLP considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LLP's historical experience and informed credit assessment and including forward-looking information.

The LLP considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Irwin Mitchell LLP
Notes to the Financial Statements
For the year ended 30 April 2023

1. Accounting policies (continued)

h. Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the LLP assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

i. Leases and right of use assets

The LLP accounts for a contract as a lease when it conveys the right to control the use of an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

a) There is an identified asset
b) The LLP obtains substantially all the economic benefits from use of the asset and
c) The LLP has the right to direct use of the asset

All leases are accounted for by recognising a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the LLP except for:

• Leases of low value assets (<£5,000) and
• Leases with a term of 12 months or less

Leases which meet the criteria above are recognised as an expense on a straight-line basis over the lease term. Examples of low-value underlying assets used by the LLP include personal computers and small items of office furniture.

A contract may include an amount payable by the LLP for activities and costs that do not transfer a good or service to the LLP. For example, lessor may include in the total amount payable a charge for administrative tasks (maintenance charge), or other costs it incurs associated with the lease. Such amounts payable do not give rise to a separate component of the contract, but are considered to be part of the total consideration that is allocated to the separately identified components of the contract. For the lease of cars, the LLP has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. For the lease of properties, the LLP has elected to separate non-lease components and recognise the non-lease components in profit and loss as incurred.

The lease term begins at the commencement date and includes any rent free periods. The lease term is the non-cancellable period of a lease, together with both:

a) periods covered by an option to extend the lease (if the LLP is reasonably certain to exercise the option)

b) periods covered by an option to terminate the lease if the LLP is reasonably certain not to exercise that option.

The LLP recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes:

• the amount of lease liabilities recognised
• initial direct costs incurred, and
• lease payments made on or before the commencement date, less any lease incentives received.

Right-of-use assets are subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1. Accounting policies (continued)

i. Leases and right of use assets (continued)
Lease liabilities are initially measured at the net present value of lease payments to be made over the lease term. The lease payments include:

• fixed payments (including in-substance fixed payments) less any lease incentives receivable
• variable lease payments that depend on an index or a rate, and
• amounts expected to be paid under residual value guarantees

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the LLP and payments of penalties for terminating a lease, if the lease term reflects the LLP exercising the option to terminate. In calculating the present value of lease payments, the LLP uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate that the LLP would have to pay for a loan of similar term, and with similar security, to obtain an asset of similar value.

The incremental borrowing rates are calculated using an entity-specific synthetic credit rating (using Moody's credit rating methodology for the business and consumer service industry). Relevant corporate yield curves are used as the basis for the incremental borrowing rate (narrowed down for currency, sector, frequency and credit rating), with an adjustment applied to the lease term as appropriate in order to conclude on a suitable IBR considering the repayment profile of the lease compared to those of the corporate yield curve. The yield is supplemented by an asset specific adjustment considering the security arising from the right-of-use asset and lease duration.

After the commencement date, the amount of lease liabilities is increased to reflect the result of interest charged and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The LLP accounts for lease modifications as a separate lease if both:

• the modification increases the scope of the lease by adding the right to use one or more underlying assets
• the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope
For lease modifications which are not accounted for as a separate lease, at the date of the modification the LLP shall:

• allocate the consideration in the modified contract
• determine the lease term of the modified lease
• remeasure the lease liability by discounting the revised payments using a revised discount rate or the incremental borrowing rate at the date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a modification that is not accounted for as a separate lease, the LLP shall account for the remeasurement of the lease liability by:

• decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The LLP shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.

• making a corresponding adjustment to the right-of-use asset for all other lease modifications.

j. Provisions
A provision is recognised in the Statement of Financial Position when the LLP has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

1. Accounting policies (continued)

j. Provisions (continued)

Properties

Provision is made for dilapidations in respect of property leases which contain a requirement for the premises to be returned to their original state prior to the conclusion of the lease term.

Claims

In the normal course of business, the firm may receive claims for alleged negligence. The firm maintains substantial professional indemnity cover. The gross value of each claim deemed probable to be successful is recognised as a provision with a corresponding insurance reimbursement receipt, where relevant, recognised within trade and other receivables due in greater than one year (see note 14). Claims notified are not expected to give rise to any material unprovided liability.

k. Members' remuneration

All individual members receive fixed remuneration which is paid regardless of the existence of, or level of, profits and without any decision or agreement to divide profits. Such remuneration is included as an expense and classified as members' remuneration charged as an expense in the statement of comprehensive income and deducted in arriving at the profit available for division amongst members. Remaining profits are divided and allocated between individual members and the corporate member after finalisation of the annual results on a discretionary basis (referred to as 'bonus'), in line with the conditions prescribed within the LLP deed. This final division of profit for the year is only recognised as a liability when a final decision is reached as to its value, and as such is treated as an appropriation of profit which is deducted from equity and, to the extent any dividend profits remain unpaid at year end, are included as a liability (within "Other amounts – individual members"). The final division of profit from prior years is detailed on the statements of changes in members' interest on page 15.

If the LLP's profit achieved for any accounting period falls short of the aggregate of each individual Member's fixed remuneration such shortfall shall be borne by the Corporate Member as a negative allocation of profit for the year to be debited to the Corporate Member's Account (other amounts – corporate members) in the following financial year.

Interest paid on members capital balances is included within members remuneration charged as an expense during the period in which it is accrued.

l. Transactions with members, members interest, loans and other debts due to members

The members participate in the firm's profit, share the risks and subscribe the firm's capital.

Individual members are awarded a base remuneration at the start of the year (which is paid regardless of the existence of, or level of profits and is treated as members remuneration charged as an expense, see paragraph k) above). The firm's drawings policy allows each individual member to draw their base remuneration in instalments, with any 'bonus' (final division of profits) paid subsequently to the year-end net of any amounts withheld by the LLP to satisfy tax obligations directly with HMRC ('tax reserves'). With the consent of individual members the LLP retains a provision for tax from their base remuneration and bonus (final division of profits) which is paid to HMRC on their behalf. The balance retained for tax reserves from within members' base remuneration is included within loans and other debts due to members within one year,

Other amounts – individual members.

The individual members' bonus (resulting from the final division of profits) and any residual balance due to the corporate member is divided and allocated on a discretionary basis, in line with the terms of the terms of the LLP deed, after the Statement of Financial Position date and therefore is shown within equity as Members' other interests (other reserves) at the year end.

Capital balances (including accrued interest) relating to current partners are shown within Loans and other debts due to members (as Members Capital classified as a liability) on the statement of financial position. On leaving the partnership, capital is repaid over a period of up to 10 years as documented in the leaver deed. Capital due to former members is

1. Accounting policies (continued)

transferred from Loans & other debts due to member, to liabilities on the statement of financial position (amounts owed to former members) and split between amounts due within 1 year and amounts due over 1 year according to the terms of the leaver deed.

m. Taxation
No provision is made for taxation in these financial statements as the tax arising from the Limited Liability Partnership profits is the liability of the individual members. The tax liability arising in respect of the corporate member is presented in the consolidated accounts of Irwin Mitchell Holdings Limited.

n. Revenue
The LLP recognises revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring services to a customer. It is recognised on satisfaction of a performance obligation, which IFRS 15 states can be at a point in time, or over time. IFRS 15 uses a contract based five-step analysis of transactions to determine when, and how much, revenue is recognised; this includes identifying services provided and allocating to the satisfaction of performance obligations. The LLP considers that there are two contract types in issue in the performance of the LLP's legal and financial asset services, being non contingent and contingent contracts.

Contingent fee arrangements
The LLP has a significant number of contingent fee arrangements. Contracts with customers with such arrangements have a single performance obligation, being the provision of legal services in pursuit of a successful outcome for the customer. The performance obligation is deemed fully satisfied at the conclusion of a matter.

Complex Personal Injury ('CPI'):
The majority of matters in CPI are entered into on a contingent fee arrangement. These contracts contain a single performance obligation, being the provision of legal services to a customer in respect of personal injury claims. These cases are complex and can span a number of years, with the fee being contingent on a successful outcome. The LLP has assessed that this performance obligation is satisfied over time as the services are delivered. However, due to the uncertainty arising from the contingent fee, the transaction price for such a performance obligation is constrained to £nil until the contingency is resolved, with the assessment as to whether the contingency has resolved being determined on a matter-by-matter basis. In the period after the contingency has been resolved but prior to the amount of the fee being finalised, revenue is recognised based on the hours charged, with the estimated transaction price being determined using estimated recovery rates. This is then trued up when the final fee is known.

Volume Personal Injury ('VPI'):
Matters in VPI are entered into on a contingent fee arrangement. These contracts contain a single performance obligation, being the provision of legal services to a customer in respect of personal injury claims. These cases are less complex and typically last between one and two years. Revenue is recognised over time using a portfolio approach to each cohort of similar matters, given the high volume, low value nature of the case book. Historical data is utilised to determine the chance of success on each cohort of matters and a full constraint to the recognition of revenue is applied until the point at which success is deemed highly probable on individual matters. This is then trued up when the final fee is known.

Life Cycle Legal Services ('LCLS'):
The achievement of revenue on certain matters within LCLS is contingent on an uncertain future event (obtaining a successful outcome for the client). These contracts contain a single performance obligation, being the provision of legal services across a range of service lines including litigation, real estate and restructuring and insolvency. The LLP has assessed that each matter contains one performance obligation that is satisfied over time as the services are delivered. However, due to the uncertainty arising from the contingent fee, the transaction price for such a performance obligation is constrained to £nil until the contingency is resolved, with the assessment as to whether the contingency has resolved being determined on a matter-by-matter basis. In the period after the contingency has been resolved but prior to the amount of the fee being finalised, revenue is recognised based on the hours charged, with the estimated transaction price being determined using estimated recovery rates for matters within the same cohort. This is then trued up when the final fee is known.

1. Accounting policies (continued)

n. Revenue (continued)
The LLP recognises revenue arising from contingent fee arrangements over time, with a constraint applied to revenue recognised prior to the contingency being settled in order to ensure the risk of a significant reversal is highly improbable. When the contingency is resolved, the constraint is removed and revenue is recognised in full in line with the number of hours charged to a matter at expected recovery rates as determined by historical data. For matters within Complex Personal Injury and Life Cycle Legal Services, the assessment as to whether the contingency has been resolved is performed on a matter by matter basis. For matters within Volume Personal Injury a portfolio approach is used, whereby historical data is utilised to determine the chance of success on a portfolio of matters and a full constraint to the recognition of revenue is applied until the point at which success is deemed highly probable on individual matters.

There is no significant financing component present in contingent fee arrangement contracts due to the variable nature of the revenue.

Non-contingent fee arrangements
For non-contingent fee arrangements contracts with customers mostly have a single performance obligation being the provision of legal or financial asset services in respect of one particular matter. There is no significant financing component present in non-contingent fee arrangement contracts as such contracts are billed on a regular basis.

Complex Personal Injury ('CPI'): Certain contracts within CPI are entered into on non-contingent fee arrangements. These contracts contain a single performance obligation, being the provision of legal services in respect of personal injury claims. Where work is performed under non-contingent fee arrangements revenue is recognised over time in line with the number of hours charged to an engagement at the expected recovery rate driven by historical recovery rates for matters within the same cohort. This is considered the most faithful depiction of progress at each reporting date. Estimated recovery rates are reviewed regularly, and at least at each reporting date. This is trued up once the final fee is known.

Life Cycle Legal Services ('LCLS'): Many contracts within LCLS are entered into under non-contingent fee arrangements. These contracts contain a single performance obligation, being the provision of legal services across a range of matters such as employment, pensions, and banking and finance. Where work is performed under non-contingent fee arrangements revenue is recognised over time in line with the number of hours charged to an engagement at the expected recovery rate, calculated in relation to historical recovery rates for matters within the same cohort, being the most faithful depiction of the measure of progress at each reporting date. Estimated recovery rates are reviewed regularly, and at least at each reporting date. This is trued up once the final fee is known.

Recognition of contract assets and liabilities
The standard requires both contract assets and liabilities to be recognised. IFRS 15 requires that when an entity has an unconditional right to consideration then at this point the contract asset would become a trade receivable regardless of whether a bill has been issued. However, the LLP does not consider the right to be unconditional until the point of billing at which point the fee amount has been agreed and confirmed with the customer. Therefore, these unbilled amounts are recognised as contract assets as opposed to trade receivables. The LLP has also recognised a contract liability under the standard that represents the amount of income that has been invoiced in advance of the service being performed.

o. Employee benefits
Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the LLP pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

1. Accounting policies (continued)

p. Foreign currency
Transactions in foreign currencies are translated to the LLP's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

q. Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

r. Government grants
Grants for revenue expenditure are credited in the income statement as other operating income in the period in which the expenditure for which they are intended to contribute towards has been incurred.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the LLP's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the critical judgement, apart from those involving estimations (which are dealt with separately below), that the members have made in the process of applying the LLP's accounting policies and that has the most significant effect on the amounts recognised in these financial statements.

Timing of recognition of revenue arising from contingent fee arrangements in Complex Personal Injury
Management exercises judgement in the timing of recognition of contingent, unbilled hours recorded in the Complex Personal Injury ('CPI') segment.

Management has determined that revenue arising from contingent 'no win no fee' arrangements should be recognised over time on the basis that the client receives the benefit of the LLP's work throughout the life of a matter and that work performed does not create an asset capable of use elsewhere in the LLP.

In order to reduce the risk of a significant reversal of revenue to a level deemed acceptable, management has exercised judgement in determining that a constraint should be applied to ensure that contingent, unbilled revenue is not recognised prior to the agreement of damages on these matters, at which point the contingency is considered to be settled.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Valuation of disbursement receivables:
There is judgement involved in determining whether certain disbursements are recoverable either through a successful claim or insurance policy, in the event of a loss. At period end, fee earners are asked to consider whether recoverability of individual disbursements is considered probable, and a full provision is recognised against individual disbursements that are not considered likely to be recovered either from the counterparty or through relevant insurance policies. The Group's risk of irrecoverable disbursements is mitigated by clients entering into insurance policies. The majority of the disbursement receivables balances have client insurance that ensures recovery in the event of a loss. However significant judgement is exercised where disbursements have been entered into outside of a relevant client insurance policy. The gross value of disbursement receivables subject to these judgements is £166.9m (2022: £160.6m).

Key sources of estimation uncertainty

The key sources of estimation uncertainty as at the reporting date that may give rise to a significant risk to a material adjustment of carrying amounts of assets and/or liabilities within the next financial year are considered below:

Valuation of unbilled revenue in Complex Personal Injury ('CPI')
The recognition of revenue in relation to contingent, unbilled hours in CPI requires management to estimate the amount of fee income it will receive from eventual cost settlements. In order to this management separates the CPI business into a sufficiently disaggregated group of cohorts, and by looking back at all closed cases from the last four years (being an approximation of the average case duration), determines a recovery rate per hour achieved on successful matters across each cohort. This recovery rate is applied to all unbilled, contingent hours within each cohort where costs are not yet agreed. This portfolio method of generating an expected recovery rate for matters separated into cohorts is considered the most appropriate method on the basis that, within each cohort, recovery rates remain suitably consistent over time and as such at the year end, historic evidence is considered to be indicative of future rates.

In order to ensure that the portfolio method does not lead to an overstatement of revenue, individually significant matters are examined for objective evidence of a lower than average recovery rate. If any objective evidence is noted then the recovery rate on these matters is reduced accordingly.

A 1% change in management's estimate of the recovery rates would lead to an £1.3m change in revenue and accrued income (2022: £1.2m).

3. Revenue and other operating income

An analysis of the LLP's revenue is as follows:

	2023 £'000	2022 £'000
Rendering of services	256,873	257,682
Management charge income	5,155	6,519
	262,028	264,201

The geographical analysis of revenue is as follows:

	2023 £'000	2022 £'000
United Kingdom	253,117	254,271
International	8,911	9,930
	262,028	264,201

Other operating income received of £600,000 (2022: £nil) relates to a dividend received from captive cell IMPI within Fiable Insurance PCC Limited.

4. Operating profit

Operating profit for the year has been arrived at after charging:

	2023 £'000	2022 £'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	1,205	1,311
Depreciation of right of use assets	7,640	8,475
Amortisation of intangible assets	1,129	1,071
Lease costs for low value and short term leases	3,571	2,727

Amortisation of intangible assets and impairment of goodwill is included within administrative expenses.

5. Auditor's remuneration

Analysis of the auditor's remuneration is as follows:

	2023 £'000	2022 £'000
Fees payable to Ernst & Young LLP for the audit of the LLP's annual financial statements	298	219
Other non-audit services	17	63
	315	282

No services were provided pursuant to contingent fee arrangements.

6. Staff numbers and costs

The average monthly number of staff (excluding members) employed by the firm during the financial year amounted to:

	2023 No.	2022 No.
Fee earners	1,352	1,369
Administration	1,049	987
	2,401	2,356

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	98,205	94,776
Social security costs	10,105	9,479
Pension costs	8,723	7,982
	117,033	112,237

7. Members' remuneration charged as an expense

	2023 No.	2022 No.
Average number of members	236	226

	2023 £'000	2022 £'000
Base remuneration for individual members	38,545	36,311

The profit attributable to the member with the largest entitlement to profit was £20,221,000 (2022: £20,496,000). This relates to the residual profits due to the corporate member and includes amounts which were allocated pre year end and expected to be paid post year end.

8. Interest receivable

	2023 £'000	2022 £'000
Bank interest receivable (net of payments to clients)	3,062	378

9. Interest payable and similar charges

	2023 £'000	2022 £'000
Bank interest payable	696	773
Interest payable on leases	855	1,012
	1,551	1,785

10. Goodwill and other intangible assets

	Goodwill £'000	Software £'000	Assets under construction £'000	Total £'000
Cost				
At 1 May 2021	24,799	4,261	526	29,586
Additions	-	457	1,223	1,680
Transfers	-	39	(39)	-
Disposals	-	(791)	(906)	(1,697)
At 30 April 2022	24,799	3,966	804	29,569
At 1 May 2022	24,799	3,966	804	29,569
Additions	-	-	2,910	2,910
Transfers	-	1,407	(1,407)	-
Disposals	-	(955)	-	(955)
At 30 April 2023	24,799	4,418	2,307	31,524
Amortisation and impairment				
At 1 May 2021	23,578	1,846	-	25,424
Charge for the year	-	1,071	-	1,071
Eliminated on disposal	-	(792)	-	(792)
At 30 April 2022	23,578	2,125	-	25,703
At 1 May 2022	23,578	2,125	-	25,703
Charge for the year	-	1,129	-	1,129
Eliminated on disposal	-	(955)	-	(955)
At 30 April 2023	23,578	2,299	-	25,877
Net book value				
At 30 April 2023	1,221	2,119	2,307	5,647
At 30 April 2022	1,221	1,841	804	3,866

10. Goodwill and other intangible assets (continued)

Goodwill arising from business combinations is not amortised but instead reviewed for impairment at least on an annual basis, or when there are other indications that goodwill could be impaired. Impairment reviews were performed as at each year end date by comparing the carrying value of the asset base of each CGU to the recoverable value of the CGU

calculated as its value in use. The recoverable value of each CGU (or group of CGUs) is determined as the higher of the value in use, and its fair value less cost to sell.

The value in use of each CGU (or group of CGUs) has been determined using a discounted cash flow model. The key assumptions and inputs into the models are as shown below. These are applied consistently to each CGU on the basis that the management approved forecasts all cover the same period, each CGU operates in an economy which experiences similar long term growth and therefore inputs into the discount rate calculation are comparable.

	2023 £'000	2022 £'000
Period on which management approved forecasts are based	4 years	4 years
Growth rate applied beyond approved forecast period	2%	2%
Pre-tax discount rate	11%	10.6%

The value in use calculations are based initially on the Board approved strategic growth plan (including the FY24 budgets), and extend beyond the initial Board approved forecast period and into perpetuity using a cautious perpetual growth rate relevant to the UK, the primary economy in which the LLP operates.

The pre-tax discount rates used are based on the weighted average cost of capital specific to each CGU or group of CGUs, including an assessment of current market conditions and other external factors. The market conditions and external factors are considered to be comparable across CGUs and hence the discount rate used was consistent across CGUs.

As at the 30 April 2023, the outcome of the impairment test is not sensitive to a reasonably possible change in the discount rate, growth rates or any other inputs.

11. Tangible fixed assets

	Leasehold improvements	Fixtures, fittings and computers £'000	Assets under construction £'000	Total £'000
Cost				
At 1 May 2021	8,512	4,426	143	13,081
Additions	-	51	681	732
Transfers	-	171	(171)	-
Disposals	(1,220)	(2,857)	(43)	(4,121)
At 30 April 2022	7,292	1,791	610	9,692
At 1 May 2022	7,292	1,790	610	9,692
Additions	-	11	1,373	1,384
Transfers	1,297	426	(1,723)	-
Disposals	(315)	(249)	-	(564)
At 30 April 2023	8,274	1,978	260	10,512
Depreciation				
At 1 May 2021	5,882	2,405	-	8,287
Charge for the year	559	752	-	1,311
Eliminated on disposal	(1,110)	(2,859)	-	(3,969)
At 30 April 2022	5,331	298	-	5,629
At 1 May 2022	5,331	298	-	5,629
Charge for the year	587	618	-	1,205
Eliminated on disposal	(315)	(249)	-	(564)
At 30 April 2023	5,603	667	-	6,270
Net book value				
At 30 April 2023	2,671	1,311	260	4,242
At 30 April 2022	1,961	1,493	610	4,064

12. Right of use assets

	Right of use assets – Property leases £'000	Right of use assets – Motor vehicles £'000	Right of use assets – Other £'000	Total right of use assets £'000
Cost				
At 1 May 2021	111,521	3,543	-	115,064
Additions	1,629	1,624	-	3,253
Modifications	-	(168)	-	(168)
Disposals	(897)	(1,191)	-	(2,088)
At 30 April 2022	112,253	3,808	-	116,061
At 1 May 2022	112,253	3,808	-	116,061
Additions	1,933	1,463	1,052	4,448
Modifications	(2,094)	43	-	(2,051)
Disposals	(7,370)	(1,028)	-	(8,398)
At 30 April 2023	104,722	4,286	1,052	110,060
Depreciation				
At 1 May 2021	61,958	2,043	-	64,001
Charge for the year	7,605	870	-	8,475
Eliminated on disposal	(882)	(1,148)	-	(2,030)
At 30 April 2022	68,681	1,765	-	70,446
At 1 May 2022	68,681	1,765	-	70,446
Charge for the year	6,611	947	82	7,640
Eliminated on disposal	(4,868)	(952)	-	(5,820)
At 30 April 2023	70,424	1,760	82	72,266
Net book value				
At 30 April 2023	34,298	2,526	969	37,794
At 30 April 2022	43,572	2,043	-	45,615

Payments in respect of short term and/or low value leases (where leases have a value of less than £5,000, or less than 12 months or no minimum contract term) continue to be charged to the income statement on a straight-line basis over the term of the lease.

The LLP's property leases are of UK based office space over a range of durations up to 12 years, typically with fixed quarterly payments.

The LLP's vehicle leases are of UK based cars, with a typical duration of 3 years and fixed monthly payments.

The right of use assets are depreciated over the shorter of the asset's useful life and the lease term, on a straight line basis. The property leases are discounted at the LLP's estimated incremental cost of borrowing at a rate of 0.8-5.1%. The motor vehicle leases are discounted at the LLP's incremental cost of borrowing at a rate of 0.3%-4.9%.

13. Fixed asset investments

	£'000
Cost	
At 30 April 2022	750
At 30 April 2023	750
Net book value	
At 30 April 2023	**750**
At 30 April 2022	**750**

The subsidiary undertakings, their equity interest and their principal activities are as follows:

	Registered address	Direct holding	%
Queen Street Trustees Limited	2 Wellington Place, Leeds, West Yorkshire, LS1 4BZ	Ordinary shares	100%
Irwin Mitchell Trust Corporation Limited	Riverside East, 2 Millsands, Sheffield, South Yorkshire, S3 8DT	Ordinary shares	100%
Irwin Mitchell Trustees Limited	Riverside East, 2 Millsands, Sheffield, South Yorkshire, S3 8DT	Ordinary shares	100%
Cell IMPI within Fiable Insurance PCC Limited	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY	Ordinary shares	100%
Irwin Mitchell Trustees Corporation Limited	Riverside East, 2 Millsands, Sheffield, South Yorkshire, S3 8DT	Ordinary shares	100%
Irwin Mitchell Secretaries Limited	Riverside East, 2 Millsands, Sheffield, South Yorkshire, S3 8DT	Ordinary shares	100%
Thomas Eggar Trust Corporation Limited	Riverside East, 2 Millsands, Sheffield, South Yorkshire, S3 8DT	Ordinary shares	100%

The principal activity of Cell IMPI within Fiable Insurance PCC Limited is the provision of after the event insurance policies. All other subsidiary undertakings listed above are dormant.

14. Trade and other receivables

Amounts falling due within one year:	**2023**	**2022**
	£'000	**£'000**
Trade receivables	26,435	24,140
Expected credit loss provision	(3,551)	(2,181)
	22,884	21,959
Unbilled disbursements (net of impairment and expected credit loss provision)	161,633	160,335
Contract assets	70,302	68,037
Other debtors	98	89
Prepayments	16,267	13,940
Amounts due from group companies	2,635	2,840
Amounts due from related parties	-	-
	273,819	267,200

Amounts falling due after one year:

	2023	**2022**
	£'000	**£'000**
Insurance reimbursement asset	8,477	17,559
	8,477	17,559

The Members consider the carrying amount of trade and other receivables is approximately equal to their fair value. The LLP uses appropriate methods to recover all balances once overdue. Once the expectation of recovery is deemed remote a debt may be written off. A provision for impairment is recognised against unbilled disbursements to recognise the risk that unbilled disbursements will ultimately prove to be irrecoverable (for reasons aside from credit loss). An expected credit loss allowance is also recognised against unbilled disbursements in order to recognise the risk of credit loss in relation to those that are uninsured. The LLP applies the IFRS 9 simplified approach to measuring expected credit losses as described in note 1h financial instruments.

Provisions against trade receivables

The ageing of trade receivables (by reference to due date) and provision for impairment at the reporting date was:

	2023	**2022**
	£'000	**£'000**
Trade receivables not past due	13,297	13,280
Trade receivables past due		
0-60 days past due	3,484	2,828
61-150 days past due	4,002	3,692
More than 151 days past due	5,652	4,340
Total receivables before impairment	26,435	24,140

	2023	**2022**
	£'000	**£'000**
Brought forward provision	2,181	2,759
Movements in year	1,370	(578)

Carried forward provision	3,551	2,181

15. Trade and other payables

	2023 £'000	2022 £'000
Bank loans and overdrafts	-	-
Trade payables	126,195	125,471
Other creditors	832	853
Amounts owed to group companies	951	792
Accruals & deferred income	17,131	19,076
	145,109	146,192

The current bank arrangements in place contain unlimited cross company guarantees to be given by Irwin Mitchell Holdings Limited and Irwin Mitchell LLP to secure all liabilities of each other. Amounts due to and from group companies are repayable on demand with no interest charged.

Included within accruals are contract liabilities of £3,353,000 (2022: £2,043,000). Revenue of £2,043,000 was recognised in the year which relates to amounts which were included in contract liabilities at the end of the prior year.

16. Amounts due to former members

	2023 £'000	2022 £'000
Amounts owed to former members – current	3,837	2,947
Amounts owed to former members – non-current	3,920	5,641
	7,757	8,588

17. Leases

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £'000	2022 £'000
Current liabilities	8,701	10,059
Non-current liabilities	31,698	40,707
	40,399	50,766

17. Leases (continued)

The future gross minimum lease payments are as follows:

	2023	**2022**
	£'000	**£'000**
Due within one year	8,701	10,059
Due in two to five years	19,063	23,490
Due in more than 5 years	15,625	20,891
Gross lease payments due	43,389	54,440
Less future finance charges	(2,990)	(3,674)
Net lease payments due	40,399	50,766

The total cash outflows relating to payment of lease obligations in the year were £13,309,000 (2022: £10,554,000).

The Group's right of use asset additions and depreciation charge recognised on leases in the year is shown in note 12, and interest expense in note 9.

18. Provisions for liabilities

	Dilapidations	**Claims**	**Total**
	£'000	**£'000**	**£'000**
At 1 May 2022	7,849	19,579	27,428
Provisions made during the year	318	1,573	1,891
Provisions released to Statement of Comprehensive Income during the year	(1,330)	(4,865)	(6,195)
Payments made	(791)	(5,609)	(6,400)
At 30 April 2023	6,047	10,678	16,724

The balance includes provision for dilapidation costs that will be incurred at the end of the property lease. Provision is made for dilapidations in respect of property leases which contain a requirement for the premises to be returned to their original state prior to the conclusion of the lease term. An estimate of the most likely value is made at inception of each lease and reviewed annually as required. The LLP's current property lease portfolio has a remaining duration of up to 12 years.

The claims provision represents the LLP's expected outflow arising from professional indemnity claims brought against the LLP in relation to services provided. On claims where a cash outflow is considered to be probable, the expected outflow is recognised as a provision. Probability is determined using professional judgement as to whether the claim is more likely or not to be successful.

The gross value of each claim deemed probable to be successful is recognised as a provision with a corresponding insurance reimbursement receipt, where relevant, recognised within trade and other receivables.

19. Employee benefits

The LLP operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the LLP in an independently administered fund. The pension cost charge represents the contributions payable by the LLP to the fund of £8,723,000 (2022: £7,982,000).

Contributions totalling £823,000 (2022: £741,000) were payable to the fund at the year-end and are included in other creditors.

20. Share-based payments

Conditional share awards over the shares in the parent company, Irwin Mitchell Holdings Limited, have been granted to certain members of Irwin Mitchell LLP from September 2012 onwards. Each of these awards vest after three years, on the condition that the members remain with the firm throughout the vesting period. These are all equity settled transactions with the member receiving an award of shares on exercise for nil consideration. These shares are held within the Members' Share Trust until the vesting date, with the right to dividends waived up to this point.

Details of the share options outstanding during the year are as follows:

	2023		2022	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	3,047,500	1.78	2,810,000	0.95
Granted during the year	663,341	2.50	1,197,500	2.06
Forfeited during the year	(55,000)	1.54	(105,000)	1.69
Exercised during the year	(1,057,500)	1.54	(855,000)	1.49
Outstanding at the end of the year	2,598,341	2.87	3,047,500	1.78
Exercisable at the end of the year	-		-	

The fair value of the conditional share awards granted has been determined based on a combination of the net asset "floor" valuation and a multiple of earnings valuation. This has then been discounted to reflect the minority share holdings and the lack of external market. The expected dividend payments have also been considered.

The total expense recognised for the year arising from these transactions, accounted for as equity settled transactions, was £2,049,000 (2022: £3,005,000). The awards were made over shares in the parent company, Irwin Mitchell Holdings Limited, however as Irwin Mitchell LLP has received the services the cost is accounted for in the Irwin Mitchell LLP accounts, with a corresponding credit to the members' capital account within loans and other amounts to members.

21. Related party transactions

Transactions between the LLP and non-wholly owned subsidiaries of Irwin Mitchell Holdings Limited are summarised below:

	£'000
Amount owed by the related parties to the LLP at 30 April 2022	956
Expenses incurred by the LLP on behalf of the related parties	249
Income received by the LLP on behalf of the related parties	(275)
Invoices raised by the LLP to the related parties	3,297
Payments made by the LLP on behalf of the related parties	7,089
Disbursements paid by the LLP on behalf of the related parties	168
Payments received by the LLP from the related parties	(10,410)
Amount owed by the related parties to the LLP at 30 April 2023	1,074

22. Events after the reporting date

There are no events after the reporting date.

23. Controlling party

The LLP is controlled by Irwin Mitchell Holdings Limited, a company registered in Jersey (26 New Street, St. Helier, Jersey, JE2 3RA), which is the ultimate controlling party.

The only group in which the results of the LLP are consolidated is that headed by Irwin Mitchell Holdings Limited which is the immediate and ultimate parent company.

The consolidated financial statements of the group are available to the public and may be obtained from the Registrar of Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.