



**Together we'll
navigate** life's ups
and downs

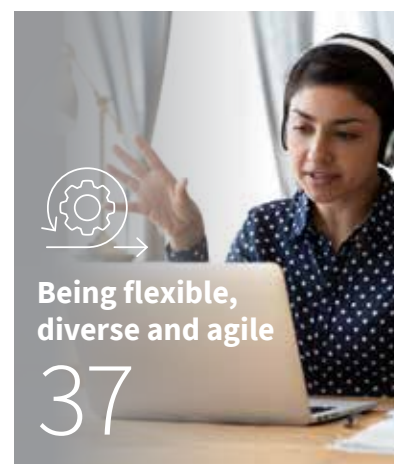
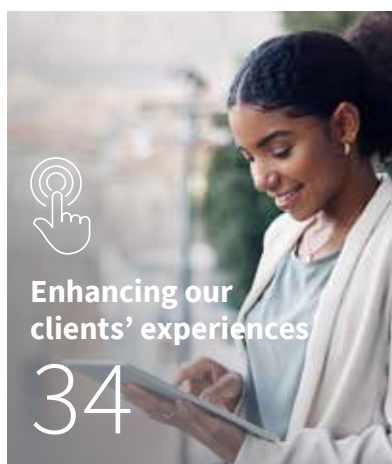
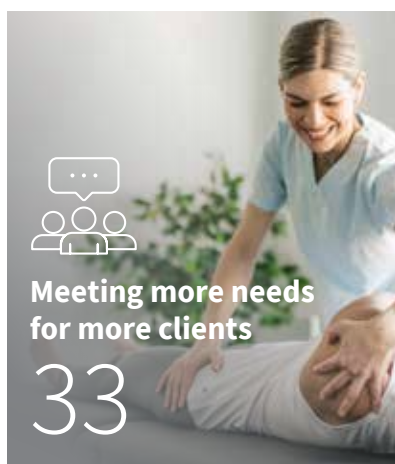


Welcome to our FY23 Annual Report and Accounts

We are a purpose-led legal and financial services firm. Our purpose is to help clients navigate life's ups and downs. This guides us, motivates us and is an integral part of how we run our business.

Our vision is to be one step ahead in each of our core market segments. We will achieve this through the successful delivery of our strategy, which aims to deliver positive outcomes for all our stakeholders.

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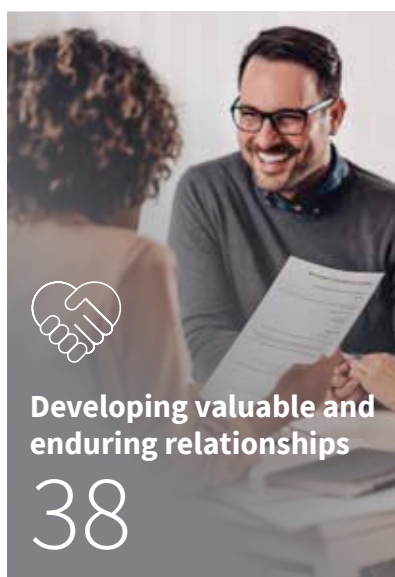
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About this report**Sustainability reporting**

We adopt an integrated approach to corporate reporting, embedding non-financial information throughout this report.

Alternative performance measures

The Group uses a number of alternative performance measures in the discussion of its performance. These measures exclude certain items, which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. They provide the reader with insight into how management measures the performance of the business. More information can be found on [page 122](#).



For more information please visit www.irwinmitchell.com/about-us

If you need to access this document in a different format, please contact: ResponsibleBusiness@irwinmitchell.com outlining the format you require and we will respond as soon as we can.

The solid foundations on which our business is built has enabled us to deliver another year of positive progress across all of our strategic objectives. Our underlying financial performance in FY23 was robust and reflects the growth in revenue, which our core businesses have delivered in a higher cost environment and the investments we are making to position the business for sustainable long-term growth.

Group highlights

Financial highlights

FY23	£271.0m	+1.8%
FY22	£266.1m	

Core Group Revenue¹

£271.0m

FY23	50.8%	-1.5%
FY22	52.3%	

Gross margin

50.8%

FY23	207 days	+0.4%
FY22	206 days	

Group lock up days

207 days

FY23	£3.0m	+\$1.5m
FY22	£1.5m	

Dividends paid to ordinary shareholders

£3.0m

FY23	£266.5m	+7.0%
FY22	£249.0m	

Revenue pipeline

£266.5m

FY23	£13.8m	-\$9.7m
FY22	£23.5m	

Operating profit

£13.8m

FY23	£9.4m	-\$0.1m
FY22	£9.5m	

Free cash flow

£9.4m

FY23	£0.7m	-\$1.6m
FY22	£2.3m	

Net Cash

£0.7m

* Free cash flow has been represented in the year to include an adjustment to net cash flow for the introduction and repayment of partner capital, as Board decisions around capital management are often made based on the availability of cash before capital payments. See note 4 to the financial statements on page 122.

Operational highlights

FY23	+59
FY22	+62

Net Promoter Score (NPS)

+59

FY23	77%
FY22	77%

Employee engagement

77%

FY23	5.9%
FY22	5.4%

Minority ethnic representation in senior leadership roles

5.9%

FY23	52.8%
FY22	52.3%

Female representation in senior leadership roles

52.8%

FY23	£259k
FY22	£289k

Group and colleague charitable donations and fundraising

£259k

FY23 highlights

Continued strategic progress

We generated positive organic revenue growth complemented by strategic-led combinations, lateral hires and non-core disposals.

[Read more](#) / [page 15](#)

Industry-leading client satisfaction scores

We achieved industry-leading client satisfaction scores including the coveted 5-star² rating with Trustpilot.

[Read more](#) / [page 42](#)

New propositions launched

We introduced new service lines through lateral hires and launched our new Environmental, Social and Governance (ESG) proposition leveraging our deep understanding of our market and clients' needs.

[Read more](#) / [page 33](#)

UK's Best Workplaces

We continued to score highly in the independent Great Place to Work Institutes's Best UK Workplaces index across several categories.

[Read more](#) / [page 28](#)

Becoming a signatory to the United Nations Global Compact

We became a signatory to the United Nations Global Compact committing to its Ten Principles and the framework of the Sustainable Development Goals.

[Read more](#) / [page 45](#)

1. For definitions, please see key performance indicators on page 40.

2. Trustpilot rating as at 30 April 2023.

Business at a glance

We are a multi-award winning legal and financial services firm

Where we operate

With 18 locations and an international reach that covers well over 100 countries through our global network, we are able to serve our clients wherever they are.

We're passionate about the work we do and the difference we make in helping our clients navigate life's ups and downs through the services we provide. This lifetime approach to understanding our clients' needs, providing expert advice and nurturing long-term relationships are key tenets of our business model, centred on being a leading responsible business.

We have a proud heritage and a trusted brand that has been built on more than 110 years of exceptional client service delivery, supported by our outstanding colleagues and inclusive culture. Irwin Mitchell is one of the leading Superbrands in the UK legal sector and is ranked as a market-leading legal services firm in the independent Legal 500. We're recognised as an employer of choice and have been certified as a Great Place to Work organisation for over six years. We are currently ranked 19th in the Great Place to Work Super Large category, 19th in the UK's Best Workplaces for Women Super Large category (2023), and 32nd in the UK's Best Workplaces for Wellbeing Super Large category (2023).

1,683

fee earners

243

partners

£276m

Group Revenue

>1bn

assets under management

5-star

Trustpilot rating as at 30 April 2023



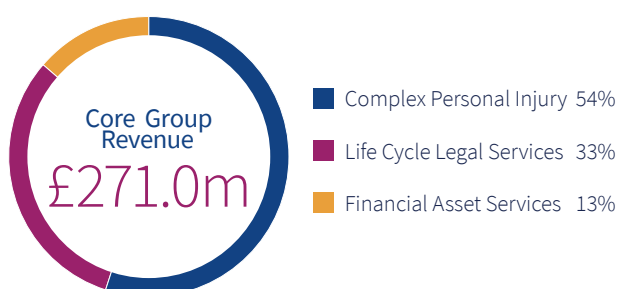
The culture here is open and friendly. It really is a supportive and welcoming environment, which makes all the hard work worthwhile.”

Shakil Mumith

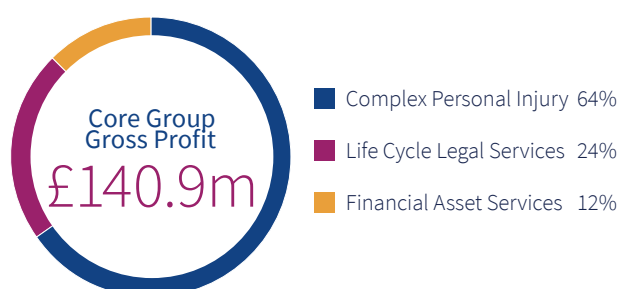
Trainee Solicitor, Corporate and Finance team



Share of Core Group Revenue



Share of Core Group Gross Profit



Our offerings

Our business is organised into three core operating segments, which are closely aligned to our target audience groups.

Complex Personal Injury (CPI)

Our CPI business generates revenue from complex personal injury claims where third parties have failed in their duty of care to individuals. Key areas of focus within CPI are Medical Negligence, Serious Injury and Workplace Illness. The complex nature of the cases means that it can typically take over four years for a case to be resolved and results in high barriers to entry as only those firms with strong balance sheets can manage the associated work-in-progress exposure. The multi-year case profile provides the Group with strong income visibility with high margins and high cash conversion. Our market position, investment in brand, referral network and geographic footprint across the UK help to generate new business.

53%

Share of Group Revenue
(2022: 53%)

Life Cycle Legal Services (LCLS)

Our LCLS segment provides legal services to both individuals and businesses to meet a range of lifetime client needs. This segment covers a broad range of cyclical and counter-cyclical services, which generate diversified revenue streams that help to minimise the impact of market volatility. The six practice areas within this segment are Commercial Advisory and Disputes, Corporate and Finance, Family, Property, Private Client, and Public Law.

32%

Share of Group Revenue
(2022: 30%)

Financial Asset Services (FAS)

Our FAS segment provides complementary and differentiated financial services to help individuals and businesses to manage their financial assets.

The FAS segment is made up of three practice areas:

- i. IM Asset Management Limited (IMAML), an investment management and financial planning firm;
- ii. Court of Protection, a specialist practice for vulnerable clients and families; and
- iii. Ascent Performance Group Limited (Ascent), an arrears management outsourcing business primarily servicing UK lenders.

13%

Share of Group Revenue
(2022: 13%)

64%

Share of Group Gross Profit
(2022: 66%)

24%

Share of Group Gross Profit
(2022: 23%)

12%

Share of Group Gross Profit
(2022: 12%)

Our purpose-led approach

Confidence in our purpose and strategy

Helping clients navigate life's ups and downs is our purpose. It guides us, motivates us and is an integral part of how we run our business. It means delivering exceptional client experiences to businesses and individuals every day by developing a deep understanding of their needs, leveraging our expertise, breadth of legal and financial services and commitment to developing lasting long-term relationships.

Our purpose, vision, strategy, values and culture

Our purpose

Why we exist

Together we'll
navigate life's
ups and downs

Our vision

Our aspirational goal

To be one step
ahead in each of
our core market
segments

Our strategy

Delivering positive outcomes for our
Clients, Colleagues, Communities

How we achieve our purpose



Meeting more needs
for more clients



Enhancing our clients' experiences
by becoming a digital business



Being flexible, diverse and agile



Developing valuable and
enduring relationships



Becoming a leading
responsible business

The successful implementation of our strategy is critical to the delivery of the Group's purpose and is underpinned by the values and behaviours that define our unique culture and the way we conduct our business.

As highlighted in last year's report, our strategy is defined by five strategic objectives focused on our aim to deliver positive outcomes for all stakeholders. Despite the external challenges, we have reviewed our strategy and are confident that it remains as relevant as ever and will enable us to realise our ambitions.

Our values

We are **approachable**
and **caring**

We are **tenacious**

We are **efficient**

We are **pioneering**

We have **integrity**



Our culture

To be **flexible**

To be **trusting**

To be **inclusive**

To be **collaborative**



Engaging with our stakeholders

In striving to achieve our purpose, we recognise the importance of building sustainable long-term relationships with all our stakeholders. To achieve this, we need to understand their needs and the most effective way to engage with them.

To support this and to guide our decision-making, a new template for Board and Board committee papers has been developed, which will require all writers of decision-making papers to consider the impact of their proposals on relevant stakeholder groups and to include this information in such papers.

One of our newer non-executive directors, Maria Da Cunha, has been appointed as a workforce representative. Maria will attend certain Group People Committee and join colleague question and answer sessions when requested, to gain a deeper understanding of our workforce engagement.

Our Balanced Scorecard approach (BSC), which we use internally to measure and track our performance, alongside consideration of our purpose and values, ensures that we focus activities and outcomes on the three key stakeholder groups; Clients, Colleagues and Communities, along with finance and compliance metrics.

Stakeholder group

Why we engage

How we engage

Clients



- Clients are at the heart of everything we do, our personal approach requires us to listen and understand the needs of our clients so that we can continue to deliver exceptional client service levels and help them navigate life's ups and downs.
- Our commitment to responsible business means that we strive to never compromise on our core values in delivering our services.

- We have a presence in 18 locations across the UK and an international reach that covers well over 100 countries through our global network and are able to serve our clients wherever they are.
- We've got almost 200 clients signed up to our Client Voice network, which helps us to gather detailed feedback from our clients, with 25 in depth Client Listening Conversations available to all colleagues being used to better understand the experiences of our clients and enables us to better meet their needs.

Colleagues



- To create an inclusive workplace culture where our colleagues feel they belong and are enabled to thrive and progress their careers.
- To ensure an inclusive and supportive environment where all colleagues can contribute authentically at their highest level to help us achieve our long-term goals.
- To engage the hearts and minds of our colleagues and enable them to work together, to help us continuously develop our expertise to meet the evolving needs of clients.

- The Annual Plan, which sets out our strategy, is shared with all colleagues at the start of the year and focuses on delivering positive outcomes for all our stakeholders, which include the interests of our employees and wider workforce.
- An annual people plan to underpin the execution of the Annual Plan is shared with the business.
- Carry out regular pulse and annual surveys to measure colleague sentiment.
- Weekly email briefings to all colleagues.
- Monthly leadership updates regarding progress against our Annual Plan.
- Monthly recorded video briefings from the GCEO and GCFO.
- All-colleague Q&A sessions are held periodically during the year.
- Monthly Commercial Growth team reports shared by email.

Communities



Community investment

- To build upon our long-standing commitment to supporting our local communities.
- Consideration of the impact of our operations on the communities we serve.

Environment

- To create positive impact at scale and to address the pressing issues we face around climate change and biodiversity loss.
- To be recognised as a leader within environmental sustainability.

Suppliers

- To encourage sustainable and inclusive business relationships with our suppliers.

- Supporting our local communities through volunteering and pro bono work.
- Supporting the Irwin Mitchell Charities Foundation through charitable giving.
- Board and senior management oversight of climate-related risks and opportunities is supported by embedding climate within our established Responsible Business governance structure.

Shareholders



- Our shareholders include the retired and current partners of Irwin Mitchell LLP. Engagement is important to ensure the interests of all shareholders are aligned to the sustainable long-term growth of the Group.

- We have an open line of communication with all our shareholders who can contact the Group through a variety of channels.
- The annual report and accounts is an important medium for communicating with shareholders and other stakeholders and provides a detailed review of the Group's performance.

Debt providers



- Having access to working capital at affordable rates is important to any business, especially in the current market environment. We have strong relationships with our banking providers who are supportive of our strategy and long-term growth plans.

- Regular management updates with the client representative from each of our banks.
- Regular trading and operational updates throughout the year.

Regulators



- We engage with all our regulators to maintain and build the constructive and trusted relationships, vital to any regulated entity as part of our commitment to be a good practice and responsible regulated business.
- This includes the Solicitors Regulation Authority (SRA), the Financial Conduct Authority (FCA) and the Information Commissioner's Office (ICO), amongst a number of others.

- Regular meetings with our regulators.
- Ongoing engagement with our SRA Regulatory Manager.
- Attendance at SRA-led compliance forums.
- Responding to informal feedback.

This provides the framework to set our Group targets and key performance indicators.

Included in our community stakeholder group are our shareholders, LLP partners, regulators, suppliers, debt providers, our external auditors and the physical environment, including the local communities in which we operate.

Further information on our Responsible Business strategy and how we engage with our key stakeholders can be found in the responsible business section on [pages 44 to 61](#).

The following table helps illustrate the key stakeholders for our Group, highlighting why each group is important to us, the different methods of engagement with them and the outcome of the engagement, which ultimately helps to inform the decision-making of the Board and the Group as a whole.

How we engage continued

- We employ a multi-channel approach to marketing and have a variety of routes to market; both direct and indirect.
- We are growing the flagship Priority Client Programme to protect and grow our relationships with our strategic clients and referrals. We have further enhanced our approach to relationship management by introducing an Intermediary Relationship Programme to look more closely at our intermediary relationships and connections.

- Monthly email briefing from the Responsible Business team.
- Appointed a non-executive director as a workforce representative to gain a deeper understanding of workforce engagement and views of employees.
- Implementing new training, policies and procedures to create a more inclusive, happier and healthier workplace, with a focus on wellbeing, diversity and inclusion.
- Introduced new Diversity and Inclusion mandatory training module for colleagues.
- Launched Neurodiversity network as part of IM Able network.
- Re-launching our dedicated Financial Wellbeing hub and launched a new partnership with HSBC, providing colleagues with access to their UK Financial Wellbeing Programme.

- Continuing to evolve our Supplier Relationship Management framework.
- Regular review meetings with our key suppliers.
- Views of our suppliers are important to us and we have a supplier representative attending our Group Environmental Sustainability Forum (GESF).

- Regular trading and operational updates are provided to our shareholders throughout the year.
- The annual general meeting (AGM) provides a regular opportunity for shareholders to meet with the Board.

- Proactive reporting where appropriate.
- Engaging in trade and representative body activities that help to support the ongoing development of regulation and our own understanding of what we need to do to ensure good levels of compliance.

Outcome of engagement

- Achieved industry-leading client satisfaction scores with excellent Net Promoter Score of +59. We also achieved the coveted 5-star Trustpilot rating (as at 30 April 2023).
- Ranked as a market-leading legal services firm in the independent Legal 500.

- Ranked 19th in the Great Place to Work Super Large category.
- Ranked 19th in the UK's Best Workplaces for Women Super Large Category.
- Recognised as one of the UK's Best Workplaces for Wellbeing by Great Place to Work.
- Earned a gold award and ranked 36th in Stonewall Workplace Equality Index.
- Delivered an inclusive and flexible hybrid working model through which our offices are just one environment in which colleagues and clients work and collaborate.
- Improved guidance on managing mental health and wellbeing.
- Recognised for our excellent gender balance at partnership level in the legal industry and recognised as the only top 50 law firm where more than half of the partnership is female¹.

- Delivered thousands of hours volunteering and pro bono work.
- Launched three new national charity partnerships.
- Implemented our ambitious Environment strategy.
- Partnered with sustainability reporting software provider Greenstone, to evolve our non-financial reporting capabilities and support our science-based target tracking.
- Near-term and net-zero Greenhouse Gas reduction targets approved by the Science Based Targets initiative (SBTi).
- Support our clients with their own net-zero transition, via the roll-out of our ESG proposition.
- Updated our supplier due diligence questions.
- Produced our first Supplier Code of Conduct.

- Engagement with all shareholders helps to inform our strategy and future direction.

- Supportive long-term relationships.
- Successful refinancing of revolving credit facility (RCF) completed in August 2022, which was extended in July 2023 by a further year to August 2026.

- Constructive relationships and an open dialogue.
- Improved understanding of our business by the regulator.
- Improved understanding of our regulatory obligations and the regulators' approach to risk management.
- More effective horizon scanning to enable better planning and more efficient implementation of regulatory changes.
- Regular engagement with the SRA.

Chair's statement



FY23 was another year of extraordinary global turbulence, with the recovery from the pandemic being impacted by inflationary pressures, rising interest rates and the devastating war in Ukraine. These unprecedented conditions have led to recessionary pressures across several advanced economies, including the UK, which is currently expected to narrowly avoid recession this calendar year.”

Glyn Barker
Chair



Welcome to our Annual Report and Accounts for the year ended 30 April 2023 (FY23).

Against a challenging economic backdrop, I'm pleased to report that we delivered year-on-year Group Revenue growth and results that were broadly in line with expectations. On behalf of the Board, I would like to thank all our colleagues for their professionalism, dedication, and commitment to delivering exceptional client experiences and to all our shareholders, clients, suppliers, and partners for their ongoing support.

Group performance

When I wrote to you last year, I referenced the exciting range of opportunities that our new organisational structure would bring. One which empowers our colleagues, promotes greater agility, and recognises the importance of working together as one team to deliver exceptional client experiences. Although it is still early days, I'm delighted with our progress, which has helped to secure a number of important client wins and maintain our excellent client satisfaction scores.

We made good progress across all our strategic objectives in FY23, which Andrew will cover in more detail in his GCEO statement; however, some of the highlights that have resonated with me include the following:

- Delivering exceptional client service levels as evidenced by our excellent Net Promoter Score (NPS) of +59 and 5-star¹ Trustpilot rating;
- Increasing assets under management in IMAML by c.£100m to c.£1.1bn following the acquisition of Cheshire-based TWP Wealth Limited. We also completed a deal to acquire the assets of Leeds-based Andrews Gwynne LLP;
- Opening of two new offices in Cardiff and Liverpool, bringing our legal services closer to our existing clients in those regions and providing a platform to grow our national presence;
- Adding new client service propositions through lateral hires in our Private Client team and Corporate Tax team in Birmingham, as well as our Financial Services team in Leeds. We also launched our new ESG proposition to clients, leveraging our existing expertise and understanding of this growing area of the market;
- Becoming a signatory to the United Nations Global Compact, committing to its Ten Principles, and the framework provided by the Sustainable Development Goals.

¹ Trustpilot rating as at 30 April 2023.

Returns to shareholders

The Group's capital allocation framework aims to achieve a balance between reinvesting in the business for future growth and returns and paying a progressive dividend to shareholders.

Following the Board's decision to reinstate the Group's progressive dividend policy in FY22 and in light of our continued performance, the Board announced in March 2023 a c.17% increase in the interim dividend for FY23 to 1.75p per share, up from 1.5p per share last year. An announcement detailing the final proposed dividend for FY23 will be made prior to the AGM.

In FY22, the Group declared total dividends of 8.0p per share (FY21: 3.5p per share), which included a special one-off dividend of 3.75p per share.

Nurturing our unique culture

Our colleagues bring our purpose to life, and we are committed to creating an inclusive and supportive environment where all colleagues can contribute authentically at their highest level to help us achieve our long-term goals.

We know that we will only be successful if we engage the hearts and minds of our colleagues and enable them to work together. Achieving this will help us to continuously develop our expertise to meet the evolving needs of clients.

We use external benchmarks and carry out regular pulse and annual surveys to find out directly from our colleagues how they feel about working at Irwin Mitchell. Based on the latest Great Place to Work results, we achieved an employee engagement score of 77% in line with last year's score, helping us achieve an overall rank of 19th in the Super Large Businesses category. Encouragingly, the survey highlighted significant improvements in colleagues' perception of the business and their willingness to engage, for example 79% of colleagues responded favourably to the statement that Irwin Mitchell is a great place to work and 88% of colleagues responded favourably to the statement that they understand how their job contributes to organisational objectives.

Embedding ESG

The world has changed significantly over the last three years and societal expectations of the role that businesses play in creating a sustainable future have risen accordingly. As a purpose-led organisation with responsible business at the core of our business (see page 44), we recognise the importance of a strong ESG framework and addressing the ESG issues relevant to our business and stakeholders.

The Responsible Business Committee (RBC) assists the Board in providing focus and oversight of our Responsible Business strategy and assessing its ongoing effectiveness. This year, we expanded the membership of the RBC, welcoming Victoria Brackett as our new executive sponsor. To ensure that our Responsible Business strategy remains fit for purpose, we are undertaking a materiality assessment (see page 45), working with external experts to run a consultation exercise and engaging with many of our key stakeholders. The results of the materiality assessment will be shared with the Board and will be used to inform our operational and strategic focus areas in the coming year.

Governance

In line with our commitment to operate to high levels of corporate governance and support the long-term growth of our business, we welcomed new members to our Board in FY23. In September 2022, we announced the appointment of Maria Da Cunha and Helen Beck as independent non-executive directors. This was followed on 1 February 2023 by the appointment of Andrew Kemp as an independent non-executive director. With effect from 1 March 2023, the Board approved Maria as Chair of the Board Risk Committee and Andrew as both Chair of the Board Audit Committee and a member of the Board Risk Committee. All non-executive directors will serve on the IMHL Directors' Nomination Committee, which was established on 23 November 2022. The new non-executive directors bring with them a wealth of senior executive experience across a range of sectors and are board members of many high profile public listed businesses (see page 84).

Post year-end, Helen Beck decided to step down from the Board with effect from September, which was the provisional date set aside by the Board for the AGM. On behalf of the Board, I would like to thank Helen for her considerable support and commitment to the Board in the time she has been with us; her contribution has been greatly valued.

Looking at the year ahead

While green shoots have started to emerge from parts of the global and UK economy, the threats I outlined earlier cannot be underestimated and will impact businesses and individuals in the coming years in different ways. We remain alert in assessing the risks to our business and take comfort from the resilience that we have demonstrated over the years and the strength of our balance sheet, which gives us the confidence to invest for the future and deliver on our plans for sustainable long-term growth.

Glyn Barker
Chair

4 August 2023

Strategic Report

“

Our resilient performance gives us the confidence to invest for the future.”

Andrew Tucker

Group Chief Executive Officer

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Group Chief Executive Officer's statement



In what has been a challenging year, I am pleased with the performance of the Group. We're excited by the range of opportunities available to grow the business and we look forward to another year of strong strategic progress, and delivering for all our stakeholders."

Andrew Tucker
Group Chief Executive Officer

I am delighted to report our full-year results for FY23, which demonstrated another year of positive progress against our strategic objectives, with new acquisitions announced, lateral hires completed, investment in new technology, excellent client and colleague satisfaction scores, and robust underlying financial results.



Maintaining operational momentum

Our core operating segments, Complex Personal Injury (CPI), Life Cycle Legal Services (LCLS) and Financial Asset Services (FAS) performed well in challenging market conditions to deliver aggregate year-on-year Core Group Revenue growth of 1.8% or £4.9m, to £271.0m (FY22: £266.1m). Of this amount, over 99% was driven organically from our core segments with the balance relating to the acquisition of TWP Wealth Limited as outlined below. Looking ahead, in line with our strategy to grow our business through targeted mergers and acquisitions (M&A), we expect the share of Core Group Revenue from acquisitions to grow over the medium term. Our largest segment, CPI, grew by 0.6% or £0.8m, to £147.6m (FY22: £146.7m), and our next largest segment, LCLS, grew by 7.2% or £6.0m, to £89.7m (FY22: £83.7m). This growth more than offset the small reduction in revenue in FAS, from £35.8m to £35.4m, relating to the anticipated decline in revenue in our arrears management and outsourcing business, Ascent, in line with the broader market. IMAML, which is part of the FAS segment, continued to demonstrate strong year-on-year revenue growth.

FY23 was undoubtedly our most active year in terms of strategic combinations and portfolio management, as we announced two new acquisitions. These included the acquisitions of TWP Wealth Limited, a Cheshire-based chartered financial planning company, which we announced last year and completed in November 2022, adding c.£100m of assets under management and Andrews Gwynne LLP, which we announced in April 2023 (subject to completion), a Leeds-based wealth management business which is expected to increase assets under management by a further c.£100m. As part of our active approach to managing our portfolio of core businesses and ensuring alignment with our growth strategy, we completed the disposal of Coris U.K. Limited, our small non-core claims management business, to CCN Group in April 2023. In addition, our run-off agreement with Minster Law and Gildeas Solicitors in relation to the Volume Personal Injury business (VPI), continues to proceed to plan and is expected to complete during FY24.

In line with the Board's expectations, we delivered Group profit before tax (PBT) of £15.0m compared to £21.2m last year, reflecting the higher levels of planned investments in our IT infrastructure and data capabilities, marketing spend and transaction-related professional fees to help position the business for long-term growth, as well as the impact of higher operational costs and one-off costs related to the strategic early exit from our Gatwick office lease.

Our focus and discipline on cash has enabled us to generate a free cash flow of £9.4m (FY22 represented: £9.5m), while continuing to invest in the business and enabling us to continue to reward our shareholders.



For more information, visit our website /
www.irwinmitchell.com/dont-quit-do-it

5-star
reviews



The team at Irwin Mitchell was prompt, caring, efficient, always available and completed tasks on time. Despite the challenges posed by my mother's health, they were fantastic. I would not hesitate to contact them again if needed."



Unfortunately, my dad was diagnosed with Mesothelioma in March 2021 and sadly passed away less than a year later. The team was incredibly sensitive and treated my Dad and our family with kindness and compassion, and we are grateful for their help in achieving justice for him."



Irwin Mitchell provided me with support and legal advice during my divorce proceedings. The team are undoubtedly experts. Their kind words, reassurance and professionalism helped me through this difficult experience."



Group Chief Executive's statement continued

Delivering positive outcomes

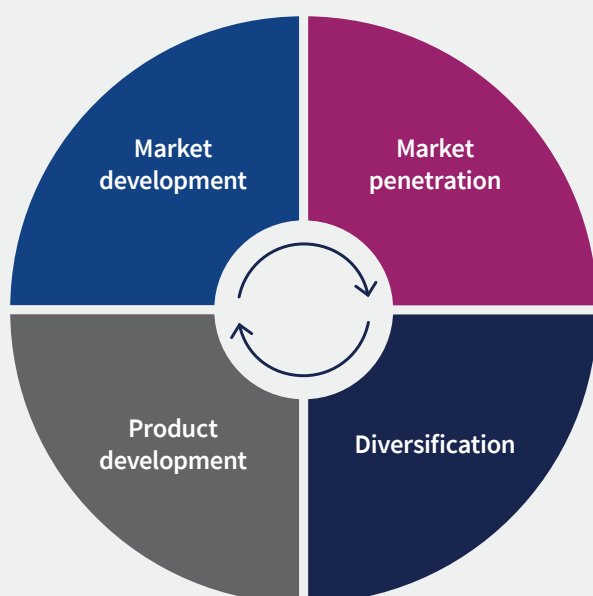
Our strategy is closely aligned with our purpose and focused on delivering positive outcomes for all our stakeholders. By delivering exceptional client experiences through our leading approach to doing business responsibly, our business will generate sustainable and profitable long-term growth.

As we announced last year, our Group strategy has five strategic priorities centred around responsible business, meeting more needs for more clients, enhancing client experiences, being agile and developing lasting relationships.

Being a leading responsible business is at the heart of our operating model. Our commitment to responsible business is about inclusive and sustainable relationships with all our stakeholders and I am really pleased with the progress we have made over the past 12 months. From our work on climate action, to the launch of our client ESG proposition (see page 33), to supporting our colleagues with wellbeing and the changes we are making through our colleague-led diversity and inclusion groups, through to the diverse range of charitable initiatives and partnerships we have supported this year including the Irwin Mitchell Charities Foundation (IMCF). This year, we have also launched three national charity partnerships, which our colleagues across the UK will support together over the next three years. For more information on our responsible business activities please see pages 44 to 61.

Meeting more needs for more 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:



1. Market development

This includes:

- (a) growth of our international client base;
- (b) building reputation in areas where we have existing credibility;
- (c) tracking UK economic growth and focusing on sectors and geographies with best opportunities;
- (d) investment in M&A and strategic lateral hires;
- (e) developing our brand and marketing strategies to align and capitalise on our audience strategy; and
- (f) investment in training, development and recruitment to acquire and develop sector and segment knowledge.

2. Market penetration

This includes:

- (a) focus on client acquisition – pipeline management and development of sales culture and capability;
- (b) investment in strategic lateral hires and M&A to bring target clients into the business;
- (c) building and driving new opportunities through our Priority Client and Intermediaries Programmes;
- (d) activity-focused programme to support cross selling and improve service line penetration across all audiences;
- (e) investment in CRM technology and capability to give a one client view and provide data to track commercial performance; and
- (f) developing our brand and marketing strategies to align to target audiences moving to segment and sector-focused marketing initiatives which drive desired growth.

3. Diversification

This includes:

- (a) building wealth management capability;
- (b) identifying related and adjacent services that can help to enhance existing propositions;
- (c) investment in strategic lateral hires and M&A; and
- (d) offering services in new ways.

4. Product development

This includes:

- (a) investment in proposition development as a unique way to go to market;
- (b) developing multi-service line teams;
- (c) one view of client and focus on the life/business cycle;
- (d) client feedback and market insight capability to support product development; and
- (e) client journey mapping, which brings to life the end-to-end journey experience.

During the year, we delivered growth against all these focus areas through the strategic acquisitions announced as outlined above, the completion of 18 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 services 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 the Group's 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 and colleague satisfaction. Last year, we announced a new strategic partnership with Peppermint Technology (Peppermint), a leading legal technology business, 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. We also expanded our Data and Analytics team and prioritised replacing outdated systems and decommissioning legacy applications to improve our operational resilience.

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 Group'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 colleagues and clients work and collaborate. Our colleagues continue to score us highly in the independent Great Place to Work Institutes's Best UK Workplaces index, where we maintained our high employee engagement score of 77%. This ranked us 19th for 2023, our fourth consecutive year in the top 20 for Super Large Businesses across all sectors nationally.

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. In relation to our strategic clients and referrers, we launched our new flagship Priority Client Programme (PCP) in 2022 to protect and grow our relationships with them. 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 to which we refer work to. We have specific expertise in certain jurisdictions where colleagues have deep cultural and often linguistic skills to assist our clients. An example of our international growth ambitions is the recruitment of Catherine Palmer, who is a well-known figure in the Anglo-French legal community and her team will drive forward the firm's strategy of supporting domestic clients in France, while helping to win English legal work for French and French-speaking clients.

Outlook

Global economic forecasts suggests that the coming financial year will be another challenging year as inflationary pressures, in combination with the high interest rate environment and general cost-of-living crisis, will continue to impact many consumers and businesses adversely. However, the quality of our people, combined with the breadth of services and ongoing investment, supported by the strength of our balance sheet, gives us the confidence that despite the considerable headwinds, we will deliver further strategic progress in FY24.

Our priorities are clear – to invest in accretive growth opportunities by capitalising on our strong foundations, focus on cost management and operational efficiency, invest in our people and to continue to deliver exceptional client and colleague experiences.

Andrew Tucker
Group Chief Executive Officer

4 August 2023

Market overview

Despite the global macroeconomic volatility, the UK legal services market continued to demonstrate its resilience and grew faster than the wider UK economy in 2022^{1,2}.

Competitive landscape

The UK legal services market comprises a broad range of services and market participants. It is a significant economic sector contributing c.2%³ to UK Gross Value Added (GVA) in 2021³. The value of turnover attributed to the sector was estimated at c.£31 billion³ in 2021.

The market is highly concentrated with the top 10 firms accounting for c.35%⁴ of revenue in 2021 with the next 190 firms collectively generating c.40-45%⁴ of industry revenue. Beyond those firms, the market becomes highly fragmented with approximately 9,600⁴ small firms and sole practitioners accounting for the remaining c.20-25%⁴ of total industry revenue.

Set against the wider economic challenges of recession, high inflation, tight labour market and the cost-of-living crisis, the UK legal services sector is in a period of heightened volatility, which we believe will continue to drive consolidation of the sector. In these uncertain times, the importance of balance sheet strength, differentiation, agility and ability to use technology solutions and data insights to drive innovation cannot be understated.

In this section we highlight some of these emerging trends and how Irwin Mitchell is responding.

The rising importance of ESG

What's happening?

From being seen as something nice to do, ESG has rapidly gained importance to become a critical focus area for the sector and its multiple stakeholders. ESG requires businesses to consider the environmental, social and governance issues that are relevant to the business and its stakeholders and use this as a basis to define their purpose and longer-term objectives.

The impact

The rise of ESG up the corporate agenda is impacting all facets of the UK legal services sector; from clients wanting to engage with businesses that are seen as sustainable and driving positive change; to colleagues who are making decisions on whether to stay at one firm or move to another due to social attitudes towards flexible working, wellbeing and diversity and inclusion; to regulators, suppliers and partners who are actively engaging with law firms on a range of ESG compliance issues.

How we are responding

Our aspiration, in line with our purpose-led strategy and our core values, is to be recognised as a leading responsible business. To us, this means having a strong culture as well as a clear and ambitious strategy to address the ESG issues, which are material to our business. It also means recognising the power of impactful collaboration and developing trusted partnerships with our stakeholders. In February 2023, we launched a new ESG Advisory Service for corporate and institutional clients, leading with new products to audit cyber security, an increasingly important area of focus for the sector, and help clients with diversity and inclusion assessment, support and training.

Driving innovation

What's happening?

Innovation in the legal services market takes many forms; however, the driving force behind this is the adoption of agile technology solution and data insights to drive efficiencies, standardise processes and enhance the overall experience of clients. This in parallel with the ABS reforms have resulted in the growth of Alternative Legal Service Providers (ALSPs) and other platform models which use technology and staff in lower cost locations to typically deliver repetitive, high-volume work at a cost which is lower than traditional law firms, appealing to both lawyers and clients.

The impact

This rise of ALSPs and other platform models mean general counsels and heads of legal at corporates can get their process-orientated, business-as-usual work delivered at a reduced cost, while using a traditional law firm for more bespoke and complex advisory-led work. This has led to larger corporates developing ALSP panels alongside their traditional legal panels, adding to fee pressures for smaller, less differentiated, law firms. This bifurcation is set to continue further in the coming years with the growth of artificial intelligence, which is expected to lead to cost savings in areas such as client onboarding and contract drafting.

How we are responding

We expect ALSPs to continue gaining traction in the high-volume, process-driven area of legal services; however, our personal touch and breadth of services in combination with the investments we are making to develop our technology and data infrastructure and capabilities will enable us to continue to deliver exceptional lifetime value for our clients. This is what sets us apart from the competition and why clients continue to value our services so highly.



Market consolidation driven by ABS reforms and market volatility

What's happening?

Prior to the Legal Services Act (LSA) 2007, the UK legal services market was dominated by sole practitioners, general partnerships and Limited Liability Partnerships (LLPs). The LSA was a pivotal moment of reform for the UK legal services market, allowing Alternative Business Structures (ABS) to participate in the provision of legal services.

Few companies initially transitioned to an ABS structure but the number has been rising rapidly from 1,945¹ in 2010 to 5,137² in 2020, representing a cumulative average growth rate of over 10% and demonstrating a clear shift in preference of corporate structures over traditional partnership models. Some of the key benefits of an ABS structure are outlined below:

- Ability for non-lawyers to participate in the equity of a firm;
- Increased access to finance through public and private markets;
- Financial security as salaried partners are no longer remunerated through profit shares, which can fluctuate year-on-year; and
- No personal liabilities should the law firm become insolvent.

The impact

The growth in ABS has coincided with the overall decline in the total number of law firms in the UK due to consolidation as well as closures and bankruptcies amongst smaller firms. This trend is likely to continue in the current environment where corporate balance sheets and individuals will feel financial stress and therefore working capital management will become a key focus area for law firms.

The total number of UK law firms has fallen from 10,354⁴ in 2016 to 9,809⁴ in 2021, representing a 5% fall. During this period, the share of top 50 law firms has increased from 61%¹ to 64%⁴.

How we are responding

Irwin Mitchell was an early adopter of transitioning to an ABS and received SRA approval in August 2012.

We recognise the challenges of operating in the current environment and are helping vulnerable clients during this difficult time through proactive engagement. We continue to manage our working capital closely and in line with our growth plans we are confident that the flexibility of our ABS structure, alongside our balance sheet strength, will enable us to continue to grow organically and via acquisitions.

The demand for talent and managing inflationary cost pressures

What's happening?

In line with the rest of the UK legal services sector, and indeed the wider economy, we have seen increasing cost pressures due to the tight labour market as well as the impact of wider macro-economic volatility.

The impact

The demand for talent since the onset of the pandemic is causing difficulty with recruitment and retention across the industry and challenging the ability of firms to deliver the level of service expected from their clients. In addition, supply chain challenges due to the war in Ukraine have added to wider inflationary pressures. These cost pressures, which are being felt across the industry, are forcing firms to consider their pricing and marketing strategies and have brought into focus the importance of managing costs and realising efficiencies to maintain profitability margins.

How we are responding

We have a deep understanding of the market and take pride in listening to our clients and understanding their evolving needs. This informs our growth strategy and approach to pricing and marketing, which aims to deliver more services for more clients. In addition, we are taking an active approach to managing our cost base and realising operational efficiencies through technology solutions and data insights.

We recognise the importance of delivering an attractive colleague value proposition which is competitive, fair and rewarding. Our Flexible by Choice (Flexible by Success for our Ascent colleagues) hybrid working arrangements have proved very popular for new joiners and existing colleagues. Our colleagues continue to score us highly in the independent Great Place to Work Institutes' Best UK Workplaces index, where we ranked 19th for 2023 – this was our fourth consecutive year in the top 20 for Super Large Businesses across all sectors nationally.

1. UK Legal Services Market Report 2023 - Research and Markets

2. commonslibrary.parliament.uk/

3. Legal excellence, internationally renowned: UK legal services 2022 | TheCityUK

4. Strategy& - UK Legal Services Market report (2022)

Our business model

Everything we do is driven by our purpose – to help individuals and businesses navigate life’s ups and downs.

What we need to fulfil our purpose

Strong brand

- Our brand is built on our proud heritage of more than 110 years and commitment to delivering exceptional client experiences.

Local expertise

- We have a deep understanding of our clients’ needs and the trends that are shaping the legal and financial services market, offering us insights that will help us to meet more needs for more clients.

Culture and capabilities

- Delivering on our purpose rests on how we continue to invest in our colleagues, their capabilities and our unique culture.

Technology and data

- Our digital investment programme will enhance our technological capabilities and enable us to become a data-driven legal and financial services provider.

Financial strength

- We have a strong balance sheet supported by cash-generative businesses and a prudent approach to financial management.

 For further details see / [page 14](#)

What makes us different

Sustainable and responsible business

- Doing business responsibly is part of our heritage and is at the heart of our business model. We aim to deliver positive outcomes for all our stakeholders, every day.

 For further details see / [page 44](#)

Market leading

- We have a leading position in the growing high-value complex personal injury market. This differentiates us from our peers and enables us to invest in the growth of our other established business areas.

 For further details see / [page 4](#)

Distinct proposition

- Our business is underpinned by a differentiated and synergistic operating model focused on delivering lifetime value for clients. In combination with our balance sheet strength and prudent approach to financial management, we have the confidence to continue to invest in the future and deliver positive outcomes for our stakeholders.

 For further details see / [page 20](#)

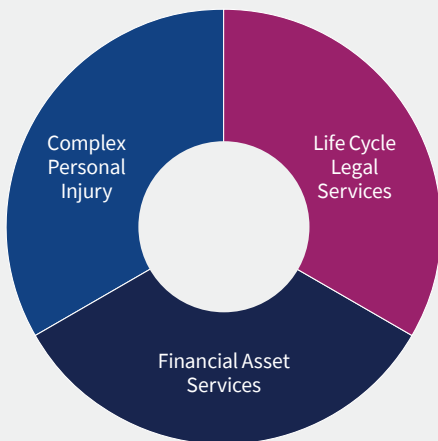
Multiple levers for growth

- We pursue a range of organic and inorganic growth opportunities across a range of sectors, client segments and markets that can help deliver sustainable long-term growth. This includes an active approach to managing our existing portfolio of businesses to ensure these remain core to the delivery of our strategy.

 For further details see / [page 14](#)



How we are organised and the services we provide



- Complex Personal Injury**

 - Serious Injury
 - Workplace Injury
 - Medical Negligence

- Life Cycle Legal Services**

 - Commercial, Advisory and Disputes
 - Corporate and Finance
 - Family
 - Property
 - Private Client
 - Public Law

- Financial Asset Services**

 - Asset and Wealth Management
 - Court of Protection
 - Arrears Management Outsourcing

How we create value

Acting responsibly and delivering lifetime value for our clients are at the centre of our operating model.



We generate revenue primarily from the amount of fee-generating engagements we undertake for our clients, which is supplemented by the other services we offer.

Our range of legal and financial services provides us with the opportunity to offer our clients additional complementary services, thereby enhancing their overall experience and the value we generate. In addition, through our existing client relationships, brand strength and referral network, we continue to grow our client base.

For further details see / [page 4](#)

Our business model continued

Creating value for our stakeholders responsibly

The value we create



Clients



Meeting more needs for more clients



Enhancing our clients' experiences by becoming a digital business



Becoming a leading responsible business

See / [pages 25, 33 and 34](#)

5-star  Trustpilot

Trustpilot rating as at 30 April 2023

#1

Legal Superbrand



Colleagues



Being flexible, diverse and agile



Developing valuable and enduring relationships



Becoming a leading responsible business

See / [pages 25, 28 and 29](#)

77%

Employee engagement

52.8%

Female representation in senior leadership roles

5.9%

Minority ethnic representation in senior leadership roles





Communities



Developing valuable and enduring relationships



Becoming a leading responsible business

See / [pages 25 and 38](#)

6,345

Hours of volunteering work provided to our communities

£259k

Total Group and colleague charitable donations and fundraising

£101k

Grants made to good causes across the UK through the Irwin Mitchell Charities Foundation

100%

Carbon neutral Red-Inc stationery deliveries



Investors



Meeting more needs for more clients



Enhancing our clients' experiences by becoming a digital business



Becoming a leading responsible business

See / [pages 25, 33 and 34](#)

£9.4m

Free cash flow (FY22: £9.5m*)

£0.21

Diluted earnings per share (FY22: £0.40)

£3.0m

Dividends paid to ordinary shareholders (FY22: £1.5m)

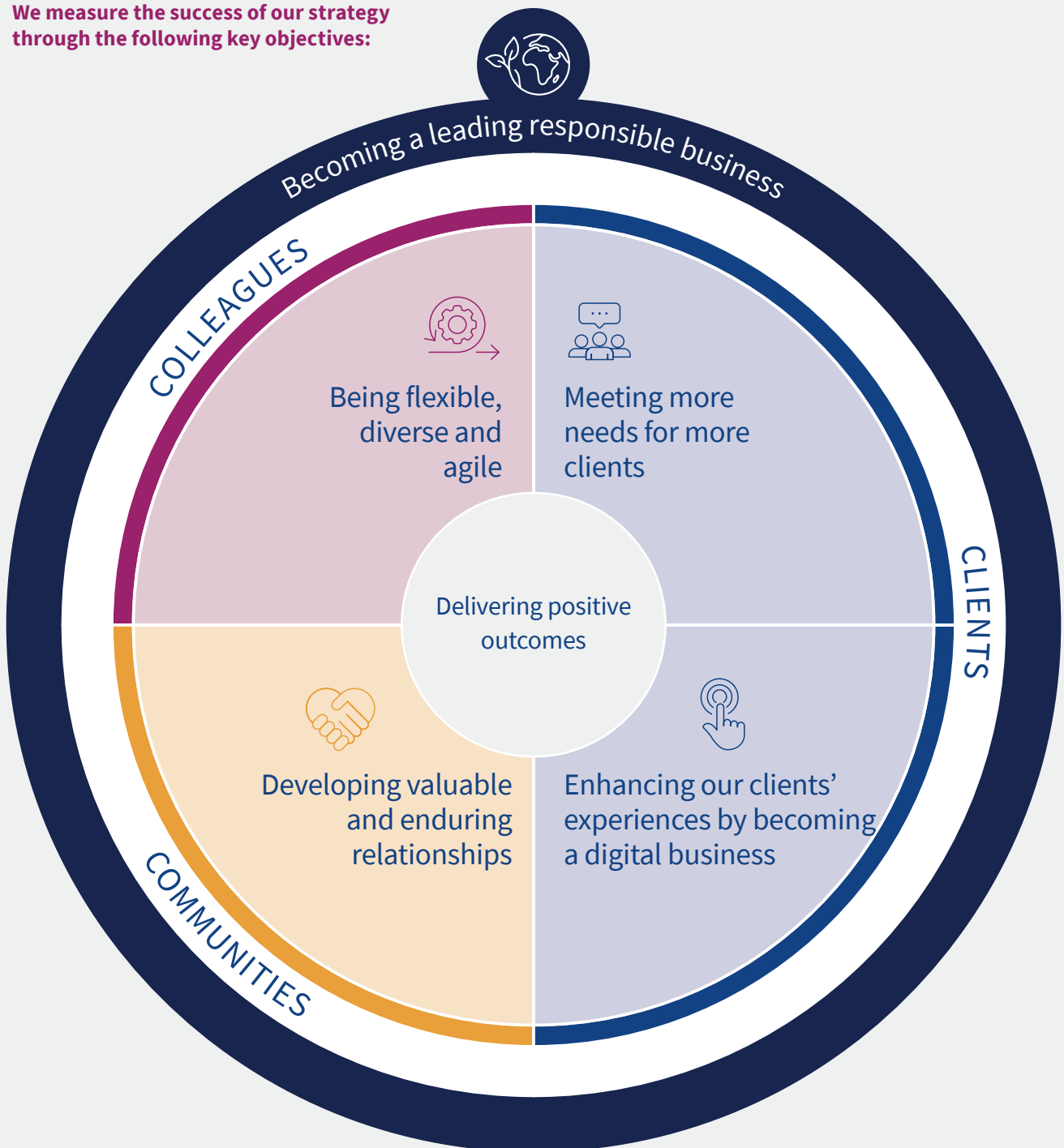
* FY22 free cash flow has been represented to include an adjustment for the introduction or repayment of member capital. More detail can be found in [note 4](#) to the financial statements.

Our strategy

Our strategy is focused on delivering positive outcomes for all our stakeholders

By delivering exceptional client experiences through our leading approach to doing business responsibly, our business will generate sustainable and profitable long-term growth.

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



RESPONSIBLE BUSINESS



Being recognised as a leading responsible business

What this means

Doing business responsibly is part of our heritage and at the heart of our business model.

To us, this means supporting our local communities through volunteering, pro bono work and charitable giving, working alongside the IMCF, creating an inclusive workplace where all our people are enabled to thrive, encouraging sustainable and inclusive business relationships with our clients and suppliers, and ensuring we deliver on our Environment strategy and Roadmap to Net-Zero.

Strategic progress

We have made several key appointments over the last two years to enhance our responsible business capabilities, including our first Head of Responsible Business. We have also established a Responsible Business Committee to help govern and execute our Responsible Business strategy.

The core tenets of our Responsible Business strategy are (1) inclusion, meaning enabling everyone to thrive, and (2) sustainability, meaning making everything the Group does positively impact our future. In 2022, we became a signatory of the United Nations Global Compact, committing to its Ten Principles and to continuing to focus on our ambition to becoming a leading responsible business; centred on the framework provided by the Sustainable Development Goals.

In 2022, we launched an Environment strategy, which accelerated our plans for transitioning to net-zero by 2040. Using a thorough baseline analysis and consultation exercise, we set targets including 100% renewable electricity across our office estate and 50% reduction in the Group's total Scope 3 organisational impact by 2030.

 For further details see / [page 45](#)

Future priorities

We recognise the importance of understanding and responding to the challenges that may impact the legal and financial services sectors and therefore our business. To ensure that our Responsible Business strategy continues to focus on where we can make the maximum impact, we are undertaking a comprehensive materiality assessment, working with external experts to run a consultation exercise and engage with many of our key stakeholders, listening to what they believe are the issues we should be prioritising and addressing. The results of the materiality assessment will be shared with the Board and will be used to inform our focus areas in the coming year.



Link to KPIs

- NPS
- Employee engagement
- Minority representation in senior leadership roles
- Female representation in senior leadership roles
- Groups and colleague donations and funds raised for charitable causes

 For further details see / [page 40](#)

Link to principal risks

- Failure to meet profit expectations and protect cash
- Failure to comply with laws and regulations
- Failure to realise our Environment strategy
- Failure of core IT systems
- Failure to recruit and retain key people
- Failure to meet client expectations
- Information and cyber security

 For further details see / [page 70](#)

CLIENTS


Our strategy continued

Meeting more needs for more clients



Link to KPIs

- Core Group Revenue
- Core Revenue per fee earner
- Free cash flow
- Net cash
- NPS

 For further details see / [page 40](#)

Link to principal risks

- Failure to meet profit expectations and protect cash
- Failure to comply with laws and regulations
- Failure to realise our Environment strategy
- Failure of core IT systems
- Failure to recruit and retain key people
- Failure to meet client expectations
- Information and cyber security

 For further details see / [page 70](#)


What this means

We differentiate ourselves via our ability to provide complementary solutions that support businesses and families throughout their lifetime in a human and responsible way. The diversity of our target markets ensures resilience, as we can take a portfolio approach to delivering our service propositions to enable higher cross-sell and therefore maximise client lifetime value.

This holistic approach to understanding clients' needs has enabled us to move from the traditional go-to market strategy, which is predominantly service-led, to a focus towards our three target audiences, Seriously Injured and Vulnerable, Corporates and Institutions, and Business Owners and Affluent, which are closely aligned to our reporting segments.

We will deliver our growth strategy by focusing on four key components:

- Market development
- Market penetration
- Diversification
- Product development

 See GCEO statement for further information / [page 14](#)

Strategic progress

During the year, we successfully diversified our business through the acquisition of TWP Wealth Limited and by exchanging on a contract to acquire Andrews Gwynne LLP. The TWP Wealth Limited acquisition has increased our assets under management by c.£100m, with the Andrews Gwynne LLP deal expected to contribute a further c.£100m. We also diversified into new markets and opened two new offices in Cardiff and Liverpool, bringing our legal services closer to our existing clients in those regions and providing a platform to grow our client base in those locations.

In January 2023, we launched our connected ESG proposition in response to growing client demand across a range of service sectors. We also launched three new client service offerings through lateral hires into our Private Client team and Corporate Tax Law team, both based in Birmingham, as well as our Financial Services team in Leeds.

Our run-off agreement with Minster Law and Gildeas Solicitors to transfer the Volume Personal Injury business continues to proceed as planned and will enable Irwin Mitchell to focus on the higher value complex injury market.

Future priorities

We will continue with the roll-out of our connected ESG proposition, which is a key differentiator in the market and we are confident that this will be a significant driver of future growth. We continue to explore a range of other service launch propositions as well as complementary M&A and lateral hire opportunities, to augment our services and help deliver attractive payback returns.

CLIENTS



Enhancing our clients' experiences by becoming a digital business

What this means

Investing in technology and data analytics is crucial for our growth strategy and improving the digital experience for clients and colleagues. Our IT strategy, with a focus on cloud-based services from Microsoft, allows us to develop cost-effective, scalable, resilient, and compliant IT solutions. This keeps our technology up to date with changing business needs.

We have established a dedicated Data and Analytics team led by our Group Data Officer. They extract valuable insights from our data to deliver enhanced experiences and operational efficiencies.

Alongside investing in cutting-edge technologies, we prioritise replacing outdated systems and decommissioning legacy applications. This reduces costs, improves agility, and strengthens resilience.

Strategic progress

Our strategic partnership with Peppermint, a leading legal technology business, introduces a new platform that streamlines processes, enhances collaboration, and provides deeper insights into client relationships. Powered by Microsoft's cloud services, these applications offer resilience and adhere to high privacy and security standards. To support our digital transition, we have expanded our Data and Analytics team. Their expertise streamlines processes and leverages client data to enhance experiences and cross-selling.

We have implemented Microsoft 365 throughout our organisation, enhancing productivity, agility, collaboration, and communication. Advanced security measures ensure data protection and availability.

With Microsoft's Power Platform, we can quickly and securely build bespoke IT applications using low-code tools. This empowers non-technical colleagues to develop business applications and automate processes.

Microsoft's Power Platform also grants us access to advancements in generative artificial intelligence (AI) through Azure OpenAI Services. We have invested resources and developed an AI tool used by over 300 colleagues to address various use cases.

Future priorities

We will continue investing in technology platforms through strategic relationships to ensure secure and innovative services that meet the evolving needs of the business. To enhance business resilience, we will migrate more systems and data centres to the cloud. We will explore technological innovation, developing applications, automating processes, and harnessing the power of generative AI.

Our Data and Analytics team focus on developing insights capabilities that impact client growth and financial and operational performance. Ongoing development of powerful applications enhances digital agility and modernises processes.



Link to KPIs

- Free cash flow
- Net cash
- Group lock up days
- NPS
- Employee engagement

 For further details see / [page 40](#)

Link to principal risks

- Failure to comply with laws and regulations
- Failure of core IT systems
- Failure to recruit and retain key people
- Failure to meet client expectations
- Information and cyber security

 For further details see / [page 70](#)

COLLEAGUES

Our strategy continued



Being flexible, diverse and agile



What this means

Our colleagues are our greatest asset. By continuing to listen to our colleagues through regular pulse and annual surveys, we ensure that we are focused on our colleagues' needs, and this helps us engage, retain, and attract the people we need to achieve our strategy. The Group's People strategy is captured in our Colleague Value Proposition (CVP) and in our Colleague Commitment.

Our CVP focuses on creating the right work environment, shaping an effective total reward offering, enabling diverse and multi-faceted career opportunities for all our colleagues, and on building a culture of openness, trust and collaboration. Our Colleague Commitment is focused on delivering effective and supportive line management, building strong leadership capability, driving agility and flexibility in how we organise ourselves and on our ways of working, as well as building a health organisation through wellbeing, inclusion and colleague engagement.

Link to KPIs

- Employee engagement
- Minority representation in senior leadership roles
- Female representation in senior leadership roles
- Group and colleague donations and funds raised for charitable causes

 For further details see / [page 40](#)

Link to principal risks

- Failure of core IT systems
- Failure to recruit and retain key people
- Failure to meet client expectations
- Information and cyber security

 For further details see / [page 70](#)

Strategic progress

Our Flexible by Choice (Flexible by Success for our colleagues in Ascent) framework, which we introduced in 2021, gives colleagues the choice as to when, where and how they work, while balancing the needs of our clients and regulatory requirements. This trust-based approach to working continues to be highly rated by our colleagues and recognised externally and its effectiveness and impact is measured regularly through engagement surveys.

Our colleagues continue to score us highly in the independent Great Place to Work Institute's Best UK Workplaces index, where we achieved an employee engagement score of 77% in line with our score last year. This ranked us 19th for 2023, our fourth consecutive year in the top 20 for Super Large Businesses across all sectors nationally.

Future priorities

We want our colleagues to thrive in a safe, supportive and inclusive environment where everyone feels welcome and can bring their true, authentic self to work every day. By listening and engaging with our colleagues, we actively review and continuously evolve our approach to recruitment, our multi-faceted career opportunities offering, and our training and development programmes, as well as our comprehensive physical and mental wellbeing framework all help to ensure we remain a Great Place to Work.

We are working towards greater diversity within our senior leadership and ensuring that our workforce reflects the diversity of the different communities in which we operate. In alignment with our Diversity and Inclusion (D&I) strategy, we will continue to raise awareness, educate and engage our colleagues so that we can create positive change and a culture of allyship not only within our own business but across our sectors more widely.

CLIENTS AND COMMUNITIES



Developing valuable and enduring relationships

What this means

Through our expert hand and human touch approach, we aim to nurture and build lifetime relationships and deliver positive outcomes for all our stakeholders including clients, colleagues, investors, suppliers, regulators and the government.

Key to delivering this objective is establishing mutual trust and respect.

Strategic progress

In 2022, we launched our new flagship Priority Client Programme (PCP) to protect and grow our relationships with our strategic clients and referrers. During FY23, the PCP has grown to achieve more than 12,000 instructions from a broad range of clients across our growth sectors and audiences. We have further enhanced our approach to relationship management by introducing an Intermediary Relationship Programme to look more closely at our intermediary relationships and connections.

We've announced three new long-term national charity partnerships with Maggie's, Teenage Cancer Trust and The National Literacy Trust.

Over 1,000 of our colleagues participated in the nomination and selection process. Colleagues have also continued to support schools, charities and other community partners to deliver over 6,000 volunteering hours during FY23.

In the last 12 months, we have continued to develop strong partnerships with our suppliers based on shared values and a commitment to responsible business, this has included the launch of our new Supplier Code of Conduct.

Future priorities

Looking to the year ahead, we will continue to embed our new charity partnerships and launch a new skills-based volunteering menu to support our colleagues to make the maximum impact they can in our local communities.

We will also continue to build relationships, with some of our key suppliers to identify their net-zero transition plans and obtain emissions reporting to support with our Scope 3 reporting.

Finally, in relation to our clients, we will continue to invest in growing our PCP and increasing the number of services that we are able to cross-sell to our clients, thereby increasing client satisfaction levels and the share of revenue we are able to generate from these clients.



Link to KPIs

- Group and colleague donations and funds raised for charitable causes
- Core Group Revenue
- Free cash flow
- Net cash
- NPS

 For further details see / [page 40](#)

Link to principal risks

- Failure to meet profit expectations and protect cash
- Failure to comply with laws and regulations
- Failure to realise our Environment strategy
- Failure to recruit and retain key people
- Failure to meet client expectations

 For further details see / [page 70](#)



Strategy in action



Being recognised as a leading responsible business

Introducing our ambitious Environment strategy

During FY23, we introduced our ambitious Environment strategy, including new commitments and targets as we plan our net-zero transition.

As part of a comprehensive range of new measures we pledged to target net-zero GHG emissions across our value chain by 2040 and set supporting interim milestones such as a 50% reduction in our Scope 3 GHG emissions by 2030 and 100% renewable energy use in offices by FY25.

We have made positive progress throughout the last year, including achieving approval of our near-term and net-zero targets with the Science Based Targets initiative (SBTi). Our new partnership with sustainability reporting software provider, Greenstone, will enable efficient and accurate monitoring of our progress towards our environmental goals, plus greater transparency via internal reporting.

We have a continued focus on core elements of our overall environmental impact, particularly office energy, business travel, paper and printing levels and supply chain engagement.

We are targeting

100% renewable energy use in our offices by 2025

Irwin Mitchell has been a founding member of the Legal Sustainability Alliance since

2008



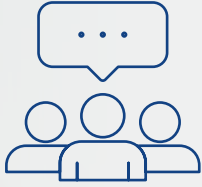
Our commitment to sustainability is being ramped up to ensure we'll be leading the way in the transition to net-zero. These objectives give everyone within the business something to aim at as we take the steps necessary to achieve success and inspire others to follow in our footsteps."

Louise Needham

Environmental and Sustainability Manager



Strategy in action continued



Meeting more needs for more clients

Irwin Mitchell launches ESG Advisory Service

This year we launched our Environmental, Social and Governance (ESG) Advisory Service for clients.

The immediate focus saw us bring together 80 different service lines to create an ESG Advisory Service for corporate clients. Alongside this is a new web portal where clients can access materials to help them build their own ESG strategies.

We've also developed new products to help our clients navigate the key issues they tell us are troubling them, including:

- An in-depth cyber security audit, which provides an assessment of the cyber risk profile and digital footprint of their business;
- A diversity and inclusion assessment to help clients evaluate existing policies and procedures;
- A suite of diversity and inclusion training modules, which can be tailored and personalised to meet clients' needs.

The ESG Advisory Service contains specific advice from Irwin Mitchell's sector experts in sport, real estate, manufacturing, financial services, consumer services and education.

This new proposition for clients is built on our own strong responsible business foundations. This year we launched our own Environment strategy and Roadmap towards Net-Zero; we were recognised for our commitment to gender diversity¹; and we continue to support colleagues with new wellbeing initiatives.

A survey of 200 businesses showed:

35% were looking at options to form their ESG strategy and

22% are just beginning their ESG journey

74%

of businesses want assurances that their ESG partner has already implemented their own ESG policies and initiatives²



As a legal and financial services firm, ESG runs through everything we do. Our ESG Advisory Service is about making sure that our clients not only get value from our experts but that they benefit from the experience of our own ESG journey.”

Victoria Brackett

Group Chief Commercial Officer

¹ The Lawyer Gender Diversity Signal Report published February 2023 - www.thelawyer.com/signal/report/gender-diversity/#index-2

² Irwin Mitchell ESG Proposition Market Research May 2022 – surveying 200 UK businesses.

Strategy in action continued



Enhancing our clients' experiences by becoming a digital business

Our technology journey

This year has seen us make significant strides in becoming a more digital business while retaining our human approach to client experience.

We've appointed our first Group Data Officer to help us deliver our strategic goals by harnessing our data and creating insights which can drive our growth plans and decision-making processes.

Alongside this we've continued to develop and implement new technologies throughout FY23 based around Peppermint Technology and Microsoft's platforms. This includes new Client Relationship Management (CRM), Next-Generation Case & Matter Management and Document Management solutions.

These tools will enhance our client relationships by empowering colleagues with more information about our client activity in one application while also opening up the opportunity to develop new online portals for clients.

We've also begun to trial new artificial intelligence (AI) tools with more than 300 users currently involved in using a bespoke system created through Microsoft technology.

On the client side we've expanded our Client Voice panel, which gives us direct access to 160 clients to gather feedback on a range of topics, test new ideas and allow us to listen to their views. This allows us to anticipate and meet their changing needs and expectations in the future.

100+

users involved in our AI technology trial

194

clients signed up to our Client Voice digital listening feedback tool



Our tech strategy supports our client-centric business model and presents a huge opportunity for us. With strong partnerships in place, we're building sustainable and accessible applications for the future, enabling us to quickly adapt to our clients' and colleagues' needs."

Nirupa Wikramanayake
Group Chief Information Officer





Strategy in action continued



Being flexible, diverse and agile

Leading the way on gender balance at partnership level

We're regularly recognised for our excellent gender diversity in the legal industry, with The Lawyer naming us as the only top 50 law firm where more than half of the partnership is female.

As part of our ongoing commitment to implementing a robust diversity and inclusion strategy, we've regularly introduced and enhanced our policies in this space to ensure that everyone feels they are able to work to their potential at Irwin Mitchell.

Following the launch of our Flexible by Choice (Flexible by Success for our Ascent colleagues) approach to hybrid working in 2021, we've introduced further improvements to our inclusive, family-friendly policies, including enhancements to paternity leave, shared parental leave, parental bereavement leave and support for fertility treatment.

For the fourth year running, we were recognised as one of the best workplaces in the UK for women by the Great Place to Work Institute, ranked 19th. This ranking is based on the views of women about their workplace experiences.

We have also sponsored important initiatives such as the Next 100 Years project, to showcase successful women lawyers and inspire the next generation.

Our policies and reputation for gender diversity put us in a strong position in terms of attracting, developing, and retaining women.

Irwin Mitchell is the only top

50

law firm where more than half the partnership is female¹

52%

of our partners are female



To be recognised as one of the top 10, Super Large firms in this country for women to work for is a great achievement and shows that we are moving in the right direction when it comes to diversity and inclusion and to becoming a leading responsible business."

Susana Berlevy
Group Chief People Officer

¹ The Lawyer Gender Diversity Signal Report published February 2023 - www.thelawyer.com/signal/report/gender-diversity/#index-2

Strategy in action continued



Developing valuable and enduring relationships

Expanding our sports partnerships

We have a strong reputation for developing mutually beneficial sports partnerships with major governing bodies across the UK.

This year has seen us expand our sports partnership programme both by adding new partnerships but also by developing our existing relationships further.

In May 2022, we announced a deal which saw us become the Official Legal Partner to UK Athletics (UKA). We will be supporting them for the next three years with advice and regulatory guidance in key areas such as safeguarding, disciplinary investigations and commercial work.

We've also continued with our other high profile partnerships, including being the Official Legal Partner to England Rugby and British Rowing.

Since our England Rugby partnership began in 2019, we have developed a Legal and Tax helpline to support member clubs and continued to support the development of a new mentoring programme for young players.

Our work with British Rowing this year has continued to see us offer our full portfolio of legal work as well as assisting their in-house legal team in supporting its 30,000 members and 530 clubs.

Our growing sports law team acts for individuals, agents, clubs and governing bodies across a range of legal, financial and tax work.

1,500

England Rugby clubs eligible for legal support via the Irwin Mitchell Legal and Tax helpline

523k

Views of our Real Rugby Stories video series showcasing community heroes



We're thrilled to be confirmed as the official legal partner to UK Athletics. We have a proud track record representing national governing bodies and this appointment recognises our reputation for establishing long-term and effective client partnerships."

Tom Barnard
Partner and Sports Sector Lead



Key performance indicators

Measuring our progress

The Group uses a framework of financial and non-financial key performance indicators to monitor our Group performance and the impact it has on our stakeholders.

These are reviewed on a regular basis by our senior management team and the Board to measure performance, highlight areas for attention, as well as to recognise good performance and celebrate success.

In addition to our KPIs, the Group uses a range of other operational, financial and sustainability metrics including a Net-Zero roadmap by 2040. This is detailed further on [page 49](#).

Financial KPIs

Core Group Revenue £271.0m

FY23	£271.0m
FY22	£266.1m

Defined as:

Fees to which the Group is entitled in exchange for transferring services to a client through the Core Group (see [note 4](#) to the financial statements).

Why do we measure this?

Core Group Revenue measures our ability to increase chargeable hours and rate per hour in obtaining successful outcomes for clients.

How have we performed?

We achieved 1.8% growth in Core Group Revenue, driven by growth in our Complex Personal Injury and Life Cycle Legal Services segments.

Alignment to objectives:



Group Revenue £276.4m

FY23	£276.4m
FY22	£275.7m

Defined as:

Fees to which the Group is entitled in exchange for transferring services to a client through the Group.

Why do we measure this?

Group Revenue measures our ability to increase chargeable hours and rate per hour, in obtaining successful outcomes for clients.

How have we performed?

Group Revenue increased slightly by 0.2% with the increase in Core Revenue helping to offset the impact of the run-off of the Volume Personal Injury business and lower revenues in our Ascent business (see [note 5](#) to the financial statements).

Alignment to objectives:



Core Group Revenue per fee earner £170k

FY23	£170k
FY22	£174k

Defined as:

Core Group Revenue divided by the average number of Core Group fee earners on an FTE basis (see [note 4](#) to financial statements).

Why do we measure this?

This measures the productivity and efficiency of our Core Group fee earners.

How have we performed?

Core Group Revenue per fee earner fell by 2% due to additional fee earner recruitment in FY23 to prepare us for future growth. Overall, Core Group fee earner FTEs grew by 4% in the year.

Alignment to objectives:



Core Underlying Operating Profit £22.8m

FY23	£22.8m
FY22	£29.8m

Defined as:

Core Group Operating Profit before non-underlying items (see [note 4](#) to financial statements).

Why do we measure this?

This measures the profitability of our Core fee earning teams before the effect of non-underlying items.

How have we performed?

In line with the Board's expectations, Core Underlying Operating Profit fell in FY23 due to the impact of planned investment in our colleagues, IT capabilities and higher cost inflation due to market volatility.

Alignment to objectives:



Revenue Pipeline £266.5m

FY23	£266.5m
FY22	£249.0m

Defined as:

Hours worked but not yet recognised as revenue on open, Core Group matters valued at charge out rates as communicated to our clients.

Why do we measure this?

Revenue Pipeline measures the extent to which we have visibility over future income generation and is a key point of differentiation versus other competitors.

How have we performed?

During the year, we achieved a 7% growth in the Revenue Pipeline driven by our Complex Personal Injury segment.

Alignment to objectives:



Alignment to our objectives



Clients, Colleagues and Communities

Becoming a leading responsible business



Colleagues

Being flexible, diverse and agile



Clients

Meeting more needs for more clients



Communities

Developing valuable and enduring relationships



Clients

Enhancing our clients' experiences by becoming a digital business

Staff Costs to Revenue

65.7%

FY23	65.7%
FY22	64.1%

Defined as:

Total staff costs, inclusive of all partner and employee remuneration, divided by total revenue.

Why do we measure this?

Staff Costs to Revenue measures the productivity and efficiency of all of our people.

How have we performed?

Staff costs have grown as a percentage of revenue following planned investments in senior colleagues to position us for long-term growth as well as the impact of wage inflation caused by the tight labour market and market volatility.

Alignment to objectives:



Gross Margin

50.8%

FY23	50.8%
FY22	52.3%

Defined as:

Gross Profit divided by Revenue.

Why do we measure this?

Gross Margin measures the profitability of our fee-earning teams before the effect of non-underlying items.

How have we performed?

In line with the broader legal services market, Gross Margin reduced by 1.5% due to the impact of competition for talent and the corresponding impact of this on wage inflation relative to Revenue Growth.

Alignment to objectives:



Operating Profit

£13.8m

FY23	£13.8m
FY22	£23.5m

Defined as:

Statutory Operating Profit.

Why do we measure this?

This measures the total profitability of the Group. We are focused on driving growth in operating profit in order to generate higher and sustainable returns to use to reinvest in the business and reward our shareholders through dividend payments.

How have we performed?

Operating Profit fell in FY23 in line with expectations due to the impact of planned investment in our colleagues, IT infrastructure and data capabilities as well as the impact of higher cost inflation.

Alignment to objectives:



Group lock up days

207 days

FY23	207 days
FY22	206 days

Defined as:

The total of trade debt, accrued income and paid disbursement debtors divided by full year revenue recorded, multiplied by 365.

Why do we measure this?

Lock up measures the time it takes us to convert working capital into cash on fee-earning matters. This measure ensures focus and effective management of working capital and efficient billing processes.

How have we performed?

Lock up days have remained stable. CPI lock up days of 246 are longer than LCLS (139 days) and FAS (146 days) due to the funding of some disbursements on matters that can take many years to settle. See note 4 to the financial statements.

Alignment to objectives:



Free cash flow

£9.4m

FY23	£9.4m
FY22*	£9.5m

Defined as:

Net increase in cash, before M&A activity, non-underlying items, introduction/repayment of partner capital and dividends.

* We have amended the definition to include an adjustment for introduction/repayment of partner capital, on the basis set out in note 4 to the financial statements.

Why do we measure this?

Free Cash Flow reflects the underlying cash generated by the Group that helps inform capital allocation decisions.

How have we performed?

Despite the economic volatility, we realised a positive Free Cash Flow similar to last year.

Alignment to objectives:



Net Cash

£0.7m

FY23	£0.7m
FY22	£2.3m

Defined as:

Total cash and short-term investments, less bank borrowings and balances with LLP members. See note 4 to the financial statements.

Why do we measure this?

Net Cash is used to measure the Group's leverage.

How have we performed?

The Group remains in a robust net cash position with no draw down of available bank facilities. Our strong balance sheet gives us the confidence to invest in the long-term growth of the business and support a progressive dividend to our shareholders.

Alignment to objectives:



Key performance indicators continued

Clients and Colleagues KPIs

Minority ethnic representation in senior leadership roles

5.9%

FY23	5.9%
FY22	5.4%

Defined as:

Percentage of colleagues from minority ethnic backgrounds in senior leadership roles across our Group companies (inclusive of partners).

Why do we measure this?

To monitor the ethnic diversity of our leadership group, which is a key focus of our recruitment and retention processes and is central to our Responsible Business strategy.

How have we performed?

The percentage of colleagues from minority ethnic backgrounds has improved slightly over the year.

Alignment to objectives:



Female representation in senior leadership roles

52.8%

FY23	52.8%
FY22	52.3%

Defined as:

Percentage of women in senior leadership roles across our Group companies (inclusive of partners).

Why do we measure this?

To monitor the gender diversity of our leadership group, which is a key focus of our recruitment and retention processes and is central to our Responsible Business strategy.

How have we performed?

The percentage of women in leadership roles has increased by 0.5% in the year.

Alignment to objectives:



Net Promoter Score

+59

FY23	+59
FY22	+62

Defined as:

Measure of client service delivery taken from asking clients how likely they are to recommend our service, calculated as % promoters (9–10 score) less % detractors (1–6 score).

Why do we measure this?

This helps us monitor the extent to which the Group is excelling in client service delivery as a whole.

How have we performed?

Following a change in how we collate NPS data, in FY23 we included feedback from a wider range of clients to give us a better representation of our service delivery levels. While the figure has fallen, the comparable figure last year was not computed on the same basis. A score of above 50 is 'excellent' by industry standards.

Alignment to objectives:



Employee engagement

77%

FY23	77.0%
FY22	77.0%

Defined as:

The overall 'Trust Index' extracted from the external Great Place To Work survey.

Why do we measure this?

We aim to improve colleague engagement across the Group with specific focus on required areas identified by colleagues.

How have we performed?

We've maintained our high Trust Index score, demonstrating that we continue to be rated highly by our colleagues. Recognising the burden that has been felt by colleagues this year, we've focused on helping colleagues with their financial wellbeing and mental health, as well implementing initiatives to improve diversity and inclusion across the Group.

Alignment to objectives:



Career progression is something we strive for here. I started the Associate Project Management qualification as an apprenticeship, which is an amazing opportunity and something that's going to add value to my current role."

Emma Eaton
Head of Lateral Hire



My colleagues are also important to my success. We work well together and everyone's been really supportive. I talk to my team regularly and they're always on hand to help if I have any questions. They're all really easy to talk to."

Janine King
Partnership Finance Manager



One of the things I'm most proud of is our commitment to diversity and inclusion. A lot of organisations pay lip service to it, but we see it in action every day here. I come from a really mixed background and so diversity is really important to me."

Jeremy Raj
National Head of Residential Property

Communities KPIs

Group and colleague donations and funds raised for charitable causes

£259k

FY23	£259k
FY22	£289k

Defined as:

The total Group and colleague donations and fundraising for charitable causes.

Why do we measure this?

This enables us to monitor the value we give back to our communities.

How have we performed?

Due to a variety of factors, this figure has decreased in FY23. We're exploring a range of solutions to maintain fundraising and donations, including launching our National Charity Partnerships and piloting digital tools to boost online donations.

Alignment to objectives:



Alignment to our objectives



Clients, Colleagues and Communities Becoming a leading responsible business



Clients Meeting more needs for more clients



Clients Enhancing our clients' experiences by becoming a digital business





Colleagues Being flexible, diverse and agile



Communities Developing valuable and enduring relationships

Further Information

 Read more about how we operate / [page 20](#)

 Read more about our approach to responsible business / [page 44](#)

 Read about our principal risks and mitigations / [page 70](#)



We can all make a positive impact, and if you're lucky enough to work for an organisation like ours, then there is a wide range of opportunities available to you and you know that you've got the support to get involved and make a difference."

Kate Fergusson

Head of Responsible Business



Responsible business



Whilst there is always more to do, I'm proud that we've grown our team, bringing in new expertise and developing our existing talent, to help us address the pressing societal and environmental issues that we face."

Victoria Brackett

Group Chief Commercial Officer and Responsible Business Executive Sponsor



To access our Responsible Business reports, please visit/
<https://www.irwinmitchell.com/about-us/responsible-business>

Becoming a leading responsible business

Over the last year we've continued to work alongside clients, suppliers, and other key stakeholders to navigate a variety of challenges and uncertainties ranging from the cost-of-living crisis and growing social inequality within the UK, to geopolitical factors such as the conflict in Ukraine, the energy crisis, and the climate emergency.

Throughout this period of ongoing uncertainty, our focus has been on deepening our understanding of the impact these issues have on our colleagues, clients, and communities. Our aim has been to work collaboratively with all stakeholders to build resilience and identify shared solutions. The long-term value of our business is contingent upon our commitment to responsible business and our ability to maximise our impact for the benefit of all our stakeholders.

Despite the challenges, we've made significant strides towards our ambition to be recognised as a leading responsible business. Our work with independent sustainability consultancy Corporate Citizenship, part of SLR Consulting, to evolve our Responsible Business strategy so it is based on stakeholder insight, has played a key role in this evolution (see page 45). We've continued to improve the way we work with our suppliers, launching our Code of Conduct. Our near-term and net-zero Greenhouse Gas reduction targets have been verified by the Science Based Targets initiative and we're developing our Net-Zero Transition Plan. We've focused on wellbeing, diversity and inclusion by implementing new training, policies, and procedures to create a more inclusive, happier, and healthier workplace.

As well as delivering thousands of hours of volunteering and pro bono work, we launched our three new national charity partnerships and supported the Irwin Mitchell Charities Foundation (IMCF) to donate over £100,000 to smaller charities based in our local communities.

We've embraced our potential for creating positive impact at scale, by launching our ESG Advisory Service, using our extensive expertise and experience to improve our clients' response to their own challenges and opportunities.

Whilst there is always more to do, I'm proud that we've grown our team, bringing in new expertise and developing our existing talent, to help us address the pressing societal and environmental issues that we face. As you'll see in this report, it's part of our culture to share our progress and I hope that by doing so it'll help inspire others on their own journeys in this space to embrace the ambition that is so urgently needed.

Victoria Brackett

Group Chief Commercial Officer and Responsible Business Executive Sponsor

Evolving our strategy

In the last 12 months, our Responsible Business strategy has evolved with the aim of focusing on the issues which are most material to our business and our stakeholders, and increasing the impact of our work.

We continue to align our strategy to the Ten Principles of the United Nations Global Compact (UNGC) and the framework of the Sustainable Development Goals (SDG).

Inclusion and sustainability remain the two overriding objectives at the foundation of our Responsible Business strategy and align directly with our purpose: we strive to develop inclusive and sustainable relationships with our stakeholders, recognising that by working together, we are better placed to navigate life's ups and downs.

In FY23, we commenced work on a double materiality assessment, working with Corporate Citizenship, to engage with stakeholders including clients, colleagues, community partners and suppliers to increase our understanding of our material risks and opportunities and reappraise our six strategic focus areas – diversity, wellbeing, fairness, resilience, access (to jobs and justice) and environment. We will publish the findings of our materiality assessment in our 2023 Responsible Business report.

We have continued to focus on improving our governance, positioning the Responsible Business team as a central advisory service within Irwin Mitchell and created new roles to ensure we're consistently applying a multi-stakeholder and holistic approach to the delivery of our strategy. We have also expanded the membership of our Responsible Business Committee (RBC), welcoming Victoria Brackett as our new executive sponsor.



SUSTAINABILITY priority SDGs:



INCLUSION priority SDGs:



Responsible business continued

Key highlights for FY23

We are committed to measuring the impact of our work to ensure we continue to use our skills, expertise and resources to make the greatest positive impact.

We measure our impact across our three key stakeholder groups.



Clients

Building trust

We recognise that trust is the foundation which all our **client relationships** are built upon and to which our commitment to doing business responsibly, inclusively and sustainably is inextricably linked:

- Launched our ESG Client Advisory Service.
- Continued to work in partnership with our sports partners to raise awareness of inclusion and fair representation in sport.
- Part of a taskforce of senior litigators, in-house and general counsel, and the Mindful Business Charter to produce guidance for litigators about how litigation can and should be undertaken in a mindful way.

5-star

Trustpilot rating 2023
(as at 30 April 2023)

 Read more about our **Clients** / [pages 33-34](#)



Colleagues

A fair and inclusive workplace

We're committed to creating a fair and inclusive workplace where **all our colleagues** can thrive and wellbeing is a priority:

- Recognised as one of the UK's Best Workplaces for Wellbeing (in the Super Large category 1,000+ employees) by Great Place to Work (GPTW).



36th

in the latest Stonewall Workplace Equality Index 2023

- Introduced our new Diversity and Inclusion mandatory training module for colleagues.
- Launched our Neurodiversity network as part of our IM Able network.

 Read more about our **Colleagues** / [pages 58-61](#)



We are focused on not only understanding the environmental and societal issues which are material for Irwin Mitchell and our stakeholders, but also where we can work collaboratively to identify new solutions.”

Kate Fergusson
Head of Responsible Business



Communities

Community investment

We have a long-standing commitment to **supporting our local communities** through fundraising, volunteering and providing pro bono legal advice:

- Launched our first national charity partnerships with Maggie's, Teenage Cancer Trust and the National Literacy Trust.



[Read more about Community Investment / pages 56-57](#)

£101k

of grants made to good causes all over the UK through the Irwin Mitchell Charities Foundation (IMCF)

6,345

of volunteering hours

Environment

Our ambition is to be recognised as a leader within **environmental sustainability**:

- Near-term and net-zero Greenhouse Gas reduction targets verified by the Science Based Targets initiative (SBTi).
- Recertification to the international standards ISO 14001 – Environmental Management and ISO 50001 – Energy Management.
- More than 15 tonnes of CO₂e avoided by switching to more sustainable envopAP office paper.

[Read more about Environment / pages 48-55](#)

Suppliers

Over the past year, we've continued to **evolve our Supplier Relationship Management framework**:

- Updated our supplier due diligence questions and produced our first Supplier Code of Conduct.
- 100% carbon neutral stationery deliveries from our supplier, Red-Inc.

[Read more about Suppliers / pages 8-9](#)

Responsible business continued

Communities: Protecting our planet



Climate change is important to our clients, our colleagues, and our communities.

We are committed to a net-zero future and believe we can play a significant role in supporting the transition across our stakeholder groups.

As a multi-award winning legal and financial services firm, we believe we are well placed to influence change and support people, businesses, our supply chain and local communities as we all take steps to transition to a better and more sustainable future.

In 2022, Irwin Mitchell announced a commitment to achieving net-zero by 2040 and the interim goals we would meet along the way. As we mark one year since launching our new strategy, we can report positive progress, including the alignment of our targets with the latest climate science and continued development of the transition plan that will help to deliver on our environmental goals.

Our climate targets

We achieved approval of our near and net-zero science-based emissions reductions targets with the Science Based Targets initiative (SBTi) and in accordance with the SBTi Net-Zero Standard. Our Roadmap to Net-Zero addresses both direct and indirect impacts of our organisation, and those objectives will guide our Environment strategy now and into the future. See the Roadmap to Net-Zero for more information on our verified targets [page 49](#).

In 2022, we partnered with award-winning, sustainability reporting software provider Greenstone, to evolve our non-financial reporting capabilities and ensure that our data management and analytical systems are sufficiently robust in support of our science-based target tracking.

Achieving net-zero

We are committed to achieving significant direct emissions reductions across Scope 1, 2 and 3 and have aligned our targets with a 1.5°C pathway (the widely agreed safe limit for global temperature increase).

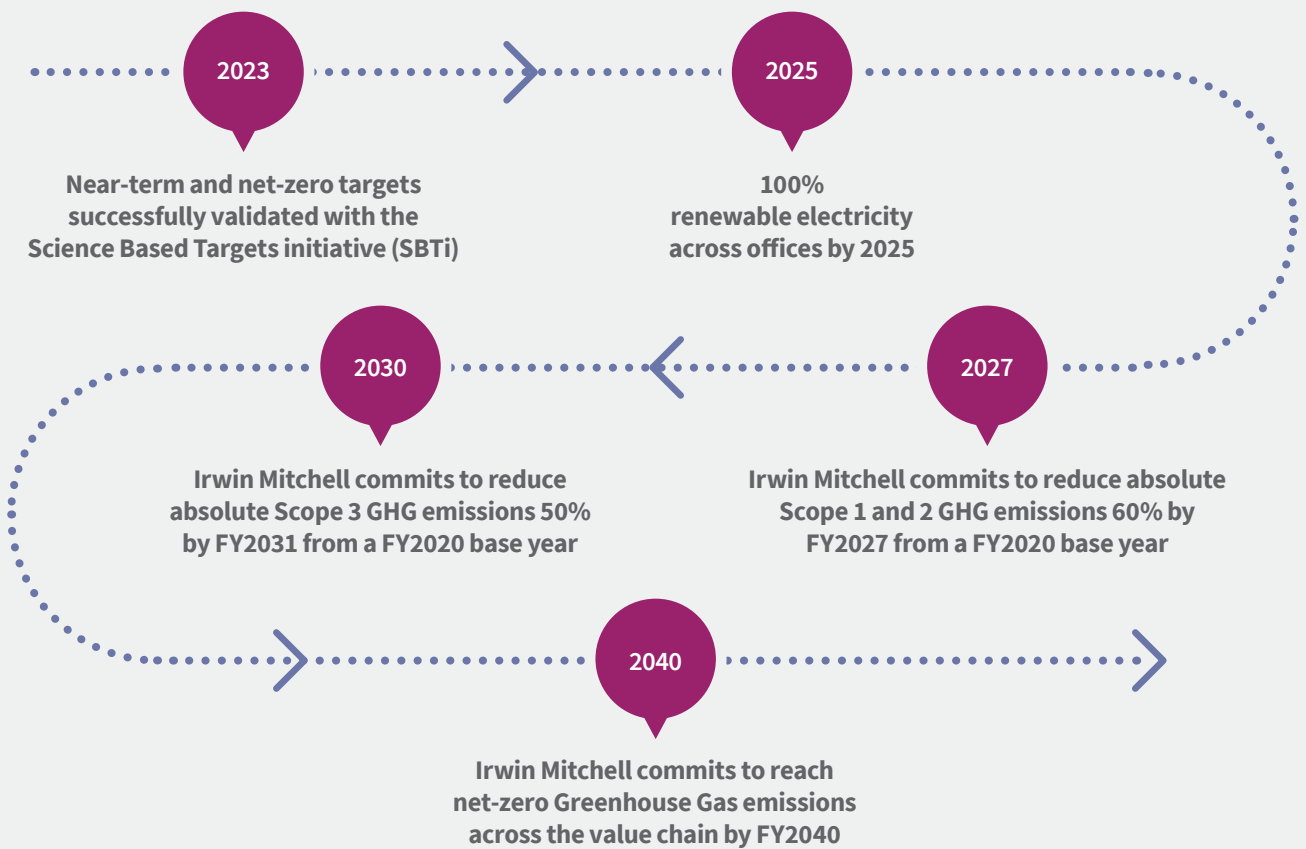
Our strategy includes five focus areas, which represent our most material environmental impacts and we report here on key activities to decarbonise across those categories and deliver on our Roadmap to Net-Zero.

In FY24, we will develop a Net-Zero Transition Plan for across the Group and in line with the latest recommendations from the Transition Plan Taskforce. This will incorporate the development of a financial planning framework, including our longer-term ambitions.

We will continue to review our approach to the counterbalancing of any residual emissions via GHG removal or verified offset schemes, in line with SBTi criteria.



Roadmap to Net-Zero



- Baseline year is 2019 (FY20).
- SBTi - Science Based Targets initiative.
- Scope 1 & 2 - emissions from company facilities, vehicles and purchased electricity.

- Scope 3 - broader category of emissions including purchased goods and services, business travel and employee commuting.
- Net-zero - achieving an overall balance between GHG emissions released and removed from the atmosphere.

Responsible business continued

Our Net-Zero focus areas

Scope 1 and 2 Greenhouse Gas emissions	Key activities
Energy	<ul style="list-style-type: none"> Promote energy efficiency and digitalisation of processes across our office estate. Use net-zero as a central principle of our property strategy and data centre plans. Further increase renewable electricity use; working with our landlords to advocate for renewable electricity provision for all offices.
Vehicle fleet	<ul style="list-style-type: none"> Implement policy changes that will enable the transition to a more sustainable car fleet.
Scope 3 Greenhouse Gas emissions	Key activities
Business travel	<ul style="list-style-type: none"> Closely monitor travel emissions through internal reporting and management review. Review our business travel policies, including continued emphasis on promoting virtual working practices wherever possible. Investing in technology to support with virtual and hybrid meetings.
Supply chain	<ul style="list-style-type: none"> Engage with our strategic partners on climate action. Formalise our supply chain sustainability activities through further development of our sustainable procurement procedures - for example, updated our Supplier Code of Conduct. Purchase sustainable alternatives – for example, paper produced using alternative raw material.
Stakeholder engagement	<ul style="list-style-type: none"> Support our clients with their own net-zero transition, via the roll-out of our ESG proposition (page 33). Promote climate awareness to our key stakeholders – our clients, colleagues and across our communities. Inspire our colleagues to take climate action – for example, via paperless working, waste reduction and community volunteering.



Environment highlights



Founding members of the Legal Sustainability Alliance (LSA) since 2008



A signatory to the Legal Sustainability Alliance (LSA) Legal Renewables Initiative



New ESG proposition launched in 2023



Near-term and net-zero Greenhouse Gas reduction targets verified by the SBTi



New award-winning sustainability reporting software provided by Greenstone



Updated our Environmental and Energy policy to reflect our net-zero target

Our trusted office stationery partners, **Red-Inc**, enabled the following environmental benefits via the **Plant One Protect One scheme** and various other **verified carbon offset projects, funded by Irwin Mitchell.**

>19,000

trees planted via Eden Reforestation Projects

>100

trees planted through Trees for Cities

+5,800

acres of vulnerable habitat across the tropics protected with the Rainforest Climate Action Fund



Responsible business continued

Climate related financial disclosures

We continue to integrate the identification of climate-related risks and opportunities into our business processes, along with the development of resilience plans where the risk posed is likely to have a material impact on our business strategy, operations or supply chain. This has included the development of a flooding playbook to support with any potential impact in a specific at-risk location.

We voluntarily provide climate related financial disclosures and plan to evolve the maturity of our approach to include climate scenario analysis conducted upon a subset of our material risks.

Governance

Board and senior management oversight of climate-related risks and opportunities is supported by embedding climate within our established Responsible Business governance structure. Responsibility for the overall strategy has been delegated by the most senior decision-making level in the firm to our Responsible Business Committee (RBC). Oversight of climate-related risks and opportunities is provided to the RBC on at least a quarterly basis. Our Group Environmental Sustainability Forum (GESF) is made up of strategic leads accountable for the main elements of our Environment strategy, representatives of our colleague sustainability network IM Green, and our suppliers. The Group Executive Committee (GEC), and the RBC have supported our Environment strategy and therein, our commitments to environmental performance improvement and climate action targets, including achieving a status of Net-Zero by 2040. The RBC oversees progress against our targets and alignment with our overall Responsible Business strategy.

Strategy

Our Group strategy is purpose-led and underpinned by our commitment to work together to navigate life's ups and downs. This is perfectly aligned with the theme of remaining adaptable to the challenges brought by climate change. We consider ourselves to be well structured to anticipate potential impacts on our business and to grasp the opportunities presented.

Becoming a leading responsible business is fundamental to our future success. Sustainability, and our goal to make everything we do positively impact our future, is one of the two key principles of our Responsible Business strategy. Environment and Resilience have been identified as material issues for us and represent two relevant and interconnecting focus areas which help us achieve the aims of the strategy (see page 45 for an overview of our Responsible Business strategy.)

Our Environment strategy and the frameworks and structures described here enable the effective identification, assessment and overall management of material climate-related risks and opportunities.

Risk management

The Group employs a three lines model to delineate responsibilities and coordinate activity in the management of risk, ensuring adequate segregation in the oversight and assurance of risk.

As part of effective first line risk management, we will continue to work collaboratively with leaders across the Group to identify, assess, treat, monitor and report all climate-related hazard and opportunity risks. Key risk and control information is recorded within the Group's Risk Management System (Origami) which forms the basis of ongoing risk management reporting. This system has been enhanced to now capture Environmental, Social and Governance risks specifically, allowing for greater visibility of these interconnected risks.

We have first line forums in place, including our GESF and RBC, which support the identification and management of risks and opportunities associated with our environmental performance via regular review of KPIs and periodic input from external stakeholders (e.g. third-party consultancy, supply chain partners).

In addition, there are first line risk forums/committees which provide oversight and assurance regarding the management of key risks, including regular reporting on the Group's principal risks coupled with deep dive activity. An overarching risk of failing to realise the Environment strategy is set out on page 54.

Metrics and targets

Our Roadmap to Net-Zero (pictured on page 49) includes reduction targets for Scope 1, 2 and 3 emissions; with the near-term and net-zero targets validated by the SBTi.

In FY23 we increased our renewable electricity consumption to 82% of our office estate and reduced our direct operational energy carbon footprint by 35% compared to FY22. This is due to the impact of hybrid working, our property strategy, digitisation and our focus on our Environment strategy.

Emissions from vehicles and fuel have increased in comparison to the previous two years. This is a result of our business activity post-pandemic and a return to preferred methods of interaction with our clients, which in many cases requires colleagues to travel and meet in-person with their client. We describe [on page 50](#) our net-zero focus areas and the activities planned to deliver against our targets.

Our Group Balanced Scorecard (BSC), which we use internally to measure and track our performance, for FY24 includes a range of environmental indicators; including the monitoring of emissions from travel, printing levels, supplier engagement and development of our Net-Zero Transition Plan.

Investment in Greenstone, the sustainability reporting software platform, improves our data management and analytical capabilities, leaving us better equipped to forecast ahead to our science-based targets. This will also support improvement in our Scope 3 analysis, specifically the Purchased Goods and Services category.

Our Streamlined Energy and Carbon Reporting (SECR) data is disclosed below:

Streamlined Energy and Carbon Reporting (SECR)

**GHG emissions and energy usage data for period
01 May 2019 to 30 April 2023**

	2022/23	2021/22	2020/21	2019/20
Environment				
Emissions from combustion of gas (Scope 1 – tonnes of CO ₂ e)	19	40	21	Not reported
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO ₂ e)	959	729	490	1,008
Emissions from electricity purchased for own use including for the purpose of transport (Scope 2 – tonnes of CO ₂ e)	607	929	1,074	1,358
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 – tonnes of CO ₂ e)	200	110	16	217
Total gross tonnes CO ₂ based on above	1,785	1,808	1,601	2,583
Office energy consumption to calculate emissions (kWh)	3,241,681	4,373,038	4,722,421	5,304,469
CO ₂ emissions per colleague - based on the number of employees and Partners at financial year-end	0.58	0.62	0.52	0.84

 Read more about our strategy on environment / [page 48](#)

Responsible business continued

Key climate-related risks and opportunities

Climate-related risks	Financial risks	<p>Investments Growing risk of investments being impacted by stranded assets linked to fossil fuels.</p> <p>Strategy and revenue Potential financial loss from failure to adapt our core services to consider the impacts of climate change.</p> <p>Energy Higher energy costs due to transition to renewables, take-up of low carbon technologies, rising temperatures increasing energy and water consumption for cooling across operations (offices and data centres) could impact operational costs and supply chain.</p>
	Regulatory risks	Changing regulations will increase compliance requirements.
	Market risks	Potential changes to markets as supply and demand shifts for certain commodities, products and services due to climate-related risks and opportunities being taken into account.
	Reputational risks	<p>Stakeholder perception The ESG approach and in particular climate action strategy of an organisation is a potential source of reputational risk tied to changing stakeholder perceptions.</p> <p>Attracting and retaining talent Lack of new talent attracted to or retained by the Group due to poor perception / reputation based on environmental performance.</p>
Physical risks	Health, safety and wellbeing risks	Posed to our colleagues, clients and communities as climate patterns change and extreme weather events become more commonplace.
	Disruption and physical damage	Service to clients, offices, operations, business travel and supply chain face disruption as they are impacted by acute physical events such as flooding.
Climate-related opportunities	Litigation	Rise in climate-related litigation claims by property owners, states, insurers, shareholders and public interest organisations. Reasons include failure of organisations to mitigate against or adapt to climate change and poor disclosure around material financial risks. Rise of accusations of 'greenwashing'. As the value of loss and damage arising from climate change grows, litigation risk is also likely to increase.
	Financial	<p>Resilience Improved financial resilience and confidence in short, medium and longer-term business plan and investments by applying a 'climate lens' to the firm's business model and financing decisions. Collaborate with like-minded organisations supporting the transition (e.g. clean tech and infrastructure innovations) and phase out inherent risk areas, including fossil fuels.</p> <p>New propositions Respond to the growing market for ESG solutions by developing ways to support clients on their decarbonisation journeys.</p> <p>Resource efficiency Lower operating costs due to improved efficiency of buildings, equipment and transport e.g. energy, materials, water and waste management.</p>
	Climate justice	Law firms are perfectly placed to use their influence and expertise within the community to combat social inequalities and represent those most affected by climate change. Strategies include directing pro bono hours to issues directly or indirectly linked to climate change.
	Supply chain	Tackle broader greenhouse gas (GHG) impacts and partner with like-minded organisations by collaborating with key suppliers to support their transition.



We're proud of the progress we have made so far but know there is so much more to do to secure a sustainable future for our business and do what we can to reduce the impact of climate change for all our futures. With SBTi verification we have the confidence that our climate targets are ambitious and science-based, and we can now start the planning work on our net-zero transition plan in partnership with our colleagues and stakeholders. Collaboration is key, and we will be working in partnership internally and externally to achieve our net-zero ambitions and supporting you with yours. I am looking forward to witnessing that support, engagement and collective drive to make the difference we need."

Sarah Ball
Director of Operations

Responsible business continued

Communities: Community investment

A collaborative approach to our new national charity partnerships

Our people are at the heart of our community investment programme and have helped evolve our approach so we can maximise our impact. Supported by expert external consultants, colleagues developed a new national charity partnership programme designed to align to our Responsible Business strategy, while still creating a local impact through fundraising, volunteering and pro bono advice. Over 1,000 colleagues participated in our selection process to choose our new national corporate charity partners.

Meet our new national charity partners...



Teenage Cancer Trust offers unique care and support for young people aged 13-24, across the UK; funding nurses, youth workers and hospital units to support patients.



Thank you so much for the support you give to Teenage Cancer Trust, but most importantly, the support you give to our young people who have heard the news that they have cancer. That makes all the difference.”

Paul McKenzie

Director of Engagement, Teenage Cancer Trust



Maggie's is a specialist charity offering free support to people with cancer, as well as their families and friends, online or in person at their specialist centres across the UK.



At a time when people with cancer are facing huge financial challenges due to the cost-of-living crisis, this partnership has never been so important. Working together we can ensure people with cancer and their families can find free psychological, practical, and financial support, from the moment they are diagnosed.”

Dame Laura Lee

Maggie's, Chief Executive



The **National Literacy Trust** transforms lives through literacy and is dedicated to raising literacy levels across the UK, working with schools and local communities.



This partnership comes at a critical time and will play a vital role in giving children and young people across the UK access to books and champion reading, writing and speaking, which we know plays a vital role in a child's well-being, how well they perform in school and their future employability.”

Jonathan Douglas CBE

Chief Executive, National Literacy Trust

Irwin Mitchell Charities Foundation (IMCF)

We've also continued to support the Irwin Mitchell Charities Foundation (IMCF), an independent registered charity established in 1997 by colleagues, which has since donated over £3m to good causes.



In the last 12 months, 104 colleagues gave their time to help the IMCF develop a grant-making mechanism, resulting in donations of over £100k being made to 10 charities in early 2023. The donations have enabled these charities to continue vital work aligned to the promotion of wellbeing, access to justice and education.

Charities supported in FY23



Irwin Mitchell teams up with Maggie's to provide mascot opportunity to young rugby fan

In partnership with Maggie's and the RFU, we were able to give Daniel the opportunity of a lifetime to run out with the England team as they played their first match of this year's Six Nations against Scotland.

The game was played on World Cancer Awareness Day and the fixture was extremely important to Daniel, his dad Adam, and his teenage siblings Isaac, Joseph and Iona, following the death of their mum Kirstie from breast cancer in 2020.

The family were supported by cancer charity, Maggie's Glasgow.



For more information, visit our website [here](#)



Responsible business continued

Colleagues: A focus on diversity and inclusion

Our Diversity and Inclusion (D&I) strategy

Our D&I strategy underpins our commitment to creating an inclusive workplace culture where all our colleagues feel a sense of belonging and are enabled to thrive. The strategy is focused on priority development areas to enable progress to be monitored and to embed D&I into everything we do.



Insight and Impact

to help us know whether we're improving and where else we need to **improve**.



Inclusive Leadership

to help our leaders and colleagues **integrate diversity and inclusion** into what they do and how they do it.



Active Allyship

to help empower all leaders and colleagues to truly value everyone and to **take action** when others don't.

In addition to these three strategic priorities, this year we've also identified two specific areas for focus:

- **Disability inclusion**
aligned to our work on [Disability Confident](#)
- **Career progression (ethnicity)**
aligned to our work on the Race At Work Charter

Key areas of progress

36th

in the Stonewall Top 100 Employers for LGBT+ inclusion and a Workplace Equality Index Gold Award

19th

in the Great Place to Work UK's Best Workplaces for Women Super Large category (2023)

63rd

First ranking in Top 75 Employers for Social Mobility (Social Mobility Employer Index)



Let's Talk About Disability (LTAD) sessions held and LTAD recommendations and report approved



Sponsor of Next 100 Voices, aimed at showcasing the diversity of emerging leaders in law from underrepresented groups and inspiring the next generation of lawyers

D&I governance

Our D&I strategy is a component part of our Colleague Commitment (our people strategy). The Group People Committee oversees the execution of our D&I strategy, which is underpinned by four pillars – brilliant basics, great leadership, organisational agility, and organisational health (including diversity and inclusion).

Our D&I strategy and activity is overseen by our D&I Board, chaired by our Group Chief People Officer, Susana Berlevy, as Executive Sponsor for Diversity and Inclusion. Our Head of Responsible Business, D&I Manager, and the chairs of each of our six colleague-led D&I network groups are also members of the D&I Board, along with expert advisers from across the organisation.



For more information on the work of our D&I network groups, please see our latest Responsible Business report. / <https://www.irwinmitchell.com/about-us/responsible-business>



Our latest diversity data can be found on our website: www.irwinmitchell.com/about-us/social-responsibility/diversity

Our commitment to drive change

Starting a conversation about disability inclusion

As part of our strategic priority on disability inclusion, we've held a series of Let's Talk About Disability sessions, to provide a safe space to find out more about disability, ask questions and help to identify what more we can do as a Group to be disability inclusive. Implementing the recommendations from these sessions, alongside a comprehensive review of our reasonable adjustments process, are supporting our Disability Confident Level 3 application, which we hope will demonstrate our strong commitment to disability inclusion and help us to enable all our people to thrive within the workplace.

A focus on education and awareness

This year, we've reviewed the learning offered to colleagues, introducing a new mandatory e-learning module on Inclusion Essentials. Diversity and inclusion and team dynamics is also a core element of our work on the Role of the Line Manager aimed to improve our line managers' skills and capabilities.

To support our diverse workforce and enable everyone to thrive, we're introducing a new e-learning module on Inclusive Leadership for line managers and are planning a series of workshops to improve the skills, capabilities, and confidence of our senior leadership team to lead on race and ethnicity inclusion.

Leading the way on gender diversity

We're committed to improving our gender balance and creating a fair and inclusive workplace for our colleagues. Our own analysis suggests that our gender pay gap figures continue to be below market average for similarly sized law firms, with a mean gender pay gap of 9.7% and a median gender pay gap of 14.3%. As part of our commitment to gender equality, we sponsored the Next 100 Voices, championing 10 emerging leaders in law from underrepresented groups and a cross-section of the profession – private practice, in-house, the Bar and the judiciary. These leaders shared how they got to where they are now, what they are doing to **positively** change their area of the profession and what lessons they can **share with** the next generation, encouraging aspiring lawyers to pursue their ambitions.

Responsible business continued

Colleagues: A focus on wellbeing

As we continue to adapt to new ways of working following the pandemic, specifically around how we adopt hybrid working and new technology – we understand the importance of colleagues being able to balance healthy and fulfilling lives and careers.

We believe that investing in our colleagues' wellbeing (in particular, psychological health and cognitive performance), impacts on how we feel, our individual performance and how we interact with each other - all of which contribute to our collective success. The health and wellbeing of our people continues to be a vital element of our 'Colleague Commitment', Responsible Business strategy and a core part of our organisational culture – 'what it feels like to work here'.



We've evolved our core wellbeing approach – providing support around broader topics such as financial wellbeing and psychological safety. Our National Wellbeing team has been instrumental in collaborating with colleagues to help build knowledge around the importance of wellbeing and the impact this has on both our individual and collective performance.”

Maria Rovira-Martin
Organisational Development Consultant

Our wellbeing principles

Self-care



Meaningful connections



Feeling valued

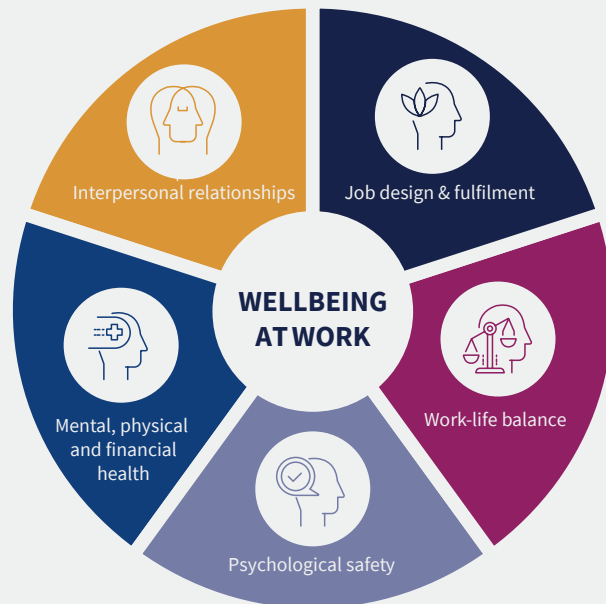


Creating space



Our wellbeing principles – building a culture of strong resilience and adaptability

Our approach is based on the Great Place to Work 'Excellence in Wellbeing' model pictured below and our 'wellbeing principles' which have been developed by our colleagues. They set the foundation for how we can best help ourselves and support others and focus on the four key areas that our colleagues say matters the most. This enables us to monitor and measure our success by tracking engagement survey data through the KPIs on our Balanced Scorecard.



Our focus over the last three years has been around raising awareness and therefore normalising conversations around wellbeing. We aim to increase understanding of the link between wellbeing and sustainable performance and equip our leaders and colleagues with the knowledge and skills to support and role model good psychological health. And, for us to achieve this we need to build a culture of strong resilience and adaptability so that our colleagues are equipped to not only navigate through the changing world of work but are able to thrive in the opportunities that change can present.

Some of our highlights include:



Launching Vicarious Trauma sessions through Law Care - we have run 18 sessions so far this year.



Launching our Digital GP service and Aviva Menopause Support service to all colleagues.



Hosting a Financial Wellbeing webinar with expert speakers focused on the impacts of the cost-of-living crisis.



Launching a new partnership with HSBC which provides colleagues with access to their UK Financial Wellbeing programme.



Re-launching our dedicated Financial Wellbeing Hub which provides colleagues with the knowledge, skills and financial education to make the most of their money, deal with the unexpected, and have a healthy financial future.



Financial review



A resilient performance delivered in challenging operating conditions, resulting in Core Group Revenue growth and an increased dividend. The targeted investments we are making are starting to deliver positive benefits and position us well for long-term growth.”

Richard Allen
Group Chief Financial Officer



Overview

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 Group Revenue was up 0.2% to £276.4m and, excluding our non-core businesses, the Group delivered Core Group Revenue growth of 1.8%.

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 pressures due to both inflationary pressures and the impact of wider macroeconomic volatility. We continue to actively manage the Group's cost base to help mitigate the impact of these and remain focused on growing the business and realising operational efficiencies within our Group.

Revenue

Core Group Revenue increased by 1.8% or £4.9m to £271.0m (FY22: £266.1m), resulting in a three-year cumulative average growth rate since FY20 of 3.8%. This growth in the year, which was 91% organic, was driven by our CPI segment which grew by £0.8m to £147.6m (FY22: £146.7m) and our LCLS segment which grew by £6.0m to £89.7m (FY22: £83.7m). This more than offset the small reduction in revenue in FAS, from £35.8m to £35.4m, relating to the anticipated decline in revenue in our arrears management and outsourcing business, Ascent.

Including our Other Businesses segment, which relates to businesses which are non-core to the delivery of the Group's strategic objectives, Group Revenue rose marginally, and in line with expectations, by £0.6m to £276.4m (FY22: £275.7m).

Gross profit

Group gross profit fell by 2.6% or £3.8m to £140.3m (FY22: £144.1m) and the gross margin reduced slightly from 52.3% to 50.8%. The reduction to both measures reflects the impact of wage inflation and is a key operational focus for the Group as we look to absorb inflation over the medium term through growth in revenue and a sharper focus on our recruitment and retention activities. Excluding the Other Businesses segment, Core Group gross profit was £140.9m (FY22: £142.4m), a reduction of 1.1% from the prior year.

Operating profit

Group operating profit fell by £9.6m to £13.8m (FY22: £23.5m) due to the impact of gross profit in addition to one-off costs related to property write-downs as we seek to optimise our office footprint to cater to the evolving needs of both our clients and colleagues, higher wage inflation as well as the planned investments in IT transformation, digital innovation, marketing and transaction related professional fees. These investments will help position the business for long-term growth.

After normalising for non-underlying items and excluding the results of non-core operations (see note 4 to the financial statements), Core Group underlying operating profit was £22.8m (FY22: £29.8m).

Total staff costs represented 65.7% of revenue during the year compared with 64.1% last year, a reflection of the impact of higher wage inflation nationally and in particular in the UK legal services sector, where labour market conditions remain challenging following the pandemic.

Net finance costs

Net finance costs improved from £2.3m to net income of £1.2m due to the benefit of higher interest received on bank deposits which increased from £0.4m to £4.2m. This more than offset total finance costs which increased from £2.7m to £3.0m and consists of interest on lease liabilities and members' capital balances, as well as charges in relation to the Group's undrawn bank facilities.

Profit before tax

Due to the factors detailed above, the Group reported a profit before tax of £15.0m (FY22: £21.2m).

As detailed above, Core profitability has improved since pre-pandemic, with cumulative average Core Group Gross Profit growth since FY20 of 6.3% (from £117.2m in FY20 to £140.9m in FY23). Considering the investments that we are making to our systems, processes, and capabilities to facilitate future growth, this demonstrates a strong underlying performance.

Tax

The reported Group tax charge for the year was £7.4m compared to £5.2m in the prior year, an increase of £2.2m. The tax charge consists of a current tax charge of £6.7m (FY22: £0.4m), which rose by £6.3m during the year due to the transfer from deferred tax to current tax in FY22 of amounts created by the transition to IFRS, and a deferred tax charge of £0.7m (FY22: £4.8m charge) due to a reduction of £0.8m in the deferred tax asset relating to accelerated capital allowances.

Dividends

The Group's capital allocation framework aims to achieve a balance between reinvesting in the business for future growth and returns and paying a progressive dividend to shareholders.

Following the decision to resume the Group's progressive dividend policy in FY22, the Board announced in March 2023 a c.17% increase in the interim dividend for FY23 to 1.75p per share, up from 1.5p per share last year. An announcement detailing the final proposed dividend for FY23 will be made prior to the AGM.

In respect of the year ended 30 April 2022, the Group paid total dividends of 8.0p per share (FY22: 4.0p per share), a two-fold increase compared to the previous year, consisting of an interim dividend of 1.5p per share (FY22: 1.25p per share), and a final dividend of 6.5p per share which was made up of a one-off special dividend of 3.75p (FY22: nil) per share and a final dividend of 2.75p per share (FY22: 2.75p per share).

Segmental performance

Complex Personal Injury (53% of Group Revenue)

The 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, delivering revenue growth of 0.6% or £0.8m to £147.6m (FY22: £146.7m).

This revenue growth was offset by the impact of staff cost inflation, resulting in a gross profit of £90.4m, representing a £2.2m, or 2.4% decrease compared to last year. This in turn led to a year-on-year gross margin reduction for the CPI segment of 1.8%, to 61.3% (FY22: 63.1%).

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.

Financial review continued

Segmental performance continued

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.

Life Cycle Legal Services (32% of Group Revenue)

Our LCLS segment provides integrated legal services for individuals and businesses to meet a range of lifetime client needs. Our broad range of services and sector experience result in revenue diversification, ensuring we are well positioned throughout the macroeconomic cycle. Our largest practice areas within LCLS include Commercial Advisory and Disputes, Corporate and Finance, Family, Property, Private Client, and Public Law.

The 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 following key hires made during the year, while our Commercial Advisory and Disputes service business fell slightly during the year, but is expected to recover as new hires settle in.

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 firm at 38.5%, consistent with prior year (38.5%) and significantly ahead of pre-COVID FY20 levels of 35.7%.

Financial Asset Services (13% of Group revenue)

Our FAS segment provides complementary and differentiated services to help individuals and businesses to manage their financial assets, some of those assets being the result of successful outcomes for our clients elsewhere in the Group.

Our FAS segment consists of three practice areas (i) Asset Management, our investment management and financial planning businesses, (ii) Court of Protection, a specialist practice for vulnerable clients and families and (iii) Ascent, an arrears management outsourcing business primarily servicing UK lenders.

During the year, the FAS segment realised £35.4m (FY21: £35.8m) of revenue, a decrease of 1.1% or £0.4m from the prior year, driven by the expected decline in revenue from our Ascent business. As a result of ongoing cost control and good growth in Asset Management, gross profit held firm at £17.0m (FY22: £17.0m).

The decline in revenue in our Ascent business was partly offset by growth in our Asset Management businesses, which managed to achieve revenue growth of 3.0% to £10.3m (FY22: £10.0m), the majority of which is recurring income and linked to investment management services. As at 30 April 2023, assets under management were £1,106m, compared to £1,002m in the prior year, of which £114m has been contributed by the acquisition of TWP Wealth. Client retention levels remain high and has averaged c.99% over the last five years.

In May 2022, IM Asset Management Limited (IMAML) completed the acquisition of TWP Wealth Limited, a wealth management business located in Cheshire providing investment and financial planning advice to private and corporate clients with total assets under management (AUM) of £105m at the date of acquisition. In March 2023, IMAML also agreed a deal to acquire the client relationships of Andrews Gwynne LLP, a wealth management business located in Leeds with AUM of c.£105m. Whilst we have already welcomed the Andrews Gwynne workforce into the Group, the client relationships in place at the transfer date, likely during FY24, will transfer to the Group. These acquisitions enable IMAML to scale up and expand its wealth management offering, in addition to enabling the Group to cross-sell legal services to the TWP and Andrews Gwynne clients as well as financial planning advice to the Group's existing private clients.

Our Court of Protection business performed strongly in the year with utilisation and recovery rates in line with pre-COVID levels.

In line with the broader market for arrears management outsourcing, Ascent underperformed in the year.

Other Businesses (2% of Group Revenue)

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

Alongside the disposal of the Group's VPI service line and consistent with our active approach to managing our portfolio of core businesses and ensuring alignment with our growth strategy, we completed the disposal of Coris U.K. Limited, a small claims management business, in April 2023 for total consideration of £0.4m.

In line with our expectations, the Other Businesses segment contracted in the year, generating £5.4m (FY22: £9.7m) and £(0.6)m (FY22: £1.7m profit) of revenue and gross loss respectively.

Balance sheet

The Group balance sheet remains strong, with an increase in net assets in each of the last five years, accompanied by a strong cash position and no bank debt as at April 2023.

The Group's net assets increased during FY23 by £5.5m to £116.2m (FY21: £110.7m) driven by the robust trading performance in the year, partially offset by the total dividends paid in the year of £4.1m.

Total non-current assets (excluding deferred tax) reduced by £10.9m to £63.4m (FY22: £74.3m), primarily as a result of a £7.5m reduction in Lease Right-of-Use assets due to both depreciation and the strategic early termination of our Gatwick office lease. Despite the exit from Gatwick, which had become too large for our needs, the Group intends to maintain a strong presence in the South East region.

Current assets decreased by £16.7m to £341.2m (FY21: £357.9m), in spite of a small increase in trade debt of just £0.4m to £24.3m after a strong billing performance in quarter four. Contract assets increased by £0.8m to £73.7m (FY22: £72.9m) indicating the strength of the future billing pipeline.

Cash and current asset investments reduced by £8.4m to £44.4m (FY22: £52.8m) following a decision to repay excess members' capital to align all current partner capital holdings with a recently revised Group policy, £4.1m of total dividends and £3.4m of net M&A cash outflows. In line with the prior year, the Group's bank facilities continue to remain undrawn.

Net current assets reduced by £7.2m to £125.0m (FY22: £132.2m) driven by the reduction in current assets combined with an ongoing focus on cost control resulting in a reduction in short-term creditors.

Total amounts owing to members reduced by £6.9m to £43.7m (FY22: £50.6m) as a result of a decision to align all current partner capital holdings with a recently revised Group policy. The reduction in amounts owing to members came in spite of a net increase in partner full-time equivalents (FTE) from 231 to 238, representing an increase of 3%.

Total lease liabilities fell by £10.1m to £40.7m (FY22: £50.8m) as a result of the ongoing repayment of our fixed term property leases in addition to the planned exit from our Gatwick office.

Cash flow and working capital

Strong cash generation during the year was supported by the continued focus on working capital efficiency and operational cost management.

Free cash flow, which is a measure of the overall health of the business and helps inform our capital allocation decisions, was positive in the year at £9.4m, compared to £9.5m in the prior year (represented, see note 4 to the financial statements). The figure excludes non-trading items as well as dividend payments, including to non-controlling interests, of £4.1m (FY22: £4.1m). Capital expenditure (excluding M&A related) increased to £4.3m (FY22: £1.8m) during the year, reflecting the impact of additional IT spend and investment in enhancing our data capabilities. These

will strengthen our IT infrastructure, increase resilience and provide meaningful data insights which will drive growth and operational efficiencies. We also paid £3.4m (net of cash acquired) towards the TWP Wealth and Andrews Gwynne acquisitions during the year, whilst receiving £0.05m net of cash disposed of in relation to the disposal of Coris U.K. Limited.

The Group measures working capital efficiency principally through the lock up days. Group lock up days as at April 2023 were 207 days (FY21: 206 days), an increase of <1% as a result of an increase in gross trade debt of £1.8m. Contract assets also increased by £0.8m to £73.7m and paid disbursements reduced by £1.1m to £55.4m (FY22: £56.5m) which helped the lock up position. In relation to the segments, the CPI segment has the highest lock up days as a result of the typical case duration lasting many years, during which time the Group funds various disbursement arrangements, followed by LCLS and FAS. During the year, lock up days remained consistent at 207 days (FY22: 206 days), with CPI lock up days improving slightly from 248 to 246 days, LCLS lock up days improving by 13 days to 139 days (FY22: 152 days) and in FAS, lock up days increased by 33 days to 146 days (FY22: 113 days).

The Group remains committed to the proactive management of its capital structure and benefits from access to a £50m revolving credit facility (RCF), with a related accordion of £25m for M&A activity, which both remain undrawn. The three-year RCF was extended in July 2023 by an additional year, to August 2026. The Group continues to have significant headroom in relation to its available liquidity and financial covenants.

Outlook

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.

Richard Allen
Group Chief Financial Officer

Approval of Strategic Report
By Order of the Board

Andrew Tucker
Group Chief Executive Officer

4 August 2023

Risk governance

Our governance structure, supported by our robust risk and assurance architecture, ensures that risk management receives the highest level of focus and attention throughout the organisation.

The Board is accountable for ensuring the effectiveness of our risk management activities. The Board is supported by the Boards of the Group companies and associated Risk and Audit Committees who evaluate both existing and emerging risks and provide assurance that these risks are managed effectively.

A summary of our risk architecture is set out below:

Our risk management framework





A pragmatic approach to risk and a strong risk management culture are crucial for the delivery of sustainable long-term growth.”

Lee Mulligan

Director of Group Risk & Insurance

Risk appetite

The Group's Risk Appetite statement articulates our philosophy and approach to the management of the Group's principal risks, defines specific parameters, guides decision-making and ensures appropriate governance over risks taken. The Board is responsible for setting the Group's risk appetite which it reviews and approves at least annually. The Group's current overarching Risk Appetite Statement is aligned to and consistent with our strategy and values and is set out opposite.

Group Risk Appetite Statement

Irwin Mitchell Holdings Limited and its Group companies will only take low to moderate risks to achieve their objectives and goals if this is done on an informed and compliant basis, without sacrificing the long-term sustainability and profitability of the Group and/or the business area taking the risk.

The Group has identified a number of principal risks, which are those risks which require Board-level focus and oversight because, if not managed appropriately, they could impact on the Group's overall risk appetite. Having a clear awareness and understanding of the extent to which the Group is operating within a clearly articulated risk appetite for each of these principal risks enables the Group to make better risk-based, tactical, operational and strategic decisions.

The Group acknowledges risk appetite is critical to the effective implementation of the Risk Management Framework (RMF). The ongoing evolution of risk appetite and the Group's principal risks and their respective individual risk appetites is a priority activity to support RMF maturity. An annual Board review of risk appetite is undertaken to ensure that our risk appetite and associated risk appetite reporting continues to be aligned to the delivery of the Group's strategic objectives and drives timely management action where necessary.

Risk management framework (RMF)

The Board is ultimately accountable for maintaining and reviewing the effectiveness of the Group's risk management activities. The Board has delegated responsibility to the Board Risk Committee for overseeing the development, implementation and maintenance of the Group's RMF and risk appetite.

The Group's RMF and the associated governance arrangements are designed to provide a structured and consistent approach to risk management within agreed appetites, thereby supporting the Group's execution of its strategic objectives. The key objectives of the RMF are to:

- determine a defined strategy for the Group's attitude to risk, including its appetite for risk;
- establish a consistent risk taxonomy;
- establish standards for the consistent identification, measurement, monitoring, management and reporting of granular risks which are associated to the principal risks;
- promote an appropriate risk culture across the Group, ensuring that risk is considered as part of all key strategic and business decision making;
- provide senior management and relevant committees with risk reporting that is relevant and appropriate, enabling focus on the risks most significant to its objectives and to provide an early warning of events that put those objectives at risk;
- support the management of all risk types; and
- ensure there is clear accountability with distinct, transparent and consistent lines of responsibility in the facilitation of risk management.

The Group acknowledges the RMF needs to continually evolve to reflect changing internal factors, and external regulatory and economic landscapes. The Group is, therefore, committed to ongoing investment and enhancement of its enterprise-wide risk management framework. Core to this approach is ensuring that there are tools in place that facilitate effective risk identification, assessment, treatment and monitoring and that these are embedded across the Group.

Risk governance continued

Risk management framework (RMF) continued

During FY23 significant progress has been made to further develop the RMF to better support the delivery of the Group's strategic targets. The Board has undertaken the annual review of risk appetite and has regularly reviewed and refined the Group's principal risks. These items require ongoing scrutiny from the Board to ensure they remain meaningful and relevant to the Group as mechanisms through which the Group can measure itself and hold itself to account. In addition, this year has seen a comprehensive review of the Group Risk Management policy, which applied to all Group companies, including IMAML, Ascent and the LLP. The new Group Risk Management policy provides an increased level of prescription on how the Group's risk management processes must be undertaken. Moreover, all Group companies, IMAML, Ascent and the LLP have continued to review and ensure the Group's risk management system is an accurate reflection of the Group's key risk and control environment. This has resulted in further development of the risk management system, enhanced reporting and insight to the Board Risk Committee and relevant Boards.

Priority activities for FY24 include further evolution and enhancement of risk appetite reporting and the development of additional risk management procedures, processes and training/guidance material, which supports risk management framework adherence and the further embedding of a three lines risk management culture across the Group.

Risk management culture

The Board has established a strong risk culture as a fundamental element of the Group's corporate culture. This risk culture promotes effective risk management that is proportionate to the Group's risk profile.

The importance of risk management is understood at all levels of the business and all colleagues are expected to understand their role in managing risk effectively.

The Group's strong risk culture is embedded through various practices. In particular:

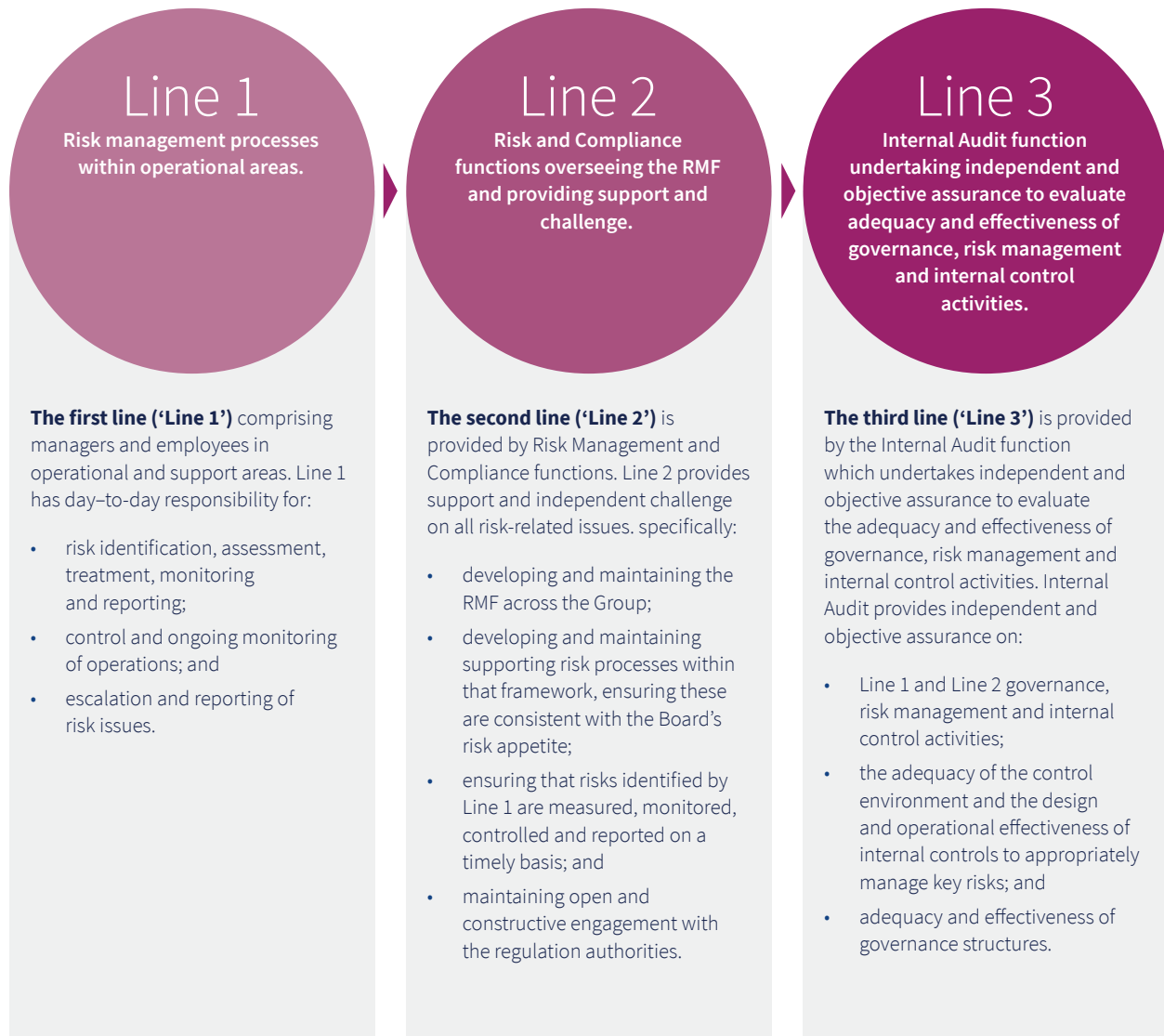
- Risk management is central to decision-making throughout the Group.
- The RMF ensures risks are owned and managed in a consistent way.
- There are risk management focused forums across the 'first line' business areas, with oversight being obtained via 'second line' committees.
- Areas of risk management concern are escalated to senior leadership through appropriate governance and reporting mechanisms.



Three lines model

The Group employs a three lines model to delineate responsibilities and coordinate activity in the management of risk, ensuring adequate segregation in the oversight and assurance of risk as follows:

The three lines:



Principal risks and mitigations

The execution of our Group strategy is dependent on the effective identification, understanding and management of the Group's principal risks.

Our principal risks are those risks that arise from the operation of our business model and strategy (see pages 20 to 30 for further details) and which are currently receiving the highest level of focused management and oversight. This is because they could affect our overarching risk appetite position. A summary of those risks and uncertainties which could prevent the achievement of the Group's strategic objectives, how the Group seeks to mitigate those risks and the change in the perceived level of each risk in the last financial year are described below:

Financial – Failure to meet profit expectations and protect cash

Description

- Irwin Mitchell proactively manages its financial position to meet or exceed its regulatory, operational and financial objectives. The Group will not accept any risk which has the potential to have a material impact on cash flow or profit.
- The UK economy is currently experiencing a slowdown of macroeconomic growth and increase in inflation. Fuel, energy and food costs have increased rapidly, and the UK continues to navigate the consequences of no longer being a member of the EU. The impact on the UK economy is likely to be negative. This may impact on the Group, its suppliers and its clients.
- This external environment may lead to falling revenues, rising operating costs and difficulties in collecting cash from clients. In these circumstances the Group may fail to meet its profit expectations and cash balances may be eroded or extinguished.
- These factors are in addition to the key financial risks which the Group absorbs and is exposed to as part of its everyday business activities, cash flow risk, liquidity risk and credit risk, largely attributable to its trade receivables. These financial risks, amongst others, are not considered to be a significant exposure as they are spread across the Group and over a significant client and counterparties base.

Key mitigations

The Group benefits from being a full-service law firm working across several sectors, where these sectors will react at different times to market conditions, some of which are counter-cyclical. Broad market access limits and manages any market damage to the Group's performance.

The Group also has in place robust and consistent financial management processes, including a Financial Continuity Committee and effective budgeting and forecasting processes.

Proactive cost management can control cash and provides flexibility; the management has access to several levers to reduce or halt expenditure on discretionary services and projects if circumstances require.

The Group operates with a low level of financial risk as evidenced by a robust net cash position.

Year-on-year change



This risk remains stable, albeit that at a macro level the risk is increasing with the ongoing instability globally and the economy continuing to be in flux. The Group has in place robust controls that ensure that our costs and financial outlook are sustainable longer term.

Linkage to Strategy




Linkage to Stakeholders




Owner:


IMHL Board


Our Strategy


Meeting more needs for more clients


Developing valuable and enduring relationships


Enhancing our clients' experiences by becoming a digital business


Being flexible, diverse and agile


Becoming a leading Responsible Business

Year-on-year change

-  Risk Increase
-  Risk Decrease
-  Risk Stable

Stakeholders

 Clients

 Colleagues

 Communities

Compliance/Legal – Failure to comply with laws and regulations

Description

- The Group is subject to multiple legal and regulatory regimes due to its range of service provision, operating model and operating locations.
- Failure to comply with these regulations could have significant implications, ranging from reputational damage to criminal prosecution and sentencing as well as further additional cost.
- At the extreme, licences from our regulators (personal and corporate) could be withdrawn or suspended, thereby preventing us or individuals working for us from operating.
- Turnover-related fines could have a material impact on the profitability of the Group and reputation.
- Non-compliance of this kind may also result in the revocation by customers and/or suppliers of contractual relationships with the Group under the terms of those contracts.
- The Group also handles client monies in the normal course of business. Client monies are not recognised in the Group financial statements because the Group does not have exposure to the risks or rewards of ownership and at all times legal ownership of client monies remains with clients. Monies relate to the ongoing management of legal services being performed for the client (governed by the Solicitor's Regulation Authority Solicitors Accounts Rules), as part of investment portfolios managed on behalf of clients (the Financial Conduct Authority's client money rules) and funds managed on behalf of vulnerable clients (governed by the Office of the Public Guardian).


Key mitigations

The effective management of the Group's legal obligations is a top priority for the business, with adherence to these being monitored and reported to relevant business owners, the Group's risk committees and ultimately to the Board to drive improvements.

The firm has an experienced General Counsel team (GCT) who have implemented the necessary processes and procedures to ensure that the Group is able to comply with the regulated environment in which it operates. Working closely with our regulators, alongside advising and training our people, as part of the enduring Culture of Compliance, the GCT embed best practice with a focus on continuous improvement.

The Group has rigorous processes and controls in place in order to avoid the risk of non-compliance with the regulations that govern client monies, protect those monies, ensure their appropriate use and segregate from the Group's own funds. The oversight of these processes and controls is managed by individuals nominated to hold the relevant regulated roles. Client monies are deposited with banks in accordance with the Group's Treasury policy, subject to monthly reporting, regular internal reviews and annual external audits, the output of which are reported to the relevant regulatory body.

Year-on-year change

 This risk has remained stable as the Group continues to work to further embed its Culture of Compliance.

The Group considers the work it is undertaking in this space to be effective in ensuring that there will be no adverse impact to the operational or financial performance of the Group.

Linkage to Strategy



Linkage to Stakeholders



Owner:

IMHL Board

Principal risks and mitigations continued

Strategic – Failure to realise our Environmental strategy

Description

- The Group has in place a strategy to become a leading responsible business. This is built on two key themes of 1) inclusion, meaning enabling everyone to thrive and (2) sustainability meaning making everything we do positively impact our future, and is directly aligned to the Group's purpose. Following the appointment of our first Environment and Sustainability Manager in 2021 and extensive consultation and baseline analysis we, in 2022, launched an ambitious new environmental strategy which accelerates our plan for a 2040 Net Zero transition and includes targets such as achieving 100% renewable electricity across our offices by 2025 and halving our total organisational carbon impact by 2030.
- The Group recognises the need to ensure it is transparent and holds itself to account in terms of its ongoing assessment, oversight and management of climate related risks and any failure to achieve set targets.
- Inadequate attention to our Environment and Responsible Business strategies will undermine our integrity and result in poor outcomes for our clients, colleagues and communities in an area which is recognised as having global significance and where reporting requirements will soon become mandatory.

Key mitigations

The Group is clear sighted in what it wishes to achieve in this area and is utilising its revised strategy to strengthen its goals, with priority focus areas which will evidence our key metrics and demonstrate our growing understanding of our climate related risk environment.

The enhanced governance structure for Environment enables regular review and coordinated management of the Group's material environmental issues. The Responsible Business Management Committee oversees progress against our targets and alignment with our overall Responsible Business strategy alongside our Group Environmental Sustainability Forum.

The Group have implemented a new reporting platform (Greenstone Enterprise) for the collection, analysis and reporting of key environmental data

During 2023 we are undertaking a materiality assessment with external consultants to identify the responsible business risks, including Environmental risks, and opportunities material to IM and stakeholders and where we should be focusing our efforts to maximise impact.

Year-on-year change



The risk remains stable albeit external factors such as greater frequency of extreme weather events and the need to respond to policy and regulatory changes mean that ongoing scrutiny continues to ensure it is managed effectively. The Group considered the work it is undertaking in this space to be effective in ensuring that there will be no adverse impact to the operational or financial performance of the group.

Linkage to Strategy



Linkage to Stakeholders



Owner:

IMHL Board

Technology – Failure of core IT Systems

Description

The Group places significant reliance on its IT systems. Any significant impact to the confidentiality, integrity or availability of systems and information, whether caused by internal or external factors (such as a cyber-attack or non-compliant hardware or software) would have a serious impact on the Group's operations, and ultimately to its clients and their perception of the Group.

Key mitigations

The Group continues to improve its IT Disaster Recovery controls to ensure that any disruptions do not cause prolonged outage of systems. This is supplemented with a dedicated Business Continuity team which maintains the Group's Business Continuity and Crisis Management Plans.

The Group has in place numerous risk-based Information Security controls that protect our assets.

Year-on-year change



The risk remains stable. The Group recognises that the ongoing management of this risk is pivotal to the realisation of its growth strategy. Both the maintenance and change projects must be delivered to enable this and ensure that there is no operational nor financial impact on the performance of the Group.

Linkage to Strategy



Linkage to Stakeholders



Owner:

IMHL Board

People – Failure to recruit and retain key people

Description

- The Group is reliant on all of its colleagues to work together to attract new clients and also maintain relationships with existing clients and external bodies.
- These individuals are considered to be principal assets and key contributors to revenue. If the Group were to lose the services of key colleagues with high client retention rates, or cease to be able to attract new colleagues, this could significantly impair the strategy, and the success of the Group from both a financial and reputational perspective.
- External factors such as the global political unrest and economic considerations around the cost of living and increased inflation continue to have a bearing on the stability of this risk.

Key mitigations

The Group has a well-articulated and evolving Colleague Value Proposition (CVP) programme in place which helps to manage risks around attraction, recruitment and retention. This programme is in addition to significant investment in our colleague wellbeing programmes and the continuing success of our Flexible by Choice (Flexible by Success for our colleagues in Ascent) framework.

Leadership acumen and enhancing the resources and training available to line managers is a critical focus for the Group in 2023 using our Role of a Line Manager Framework to ensure positive colleague experiences.

Year-on-year change



This risk has stabilised over the last year as a result of the ongoing focus and robust people strategies in place to help manage it. The external market conditions continue to be challenging coupled with increased inflation adding pressure in relation to reward. To that end, the Group is monitoring this risk closely to ensure there are no adverse operational or financial impacts on the organisation.

Linkage to Strategy



Linkage to Stakeholders



Owner:

IMHL Board

Client/Customer Outcomes – Failure to meet client expectations

Description

- The Group operates in a highly competitive environment and faces competition from a broad range of organisations. Technological developments also have the ability to create new forms of quickly evolving competition.
- A failure to develop the Group's service proposition in line with changing market dynamics and expectations could erode the Group's competitive position.
- This also includes a failure to meet the expectations of our current clients if we promise to deliver on services and fail to do so, or do not deliver to the quality expected or as paid for.

Key mitigations

To meet our goal of client excellence the Group continues to offer both a unique and diverse service offering, with significant investment in innovation. Focus on ensuring the quality of our service provision is matched by highly trained, well supervised professionals who embody our values and act with integrity and skill.

The Group regularly undertakes strategic reviews of its three client audiences to ensure its strategy reflects and meets client expectations and need.

The Group also gathers client insight and feedback on an ongoing basis and takes appropriate steps to incorporate that into its ways of working and service propositions.

Year-on-year change



This risk remains stable following our continued work on clients communication and responsiveness, amongst other initiatives.

The Group considers the work it is undertaking in this space to be effective in ensuring that there will be no adverse impact to the operational or financial performance of the Group.

Linkage to Strategy



Linkage to Stakeholders



Owner:

IMHL Board

Principal risks and mitigations continued

Technology – Information and cyber security

Description

- The Group is heavily reliant on its information and technology systems for all day-to-day processes. The Group also handles large sums of client money, possesses a large aggregation of sensitive client data, and could serve as a proxy into client networks. A lack of information and cyber security in accordance with the relevant business requirements, laws and regulations, could lead to a compromise of confidentiality, integrity or availability, and result in a material financial, operational, reputational or regulatory impact to the business.

Key mitigations

The Group has in place an expert and dedicated Information Security team, led by an experienced Chief Information Security Officer. In addition, the Group has in place an expert and skilled Data Protection team. Both teams work in tandem to deliver formalised strategies; these, alongside the Group's state-of-the-art technologies, assist with the ongoing management of this risk.

Year-on-year change



This risk has increased over the past year which is reflective of the increasing sophistication of cyber-criminals and complexity of cyber-crimes. Irwin Mitchell monitors this inherent risk closely, utilising dedicated expertise and technologies to ensure, in so far as possible, that there is no detriment to the operational or financial performance of the Group.

Linkage to Strategy



Linkage to Stakeholders



Owner:

IMHL Board

Emerging risks

As well as ensuring there is adequate focus on the management of existing risks, the Group acknowledges the importance of a proactive approach to risk management and the need to be cognisant of emerging risks which may impact the Group in the future. Emerging risks are defined as those activities where there are potential uncertainties that are not yet sufficiently defined or developed to enable an informed assessment to be made of their impact, they must be kept 'on the radar' because they may need active management in due course. They are for that reason linked to our horizon-scanning exercises, which the Group undertakes regularly, twice a year as a minimum, and the outputs of these exercises feed into existing governance arrangements and risk reporting, alongside strategic planning by our Group Executive Committee and Board.

The revised Group Risk Management policy explicitly references emerging risks as matters which must be reported through the Group's issue management process and this helps to ensure the Group can build and maintain resilience in advance of any requirement to actively manage those emerging risks should the need arise. The reporting of these emerging risks features in the regular risk reporting to the Group and are overseen by the relevant risk committees, with the view to ensuring that we are being clear sighted as to whether any of these emerging risks will go on to become actual risks, or even principal risks.

Examples of emerging risks that have been noted during the last year include: Legislative and Regulatory Change; Supply Chain Vulnerabilities, Extreme Weather Events and Power Outages, Skills and Talent Shortages, amongst others. Many of these risks remain 'on the radar' for ongoing awareness, where others have crystallised into risks or issues that are being actively managed.

Non-financial and sustainability information statement

The following table sets out where stakeholders can find relevant non-financial and sustainability information within this Annual Report and Accounts.

Reporting requirement	Policies and standards which govern our approach	Section reference and page number
Anti-Bribery and Anti-Corruption	Anti-Bribery and Corruption policy, which includes the Gifts and Hospitality policy Anti-Money Laundering policy Conflicts of Interest policy Sanctions policy	Responsible business, pages 44 to 61 www.irwinmitchell.com/about-us/social-responsibility/anti-bribery-corruption-policy-statement
Description of Business model		Strategic report, Our business model, pages 20 to 23 Going concern assessment, page 112
Responsible Business	Environmental and Energy policy Environment strategy Irwin Mitchell Charities Foundation Mentoring Club Responsible Business strategy Climate related financial reporting	www.irwinmitchell.com/business/esg Engaging with our stakeholders, pages 8 and 9 Strategy in action, pages 31 and 38 Responsible business, pages 44 to 61
Employees	Approach to colleague engagement Bullying and Harassment policy Diversity and Inclusion policy Flexible by Choice approach Gender and Ethnicity Pay Gap report Whistleblowing policy	Our strategy, pages 24 to 29 Engaging with our stakeholders, pages 8 and 9 Responsible business, pages 44 to 61 GCEO's statement, page 17 https://foleon.irwinmitchell.com/gender-pay-gap-report-2022/
Human Rights Issues	Modern Slavery Act statement	https://www.irwinmitchell.com/about-us/responsible-business/modern-slavery-act-statement
Non-Financial Key Performance Indicators		Clients and Colleagues KPIs, pages 42 and 43
Principal risks and mitigations	Group Risk Management policy	Principal risks and mitigations, pages 70 to 74
Privacy	Data Protection policy	Directors' report, page 102

Corporate Governance



We continued to make good progress this year in evolving our system of governance, ensuring it sets the Group up for long-term, sustainable success.”

Glyn Barker
Chair

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Chair's introduction to corporate governance



During the year, we continued our corporate governance journey and to evolve our system of governance so that it remains right for the Group, is in line with best practice where this is aligned with the Group's evolution, and reflects our culture, aims and values."

Glyn Barker

Chair



In the previous financial year and as reported to our shareholders, the Group implemented an extensive operational reorganisation of our management committee structure at Group level, and also moved to financial reporting based upon International Financial Reporting Standards.

With those changes now embedded, the Board asked our Company Secretariat to undertake an exercise to develop our Board and Board committee corporate governance structures. The purpose of the programme was to a) ensure we continue to develop our governance processes and practices in line with best practice principles, b) further improve the timeliness and quality of information that comes to the Board and its committees and c) improve the quality of discussion and decision making at Board level. As stated last year, the improvements were designed to reflect the current and future needs of the Group, as well as reflecting our culture, aims and values.

As a result of this exercise, several changes were made to the membership of our Board and its committees, as well as changes at operating company level, including the appointment of a new independent Chair to IM Asset Management Limited.

In FY23, following an externally facilitated fully transparent process, additional independent non-executive directors were appointed to the Board (information on the appointment process can be found on [page 89](#)). In September 2022, we welcomed Maria Da Cunha and Helen Beck as independent non-executive directors of the Board. This was followed in February 2023 when Andrew Kemp joined the Board as an independent non-executive director. The changes improve diversity of thought, experience and gender and the Board is now more balanced between executive and non-executive directors.

These new appointments have and will continue to bring wider experience and perspectives into the board room and improve the quality of debate, discussion and decision making. Post year-end, Helen Beck decided to step down from the Board with effect from September, which was the provisional date set aside by the Board for the AGM. On behalf of the Board, I would like to thank Helen for her considerable support and commitment to the Board in the time she has been with us; her contribution has been greatly valued.

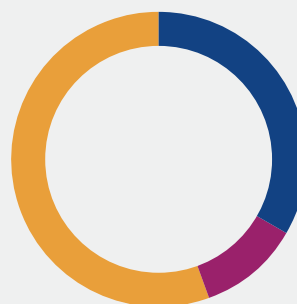
In addition to embedding our Schedule of Matters Reserved to the Board for Decision and management structures below Board level, we have introduced a number of other governance enhancements. We have appointed Mel Egglenton as our first Senior Independent Director (SID) and established a written document, setting out the division of responsibilities between the Chair, the GCEO and the SID. We have reorganised our Board committees with the establishment of a new IMHL Directors' Nomination Committee, which will deal predominantly with appointments to the Board and Board committees. We have also made wholesale updates to the terms of reference and appointed new Chairs for our Board Audit Committee and Board Risk Committee, where Andrew Kemp and Maria Da Cunha have respectively taken office as Chairs from 1 March 2023. Further details on these and other changes can be found on [pages 92 to 100](#).

I would like to thank the former members of the Board committees for their service during their time in office and Mel, Andrew and Maria for agreeing to take on their new roles. During the year, we have continued our corporate governance journey and continue to evolve our system of governance so that it remains right for the Group, is in line with best practice where this is aligned with the Group's evolution and reflects our culture, aims and values.

Glyn Barker
Chair

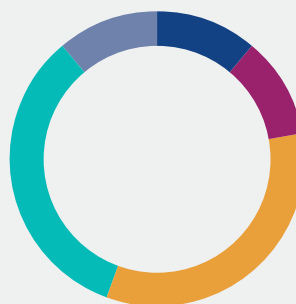
Board of directors

Board Tenure



■ 0 – 3 years	3
■ 3 – 6 years	1
■ Over 6 years	5

Executive and Non-Executive Directors



■ Group Chief Executive Officer	1
■ Chair	1
■ Executive Directors	3
■ Non-Executive Directors	3
■ Senior Independent Director	1

Corporate governance statement

Corporate governance best practice

The Company and other legal entities within the wider Group are not required to comply with any corporate governance code and, as such, the Board does not state compliance with any code as it is not required. The Board is, however, committed to moving towards corporate governance practice that meets the needs of the Group as we grow, and to this end, this year, has further enhanced this corporate governance report, which is designed to show the progress made in furtherance of that commitment.

Overview of corporate governance framework

The Group has previously been managed and controlled as a partnership through Irwin Mitchell LLP (LLP) and its Membership Agreement (MA). While the MA still provides for rules around certain function holders, the business has for some time now operated an Alternative Business Structure, with the Company acting as an investment holding company, with partner shareholders (including former partners who currently own c.70% of the issued share capital).

The LLP is regulated by the Solicitors Regulation Authority (SRA). Ascent Performance Group Limited (Ascent) is regulated by the SRA and the Financial Conduct Authority (FCA) and IM Asset Management Limited (IMAML) and certain subsidiary undertakings are regulated by the FCA. The LLP provides outsourced group services to other trading companies in the Group, including Ascent and IMAML. The MA currently provides for a bonus distribution of no less than 28% of Group profits, adjusted for any necessary one-off items, to the partners (who are self-employed).

The senior officers of the Company, LLP, Ascent, IMAML and the newly acquired TWP Wealth Limited (TWP) have their own regulatory responsibilities, with Ascent, IMAML and TWP being core firms under the FCA Senior Managers Regime. The Company is the corporate partner in the LLP and at the end of the financial year holds 100% of the issued share capital of Ascent and IMAML.

The Board appoints directors to the Board, considers the appointment and re-appointment of the external auditors, approves and recommends dividends and delegates authority as it sees fit. The Board agrees the Group strategy and monitors its execution against agreed targets in accordance with the IMHL Articles of Association and its duties under Jersey Law. In doing so, the Board considers the interests of and actively engages with all of its key stakeholders, providing leadership and direction, including in relation to culture, purpose, values and business ethics.

Certain governance responsibilities have been delegated by the Board to committees of the Board to ensure oversight of financial reporting, internal controls, risk management, remuneration and reward and generally to assist the Board in carrying out its responsibilities.

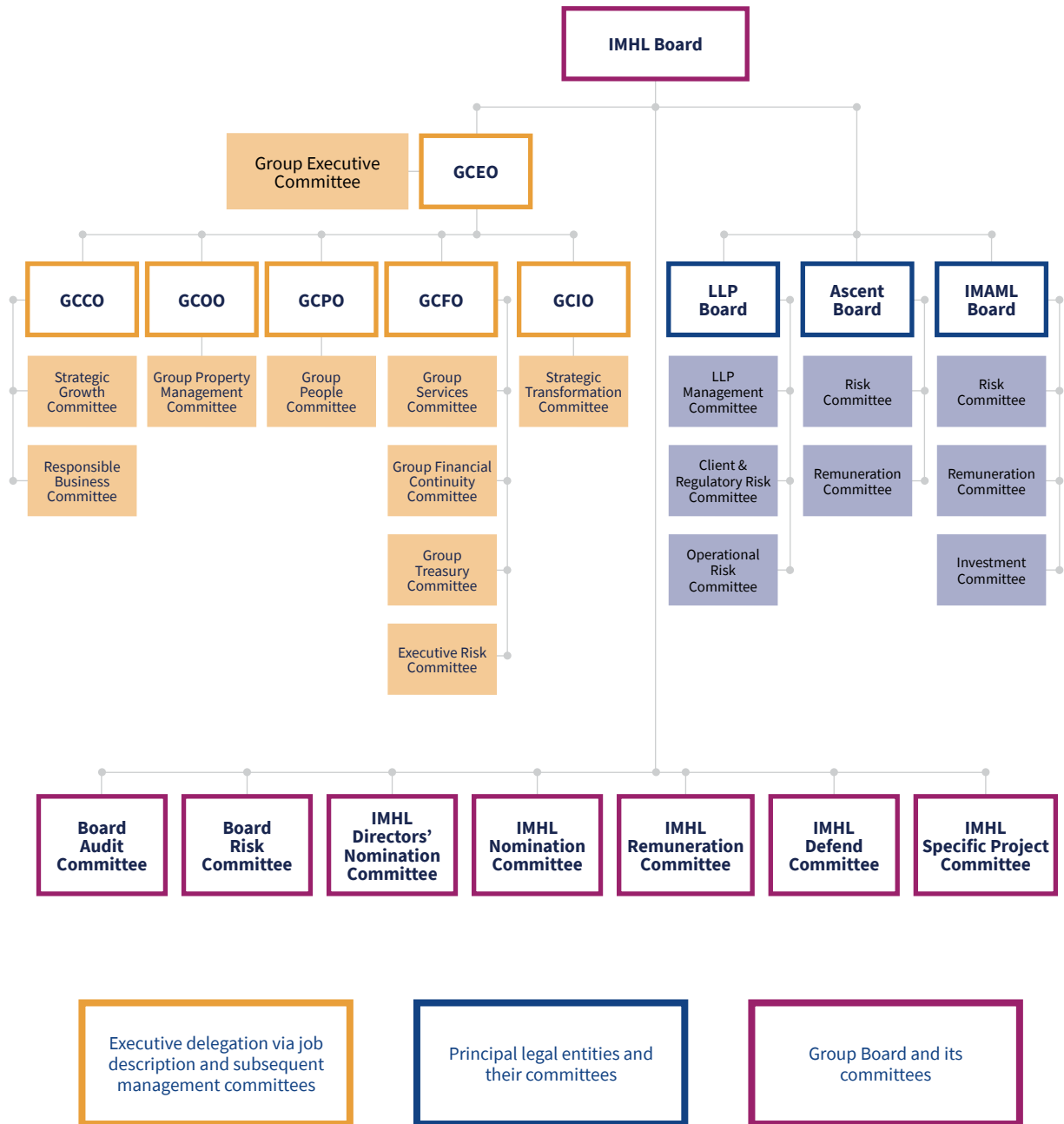
Further details of the responsibilities of the Remuneration Committee, Audit Committee, Risk Committee, IMHL Nomination Committee and IMHL Directors' Nomination Committee can be found on [pages 92 to 100](#).

Oversight of the day-to-day management of the affairs of the Group is the responsibility of the Board, which delegates authority to the Group Chief Executive Officer (GCEO), supported by the Group Chief Financial Officer (GCFO) and the GCEO's executive management team made up of the GCEO, GCFO, the Group Chief Commercial Officer (GCCO), Group Chief Operating Officer (GCOO), Group Chief People Officer (GCPO), Group Chief Information Officer (GCIO) and the Group General Counsel & Company Secretary (GGC/CS) (the Chief Officers).

There is a management committee structure and reporting framework to help provide assistance to the Chief Officers in the proper performance of their roles and responsibilities. This sits outside of the formal Company, LLP, Ascent and IMAML Board and Board committee structures but responds to the duties and responsibilities of the Chief Officers.

The Group Executive Committee (GEC) is a management committee, which assists the GCEO in the proper performance of his duties. The duties and responsibilities of the GCEO are set out on [page 86](#) and relate to the management of the affairs of the Group as delegated by the Board and pursuant to the MA. Further details of the legal and management committee structures can be found in the chart set out opposite.

Governance structure



Board of directors

The Board is responsible for determining the Group's strategy and for promoting our long-term success, through creating and delivering sustainable long-term value for all our stakeholders.



Glyn Barker
Chair

Age: 69

Time on Board: 10 years

Committee Membership:



Glyn has been a trusted adviser to FTSE 100 and other public and private company boards for over 25 years. He also has a track record of working with entrepreneurial, fast growth businesses.

Glyn was the first non-executive appointment to the Board in 2012, becoming Chair in the same year. Glyn is also Chair of our Nomination Committee and Directors' Nomination Committee.

Prior to this, Glyn was vice chair - UK, of PricewaterhouseCoopers LLP (PwC), having also been a managing partner at the firm. He was also a non-executive director at Aviva plc for eight years, including three as senior independent director.

For seven years Glyn was also the deputy chair and trustee of English National Opera.

Glyn is a director at Transocean Ltd and Various Eateries plc, and a partner at Song Capital Partners, a UK and European investment firm.

Glyn studied Economics and Accounting at Bristol University.



Mel Egglenton
Senior Independent Director

Age: 66

Time on Board: 10 years

Committee Membership:



Mel is a trusted adviser to the Board on which he has served since 2012 and is the Chair of our Remuneration Committee.

Mel also supports a number of private businesses and serves as a director of Soho Estates Limited, a property investment company.

In addition, Mel has served on the board of UK listed entities including Pendragon PLC and Hansteen Holdings PLC where in both cases he rose to chair their boards. Until recently, Mel served as a non-executive director on the Board of our subsidiary undertaking, Ascent Performance Group Ltd.

He spent his earlier career with KPMG, becoming their Midlands regional chair and UK senior independent partner and a member of their UK board.



Andrew Tucker
Group Chief Executive Officer

Age: 62

Time on Board: 10 years

Committee Membership:



Andrew is the Group Chief Executive Officer of Irwin Mitchell, having been appointed to that role in April 2014.

He joined Irwin Mitchell in 1985 and became a Partner in 1988.

Irwin Mitchell's turnover has grown in each of Andrew's years at the helm and the brand was recognised as a Superbrand for the first time in 2019.

Andrew brings strong strategic vision to the chief executive role and a commitment to doing everything in the best interests of our clients, colleagues and the communities we work with.

Prior to his appointment as Group Chief Executive Officer, Andrew was the Chief Executive of the firm's Personal Legal Services division, with responsibility for the delivery of a range of legal services.

Andrew also headed up Irwin Mitchell's industry-leading personal injury department and has worked on many high-profile and groundbreaking cases, including the Kegworth air crash, CJD and the coal miners' vibration white finger and chest illness cases.

Outside Irwin Mitchell, Andrew spent nine years as a Law Society council member for Yorkshire.

He studied Law at University of Liverpool and Chester College of Law.

Committee membership key

- Audit Committee
- Directors' Nomination Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee
- C** Committee Chair



Richard Allen
Group Chief Financial Officer

Age: 52
Time on Board: Four years

Richard joined Irwin Mitchell as Group Chief Financial Officer in 2019. He is an accountant with over 25 years' post-qualification experience.

He has extensive experience working in large corporate and listed businesses, as well as regulated industries, having previously been group financial controller at the energy business Drax Group Plc for almost five years. He was responsible for the group's financial processes and controls, planning and forecasting, internal and external reporting, procurement and pensions.

Prior to Drax, Richard was group finance director and interim chief executive officer at Augean Plc, head of finance at Kelda Group Ltd and a finance director at Nestle SA.

He originally studied Geography at the University of Durham before joining the graduate scheme at PowerGen Plc and training as a management accountant.



Craig Marshall
Group Chief Operating Officer

Age: 56
Time on Board: Nine years
Committee Membership:



Craig became Group Chief Operating Officer in 2021 leading the delivery of both our award-winning client services (comprising all of our legal teams nationally) and our client and business operations.

Craig joined Irwin Mitchell in 2007 when the firm merged with large Scottish law firm Golds and was latterly Chief Executive Officer of Irwin Mitchell's Personal Legal Services Division from 2014 to April 2021 before taking on his current role. Prior to the merger with Irwin Mitchell, Craig was managing partner at Golds.

Craig has been a designated member of Irwin Mitchell Scotland LLP since 2011.

Craig studied law at the University of Aberdeen.



Victoria Brackett
Group Chief Commercial Officer

Age: 52
Time on Board: Six years
Committee Membership:



Vicky became Irwin Mitchell's first Group Chief Commercial Officer in 2021, responsible for the planning and execution of the growth plans for the Group. She leads the strategy on organic growth, mergers and acquisitions and strategic lateral hires. Vicky previously led Irwin Mitchell's Business Legal Services Division.

Prior to joining Irwin Mitchell, Vicky was managing partner of Thomas Eggar LLP, a firm providing support to businesses and private clients, which was acquired by Irwin Mitchell in 2015. During her time as managing partner, she led the acquisition of a boutique corporate firm in London, Pritchard Englefield, and then led the partnership into the merger with Irwin Mitchell.

Vicky trained as a commercial disputes lawyer with Freshfields, specialising in banking and insurance disputes. Vicky spent 10 years at Freshfields, which included two six-month overseas secondments. After her 10 years at Freshfields, she moved to Thomas Eggar where she led the growth of the Commercial Litigation department and subsequently became department head.

She is also the chair of trustees for a local charity, PSDS, which supports children and young adults with Down syndrome.

Vicky studied European law at University of Warwick and Justus Liebig Universität, Giessen, Germany.

Board of directors continued

**Helen Beck**

Independent Non-Executive Director

Age: 61

Time on Board: Eight months

Committee Membership:



Helen Beck joined Irwin Mitchell in September 2022 and has had an executive career in Consulting and Human Resources, most recently at Deloitte, where, from 2013 to 2021, she was a partner in their Executive Compensation and Equity Reward practice, where Helen advised Asset Management and Banking clients. Helen has extensive experience in Human Resource and reward, an in-depth understanding of strategy development and execution and significant experience in regulated environments and operating within complex governance frameworks.

Helen's current non-executive director appointments extend to being a non-executive director of Ashmore Group PLC where she also serves as remuneration committee chair, and Funding Circle Plc where she serves as a non-executive director and chairs their remuneration committee. Helen is also an independent governor of University of Bedfordshire and an independent member of the Remuneration Committee for the British Olympic Association.

**Maria Da Cunha**

Independent Non-Executive Director

Age: 60

Time on Board: Eight months

Committee Membership:



Maria Da Cunha joined Irwin Mitchell in September 2022 and is an experienced former lawyer and senior executive. Maria's industry experience extends to senior roles in People, Legal and Government Affairs and includes strategic development, driving cultural change and digital transformation. Maria spent the earlier part of her career in the law and most recently on the executive board of British Airways PLC where, between 2011 and 2018, she undertook the role of Director, People, Legal and Government Affairs.

Maria's current appointments extend to being a member of the Competition Panel at the Competition and Markets Authority, a non-executive director of Royal Mail Group PLC where she also serves as chair of the remuneration committee and designated director for Workforce Engagement and London & Quadrant Housing Trust, where she serves as non-executive director and chair of the governance and remuneration committee. Past appointments include De La Rue Plc where until July 2022 she served as a non-executive director.

**Andrew Kemp**

Independent Non-Executive Director

Age: 62

Time on Board: Three months

Committee Membership:



Andrew joined Irwin Mitchell in February 2023 and has deep expertise in accounting and finance, risk management and corporate governance and has been involved in several mergers and acquisitions and other major transactions. He had an extensive career within PwC from 1982 until his retirement in 2021, including 27 years as a partner. He also chaired PwC's Non-Executive Director Programme for seven years.

Andrew joined the board of The Berkeley Group Holdings plc in 2021, where he is chair of the remuneration committee and a member of the audit committee. He also serves as a governor on the Council of Birkbeck University of London where he is a member of the audit and digital infrastructure committees. Andrew joined the board of ScS Group plc on 1 February 2023 and will chair the audit committee from November 2023.

Board governance

Leadership

The role of the Board

The Board provides leadership by setting the Group's strategic direction and overseeing the execution of the strategy by the GCEO, the other executive directors and senior management.

The Board is responsible for determining the Group's strategy and for promoting our long-term success, through creating and delivering sustainable long-term value for all our stakeholders. The Board is provided with timely, comprehensive and clear information to enable it to undertake its role and to encourage fully informed debate and decision making. It is collectively responsible for the long-term sustainable success of the Group, taking into account the needs of all stakeholder groups forming part of its Clients, Colleagues and Communities axis.

The Board is responsible for ensuring it has the appropriate skills, knowledge, diversity and experience to perform its role effectively and, to this end, has developed a schedule of matters reserved to it for decision making. Matters reserved include, amongst other things, the approval of the Group's strategy, approval of major transactions, annual budgets and changes to our capital and governance structures. The matters reserved to the Board are supplemented by an annual approved Board calendar, aligned to the financial reporting calendar that provides for regular reviews of financial performance, business performance and setting the Group's risk appetite.

Specific matters for approval and recommendation to the Board have been formally delegated to certain Board committees, details of which are set out later in this report.

Board composition

As at the year-end the Board comprised nine directors, four of whom are executive directors, a non-executive Chair who was independent on appointment, a Senior Independent Director and three independent non-executive directors, supported by the Company Secretary and senior management.

Board responsibilities

The Board operates and has agreed a clear division of responsibilities between the Chair, the Group Chief Executive Officer (GCEO) and the Senior Independent Director (SID). The specific duties and division of responsibilities are set out on the following page, together with information on the roles of the executive directors, the non-executive directors and the Company Secretary.

How the Board operates

The Board meets regularly and when necessary to discuss important emerging issues that require consideration between scheduled Board meetings.

As required, senior executives below Board level are invited to attend meetings to present and discuss matters relating to their business areas. Where directors are unable to attend meetings, they are encouraged to give the Chair their views in advance on the matters to be discussed.

Each director commits an appropriate amount of time to their duties during the financial year. The Chair and non-executive directors meet the time commitments expected of them.

As required, the Chair and non-executive directors meet in the absence of the executive directors, and from time to time meet with the GCEO.

Board committees

Certain governance responsibilities have been delegated by the Board to Board committees. The Board is supported by the Audit Committee, Risk Committee, Nomination Committee, the newly established Directors' Nomination Committee and Remuneration Committee. Each committee has its own terms of reference document, which is reviewed annually or as required. The Chair of each Board committee reports to the Board on the matters discussed at committee meetings on a regular basis and as required. Further information on the Board committees can be found on [pages 92 to 100](#).

Attendance at Board meetings

The number of full scheduled Board meetings attended by each director during the year is set out below. In addition, the full Board met once to consider aspects of the Group's forward-looking strategy and held three out-of-cycle Board meetings.



Board governance continued

Board responsibilities continued

Chair	<p>The Chair, Glyn Barker, was appointed to the Board in 2012 and is responsible for:</p> <ul style="list-style-type: none"> • Creating the conditions to ensure the Board's effectiveness in all aspects of its role, including promotion of the long-term sustainable success of the Group and generating value for shareholders. • Ensuring the Board takes an active and constructive part in supporting and challenging management, including in relation to the development of our strategy. • Taking an active role in Board and GCEO succession planning. • Promoting the highest standards of integrity, probity and corporate governance, at and below Board level. • Agreeing the Board's agendas, in consultation with the GCEO and Company Secretary. • Promoting effective communication between the Board and its directors.
Senior Independent Director	<p>The SID, Mel Eggleton, was appointed to the Board in 2012 and as the SID in March 2023. The SID's role includes:</p> <ul style="list-style-type: none"> • Acting as a sounding board for the Chair and to serve as an intermediary for the other directors. • Available to shareholders and other non-executive directors if they have any concerns that cannot be addressed by the usual channels of the Chair, GCEO or GCFO. • Meet annually with the non-executive directors to review the Chair's performance and carry out succession planning for the Chair's role.
Non-executive directors	<p>The non-executive directors, including the Chair, are considered to be independent of management and considered to be free from any business or other relationships that could compromise their independence. Their role is to:</p> <ul style="list-style-type: none"> • Effectively advise and constructively challenge management. • Monitor the delivery of strategy within the risk appetite and control framework agreed by the Board. • Through the Remuneration Committee, the Chair and SID determine the appropriate levels of remuneration and reward for the executive directors.
Group Chief Executive Officer	<p>The GCEO, Andrew Tucker, has responsibility for:</p> <ul style="list-style-type: none"> • Day-to-day management of the affairs of the Group. • Delivering financial performance in line with the budget. • Designing the operating model and organisational design of the Group's operations. • Developing and executing the Group's overall strategy and commercial objectives for consideration by the Board. • Recruitment, leadership and development of the Group's executive management teams, effectiveness and provision of information and advice on executive management succession planning to the Board.
Group Chief Financial Officer	<p>The GCFO, Richard Allen, is responsible for:</p> <ul style="list-style-type: none"> • Financial management of the Group and its financial reporting. • Monitoring our operating and financial results. • Management of our internal financial control systems. • Oversight of capital and liquidity management, risk management, procurement, merger and acquisition execution and investor relations.
Group Chief Commercial Officer	<p>The GCCO, Victoria Brackett, has responsibility for planning, developing and helping to implement commercial strategies to support and accelerate the Group's growth ambition and Strategic Growth Plan, with a client centric focus.</p>
Group Chief Operating Officer	<p>The GCOO, Craig Marshall, has responsibility for delivery of best-in-class legal solutions for our legal services clients and a streamlined legal services client and business operationalised services and overseeing of property and facilities.</p>
Company Secretary	<p>The Company Secretary, Bruce Macmillan, was appointed in March 2023 and supports and works closely with the Chair, the GCEO, the GCFO and the Board Committee Chairs in setting agendas for meetings of the Board and its Committees and in supporting accurate timely and clear information flow to and from the Board and the Board committees, and between directors and senior management.</p> <p>The Company Secretary also advises the Board on corporate governance matters and Board procedures, and is responsible for administering annual general meetings.</p>

Board activities during the year

The Board meeting agendas during the year included consideration across the key areas of strategy, governance, risk and financial performance.

Strategy and operational highlights

During the year, the Board held periodic strategic and operational reviews focusing on the evolution of and the delivery of the Group's multi-year Strategic Growth Plan and, within that, the development of the Annual Plan for the forthcoming year. These reviews were aligned to the key stakeholder groups and focused on client experience, growth and responsible business. The Board also considered and oversaw Group merger and acquisition opportunities and integrations (including TWP Wealth Limited into IMAML) as part of the continued focus on growth.

Business and current trading

The Board received business performance updates on progress and challenges faced throughout the year as part of the formal finance reports from the GCFO as well as updates from the relevant business leaders on each of the trading subsidiaries regarding operational, client and colleague matters.

Operationally, the Board continued to receive regular updates from the GCEO and GCOO on the progress of changes to the operating model in the LLP and other significant projects, including organisational transformation, technology refresh, international growth, the evolution of our responsible business, premises lease commitment re-evaluation, the transition of the LLP business out of the Volume Personal Injury business and the disposal of Coris UK Limited from the Group.

Forecasting and budget

Reports have been provided on the Group's performance against budget and prior year budget. Consideration continued to be given to the impact of COVID-19 on the delivery of the Strategic Growth Plan, particularly with regard to its delayed onset impact on Personal Injury case numbers, and the Financial Continuity Committee continues to oversee the Group's finances. As part of the consideration of the financial reports, the Board considered the risks and opportunities for the 2023 financial year budget and impact on the Group's Strategic Growth Plan.

The Board received, considered and approved the Strategic Growth Plan at the beginning of the calendar year and the subsequent FY23 budget.

Culture, people, governance, risk and regulation

Updates and proposals on colleague initiatives have been provided throughout the year looking at new ways of working and wellbeing initiatives to support colleagues as they work in a flexible way, as we continue with our Flexible by Choice (Flexible by Success for our Ascent colleagues) approach to working. The Board also monitored the evolution of the Group's responsible business initiatives, and its review of its approach to charitable donations of money and volunteered colleague time.

The Board received a report on the Group's principal risks and proposals around the Group's risk appetite for approval, updates on the Group's approach to information and cyber security, initiatives around diversity and inclusion, discussions relating to the size and composition of the Board and for the replacement of the Group pension provider. The Board also considered the appointment of a new chair to IM Asset Management Ltd and was kept apprised of the Group's ongoing 'Culture of Compliance' initiatives and of the Solicitors Regulation Authority's thematic audit of the LLP and resulting action plan.

Effectiveness

Board composition

The Board's size and the skills and experience of its members have a significant impact on its effectiveness. The Board maintains a balance in terms of experience and skills of individual Board members. These factors are regularly reviewed to ensure that the Board has the right mix of skills and experience for constructive discussion and, ultimately, effective Board decision making.

The breadth of skills and experience currently on the Board includes experience in a number of areas, including business, control, governance and external relations. The Board is particularly strong in areas such as legal services, client services, strategy development, finance and financial analysis, operations, risk and compliance, business transformation and change and stakeholder management. There is an appropriate combination of executive directors and non-executive directors within the Board and within Board committees such that no individual or small group of individuals can or do dominate the Board's decision making.

Director independence

The independence of the non-executive directors is considered by the Board. The Board considers factors such as length of tenure, independence of mind and thought, demonstration of holding the executives to account and constructively challenging, and relationships or circumstances that are likely to affect or appear to affect the directors' judgement in determining whether they remain independent.

The Board considers that the non-executive directors continue to remain independent in character and judgement and are free from any business or other relationships that could materially affect the exercise of their judgement.

The Board is eager to maintain a stable Board during its current phase of development and is committed to longer standing and more recently appointed non-executive directors working closely together.

Board governance continued

Effectiveness continued

Conflicts of interest

Directors have a duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. Directors should disclose both the nature and extent of any potential or actual conflicts with the interests of the Company.

Succession planning and appointments to the Board

The Board uses succession planning to ensure that executive directors with the necessary skills, knowledge and expertise are in place to develop and deliver our strategy, and that it has the right balance of individuals to be able to discharge its responsibilities.

The Board regularly considers its composition to keep it refreshed. Any searches for Board candidates and appointments made are based on merit against objective criteria, including the use of a board skills matrix which was updated prior to the last round of appointments being made and will be reviewed again prior to any future candidate searches being commenced.

The Directors' Nomination Committee has specific responsibility for considering the appointment of non-executive and executive directors and recommending new appointments to the Board. It will review the structure, size and composition required of the Board and make recommendations to the Board as appropriate. More information on the work of the Directors' Nomination Committee can be found in the Director's Nomination Committee report on [page 92](#).

Induction

The Board, through the Company Secretariat, has developed a formal Board induction process. Following appointment, each director will receive a comprehensive and formal induction, linked to their individual experiences, to familiarise them with their duties and our business operations, risk and governance arrangements.

The induction programme is coordinated with the help of the Company Secretary and includes briefings from key members of the management team on matters such as industry and regulatory matters relating to the business, strategy and business model, our history, risk management and risk appetite.

These will be supplemented by induction materials such as recent Board papers and minutes, organisation structure charts, governance matters and relevant policies. Newly appointed directors may also meet the Company's external auditor and advisers, and attend a presentation on the roles and responsibilities of a director in the context of the Group.

Ongoing professional development

In order to facilitate greater awareness and understanding of our business and operating environment, all directors are given the opportunity to meet with members of management to receive updates on changes and developments in the business, through internal meetings and briefings by internal advisers and business heads, as well as external advisers where required.

Information provided to the Board

The Chair, with support from the GCEO and Company Secretariat, is responsible for ensuring that the Board is in receipt of accurate and clear information, in a timely manner, to enable and encourage appropriate challenge and debate and to ensure decisions are fully informed.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and compliance with applicable laws and regulations is observed.

The Company Secretary supports the Chair and the GCEO in setting the Board agenda. Board papers are distributed to all directors in advance of Board meetings via a secure electronic system.

The Company Secretary is also responsible for advising the Board, through the Chair, on corporate governance matters. Directors receive briefings from the GCEO and other executive officers in the periods between meetings.

Election and re-election of directors

The Board is currently not subject to the requirement to seek election and re-election at the AGM, although this remains under review.

Board evaluation

The Board is not currently subject to formal evaluation of its effectiveness, although the Board and its directors are informally evaluated by the Chair.

This year, externally facilitated, internal board evaluations were undertaken for both Ascent and IMAML. The evaluations focused on a number of key areas such as board composition, stakeholder oversight, board dynamics and focus in meetings, strategic oversight, risk management and internal control, regulation and succession planning. As a result of the evaluations, a number of board improvement opportunities were identified and are being addressed.

Time commitment

Following the informal review referred to above, the Board is satisfied that each of the directors continues to be able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Accountability

Financial and business reporting

The Strategic report on [pages 12 to 75](#) describes our purpose, business model and strategy, whereby we generate and preserve value over the long term and deliver the objectives of Irwin Mitchell.

A statement of the directors' responsibilities in respect of the financial statements is set out on [page 103](#) and a statement regarding the use of the going concern basis in preparing the financial statements is provided in the going concern statement in [note 2](#) of the financial statements on [page 112](#).

Risk management and internal control

We are exposed to a number of business risks in providing services to our clients. The Board is responsible for establishing the overall appetite for these risks, which is detailed and approved in the risk appetite statement on [page 67](#).

The Board has responsibility for ensuring the maintenance of our risk management and internal control systems, and for annually reviewing them.

The framework under which risk is managed in the business is supported by a system of internal controls, designed to embed within the business the effective management of our key business risks.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Through reports from the Audit Committee and the Risk Committee, the Board reviews and monitors our risk management and internal control systems and the effectiveness with which we manage the principal risks we face.

The directors confirm that the Board has carried out an appropriate assessment of the principal risks facing the Group, including those that would threaten our business model, future performance, solvency and liquidity.

We outline the risks to which we're exposed and the framework under which risk is managed, including a description of the system of internal controls, on [pages 70 to 74](#) and in the going concern statement on [page 112](#).

Throughout the year and up to the date of this report, the Group has operated a system of internal controls that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Appointment process of non-executive directors

Directors were asked to complete a self-assessed skills matrix, which was compiled to assess the current balance of skills, experience and knowledge on the Board. This helped identify the strengths across the Board, highlighting any desired enhancements in skills or competencies that could be addressed by future director appointments, and taking into account Board diversity.

Following a review of the skills matrix and considering diversity and Board committee requirements, it was agreed the Board would benefit from appointing additional, independent non-executive directors. A tender process to identify and work with an external search partner was carried out to help with the appointment of the non-executive directors. Four search firms agreed to take part in the process. Following the tender process, Heidrick & Struggles (H&S) were chosen as our external search partner.

Non-executive role profiles were created, informed by the desired enhancements identified in the skills matrix, the Board's desire to improve Board diversity and to meet the needs of the relevant Board committees.

These role profiles were used by H&S to create a long list of candidates. In addition to these candidates, the Board was asked to provide names of candidates they considered to be appropriate for the roles. Candidates on the long list, together with internally generated candidates, were considered and from this, a shortlist of candidates was established. These candidates were then approached by H&S to understand their level of interest and availability. In establishing the shortlist and throughout the process, the internal team and H&S paid particular attention to ensuring the right mix of skills and experience, not only of the relevant candidates, but also the mix between the candidates and to ensure a good cultural fit with that of the current Board and the culture and values of the Group.

Shortlisted candidates then discussed the roles with H&S. Further interviews with shortlisted candidates were then held, followed by meetings with the preferred candidates, and then by recommendations for their appointments to the Board.

Board governance continued

Accountability continued

Internal controls over financial reporting

Our financial reporting process has been designed to provide reasonable assurance regarding the reliability of the financial reporting and preparation of financial statements, including consolidated financial statements, for external purposes in accordance with International Financial Reporting Standards (IFRS).

Internal controls over financial reporting include procedures and policies that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of our assets and liabilities;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements, and that receipts and expenditures are being made only in accordance with authorisations of management and respective directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on our financial statements.

Remuneration

The responsibility for determining remuneration arrangements for the executive directors has been delegated to the Remuneration Committee. The remuneration of the non-executive directors is set by the Board without the non-executive directors present, and the remuneration of the Chair is set by the Board without the Chair being present. Information on the Remuneration Committee can be found on [page 93](#).

Engagement with shareholders and other stakeholders

The Board recognises the importance of maintaining good and constructive communication with our stakeholders. Our annual report and accounts is an important medium for communicating with shareholders and other stakeholders, setting out detailed reviews of the business and its future developments in the Chair's statement on [page 10](#), the GCEO's statement on [page 14](#) and the Strategic report, [pages 12 to 75](#).

To ensure that members of the Board develop an understanding of the views of major shareholders, the GCEO makes himself available for discussions with shareholders upon request. The Chair and the SID are also available to shareholders should they have any concerns they wish to raise.

The Board recognises that the Group can only meet its strategic aims and grow and prosper in a sustainable and inclusive way, if we understand and respect the views and needs of our stakeholders. The annual plan, shared with all colleagues, sets out our strategy, which focuses on delivering positive outcomes for all our stakeholders, which includes the interests of our employees and wider workforce, the need to foster business relationships with suppliers, clients and others, consideration of the impact of our operations on the communities we serve and the wider environment.

Our shareholders include retired and current partners of the LLP, the largest legal entity within the Group. To ensure we engage fully we provide a quarterly report and other ad hoc updates through the year to our partner shareholders and also maintain access to the Board throughout the year and at the annual general meeting.

Shareholders are free to contact senior management as required and retain a financial interest in the Group through payment of dividends and for some shareholders the repayment of outstanding capital balances. The Board believes the interests of all shareholders are aligned to the sustainable long-term growth of the Group.

The Company's approach to stakeholder management is set out in further detail in the engagement with our stakeholders section on [pages 8 and 9](#) and in the responsible business section on [pages 44 to 61](#).



The annual general meeting

The annual general meeting (AGM) provides the Board with the opportunity to communicate with our beneficial owners of our shares, and we welcome and encourage their participation at the meeting.

The Chair aims to ensure that all the directors, including the Chairs of the Board committees, are available at the AGM to answer questions.

The Notice of AGM sets out the resolutions to be proposed at the meeting and sets out a clear explanation of each resolution to be proposed. Our Annual Report and Accounts this year will be made available to our shareholders and beneficial owners via our secure site, at least 14 days before the date of the meeting.

Beneficial owners of our shares have the opportunity to ask questions and, if they are unable to attend, can submit written queries in advance of the meeting.



Appointment of Maria Da Cunha as workforce representative

Following Maria's appointment to the Board, Maria was also appointed as Irwin Mitchell's first designated non-executive director for engagement with the workforce. We believe this is an effective way for the Board to engage with our colleagues, ensuring that the Board has a good understanding of our colleagues' views and concerns. This engagement will in turn inform the Board's decision making on matters concerning the workforce.

To understand the views of our colleagues across the business and to gain a deeper understanding of workforce engagement, Maria will attend certain Group People Committee meetings and join colleague question and answer sessions when requested. Maria will provide workforce engagement updates to the Board as required and also actively challenge those attending Board to present papers to ensure, where appropriate, they have considered the views of the workforce in the process of making recommendations to the Board.

IMHL Nomination Committee and IMHL Directors' Nomination Committee reports



The IMHL Nomination Committee has an important role in the process for appointments at full equity member level of Irwin Mitchell LLP, while the newly established IMHL Directors' Nomination Committee has a vital role in the process of appointments to the Board.”

Glyn Barker
Chair, Nomination Committees

IMHL Nomination Committee membership and attendance

Board member	Scheduled meetings eligible to attend	1
Glyn Barker – Chair		0*
Mel Egglenton – Senior Independent Director		1
Craig Marshall – Executive director		1
Andrew Tucker – Group Chief Executive Officer		1
Victoria Brackett – Executive director		0*

* G Barker and V Brackett did not attend one meeting due to a prior commitment.

The GCPO and appropriate representatives from the People team attend the meetings by invitation to support the Committee. No one present or in attendance takes part in the matters relating to their own role.

Chair’s overview

In line with our commitment to operate high levels of corporate governance relevant to the Group, in November 2022, the Board established a new IMHL Directors’ Nomination Committee to deal with all aspects of Board and Board committee appointments.

As a result, the existing IMHL Nomination Committee made consequential amendments to its terms of reference and continues to have an important role in the process for appointments at full equity level of Irwin Mitchell LLP (LLP).

IMHL Nomination Committee report

Role of the Committee

The principal role of the Committee is to approve hiring plans and candidates for LLP member roles.

Activities during the financial year

The Committee oversaw the annual round of promotions to full equity membership of the LLP, culminating in recommendations from the LLP Board to the Committee in April, for promotion from 1 May 2023. The Committee also considered and approved the appointment of the Group Chief Information Officer.

In addition to the scheduled meeting this year, the Committee received out-of-cycle approvals periodically throughout the year, for appointments to full equity membership of the LLP.

IMHL Directors’ Nomination Committee report

Role of the Committee

The principal roles of the Committee are to:

- recommend suitable candidates and oversee the process of appointments to the Board and Board committees, using external search consultants as necessary;
- consider succession planning for directors; and
- recommend the approach to filling vacancies as and when they arise.

Activities during the financial year

The Committee will meet as required and at appropriate times during the year. No meetings have been scheduled since its establishment. During the year, the Committee did consider and make an out-of-cycle recommendation to the Board in relation to the appointment of a Senior Independent Director and changes to the terms of reference and membership of the Board Audit and Board Risk committees.

Diversity

In considering the need to promote diversity in all its forms, when conducting searches as part of its Board appointments processes, the Board has regard to the Hampton Alexander review, the Parker review and recent FCA guidance focused on board and management diversity. We continue to have a well-defined process, which ensures a transparent and independent, evidenced system through our Board skills matrix and search firm appointment processes.

Glyn Barker
Chair

Remuneration Committee report



“The Remuneration Committee continues to be an integral step to the appointment of our senior people, including Board and Board committee members, and ensures that remuneration and reward packages are aligned to internal and external benchmarking.”

Mel Egglenton

Chair, Remuneration Committee

Committee membership and attendance

Board member	Scheduled meetings eligible to attend	2
Mel Egglenton – Chair		2
Glyn Barker – Non-executive director		2
Fergal Dowling – LLP member Non-Board		2
Alison Eddy – LLP member Non-Board		2

The GCEO and GCPO normally attend the meetings by invitation (except for any part of a Committee meeting at which their own remuneration is being discussed), as do representatives from the People team as appropriate.

Chair's overview

The Remuneration Committee continues to be an integral step to the appointment of our senior people, including Board and Board committee members, and ensures that remuneration and reward packages are aligned to internal and external benchmarking.

The Committee is responsible for ensuring the reward packages for individuals being admitted to full equity membership of the LLP is supportive of the LLP and Group strategy and objectives. It is also responsible for ensuring that the reward for individuals joining the Board continues to drive the balance of skills and experience required to lead the Group. In both cases, the Committee ensures that the remuneration and reward packages of those individuals are aligned to internal and external benchmarking.

Role of the Committee

The principal roles of the Remuneration Committee are to:

- establish the overarching principles of remuneration policy for the Group;
- exercise due governance and oversight of annual LLP member reward review processes;
- approve the development of share-based or other long-term incentive programmes across the Group;
- receive reports, exercise oversight and provide guidance regarding reward arrangements and reviews for salaried partners, associate directors and wider employee groups;
- exercise due governance and oversight regarding the operation of Irwin Mitchell share schemes and the activities of the independent share schemes trustees; and
- seek independent remuneration advice where it views this to be appropriate and necessary to discharge its duties.

Activities during the financial year

During the financial year, the Committee met to consider the year-end financial performance update and the partner framework that informs the FY22 pay and bonus approach, distribution of the basic member profit shares for the full equity member population, Board and executive-level remuneration, including share-based remuneration and the FY23 bonus scheme structure. The Committee also met to consider remuneration relating to the annual promotion of full equity members (FEMs) and also agreed to the transfer of the beneficial ownership of shares held for a deceased member to their beneficiary.

The Committee also met to consider the treatment of certain FEMs with significant roles outside of the LLP. Committee members were also involved in the decision to recommend to the Board the establishment of a new Employee Share Ownership Plan (ESOP), which is intended, in all material respects, to mirror the rules of the Members Share Ownership Plan but for a small number of senior management who devote varying degrees of their role outside of the LLP.

In addition to the two meetings this year, the Committee also received out-of-cycle approvals for appointment packages for those individuals approved for appointment to full equity membership of the LLP periodically throughout the year in support of the Group strategy. Following the approval by the Board of the ESOP, the Committee agreed the relevant ESOP awards to the relevant senior managers.

Mel Egglenton

Chair

Audit Committee report



We continue to be committed to further develop our approach to operate to the highest levels of corporate governance and adherence to financial standards.

Andrew Kemp
Chair, Audit Committee

Committee membership and attendance 1 May 2022 – 28 February 2023

Board member	Scheduled meetings eligible to attend	3
Mel Egglenton – Chair		3
Richard Allen – Executive Director		2
Guy Darlaston – LLP Member Non-Board		2

1 March 2023 – 30 April 2023

Board member	Scheduled meetings eligible to attend	1
Andrew Kemp – Chair		1
Mel Egglenton – Senior Independent Director		1

Chair's overview

This report sets out the role of the Committee and how it has discharged its responsibilities during the year.

Several changes were made towards the end of the financial year, including significant changes to the Committee membership. On 1 March 2023, I was appointed as the Chair of the Committee, with Mel continuing as a Committee member. Changes were also made to the Committee's terms of reference, in line with our commitment to further develop our approach to operate to the highest levels of corporate governance and adherence to financial standards.

I would like to thank Mel for his service as Chair of the Committee and for agreeing to remain as a Committee member, ensuring my transition to the role of Committee Chair runs smoothly. I would also like to thank Guy Darlaston and Richard Allen for their service as Committee members. The Committee membership is now made up exclusively of non-executive directors. Richard, as GCFO, will continue to attend meetings by invitation, as will other selected individuals, as appropriate.

Role of the Committee

The role of the Committee is central to the Group's financial control processes. The Committee members are committed to working closely with other Board committees in respect of relevant issues affecting more than one committee.

The responsibilities of the Committee detailed in the new terms of reference are now segregated into matters reserved for decision, matters reserved for review and recommendation, principally to the Board, and matters where the Committee exercises oversight.

The principal responsibilities of the Committee relate to external reporting, internal controls and the risk framework, internal audit and external audit. Relevant reports, including an annual report of the effectiveness of the Group's risk management framework and system of internal controls are provided from the Board Risk Committee to the Committee.

Within those responsibilities, the Committee:

- reviews the Group's internal controls, accounting policies, financial statement content, and adequacy of internal and external audit;
- monitors and oversees the Group's relationship with its external auditor and provides assurance to the Board that the executive management's control assurance processes are complete and effective; and
- ensures the Board Risk Committee operates a system of review and controls to ensure that regulatory and legislative risk is monitored and action taken and has processes in place for assessing and mitigating operational and reputational risks.

How the Committee operates

To ensure the Committee discharges its responsibilities appropriately, it operates under the Committee terms of reference. The terms of reference, together with the annual forward-looking calendar, enables a coordinated and structured approach to agenda setting and to the delivery of timely and focused papers to the Committee, which in turn helps the quality of debate and decision making.

The Company Secretariat, with input from the Chair as appropriate, drafts the agenda before each meeting, ensuring that each of the items under the Committee's terms of reference and responsibilities are covered at least once in the financial year, and more frequently if required.

Following each Committee meeting, feedback and recommendations are provided to the Board where applicable.

Members of the Committee also meet separately with the external auditors to focus on their areas of responsibility, and to discuss any potential requirements for support.

Activities during the financial year

Financial reporting

In relation to financial reporting, the primary role of the Committee is to work with management and the external auditor to review the appropriateness of the annual report and accounts. The Committee discharged its responsibilities in respect of financial reporting by, amongst other matters, focusing primarily on the following:

- Reviewing the risks inherent within the Group's financial reporting, through discussion with the external auditor, and considering whether the Group's internal process and control framework are considered to adequately address these risks.
- Considering the quality of the Group's accounting policies and practices in order to address relevant accounting standards.
- Through discussions with the Committee Chair and the Finance team, reviewing financial statement disclosures in order to review compliance with financial reporting standards and other relevant reporting requirements.
- Considering management's key judgements and estimates that could be reasonably considered to have a material impact on the financial statements, including through discussion with the external auditor in these areas.
- Reviewing the annual report and accounts prior to issuance, recommending these to the Board for approval as appropriate.
- Providing sufficient information for shareholders to assess the Group's business model, strategy and performance.
- Receiving all statements and assurances required of directors with regard to the annual report and accounts, along with sufficient evidence to support the directors' views and required statements.

Internal audit

The Committee received updates from the Internal Audit team and in doing so approved the Internal Audit Plan and Internal Audit Charter, as well as receiving an update on Internal Audit strategy. The Committee also received updates of the performance against the Internal Audit Plan, copies of relevant reports and updates on actions arising out of the plan.

Other matters

The Committee also received and discussed the audit plan for small and non-trading entities, a report from Ernst & Young LLP on the audit, corporate reporting and corporate governance landscape, an information paper on the Financial Reporting Council's consultation for audit committees and the paper published by the House of Commons Library on audit reform and a 2023 Group Tax Strategy paper for recommendation to the Board for approval and subsequent publication.

Audit Committee report continued

In performing the above, the Committee has received and considered reports from the external auditor at the planning and completion stages of the audit, and has discussed these as appropriate with the GCFO and wider Finance team. The Committee has discussed with management and the external auditor the key areas of management judgement and estimation uncertainty inherent within the financial statements for the year ended 30 April 2023, as shown below.

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Going concern		
The directors are required to make a statement in the annual report and accounts as to the going concern status of the Group.	<p>The Committee evaluated a report from management that discussed its judgements around the Group's going concern status. Management's reports include various scenarios and their potential impacts on the going concern assessment, to determine how well placed the Group is to cope with an unanticipated deterioration in trading or liquidity.</p> <p>The Committee challenged management's assessment of the Group's going concern status and assumptions included within that assessment.</p>	Following discussion with the external auditor regarding management's assessment of the going concern status of the Group, including an assessment of various possible trading and liquidity outcomes, the Committee agreed with management's assessment that the use of the going concern basis of preparation remains appropriate.
Key judgement: 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.	<p>The Committee received and discussed reports from management which considered the appropriateness of judgements that fee earners have made in respect of the recoverability of disbursements on matters.</p> <p>The Committee also considered the adequacy of management's processes and controls in respect of obtaining, processing and verifying fee earner judgements.</p>	Having evaluated and subsequently discussed the reports from management, the Committee is satisfied with management's judgements around the recoverability of disbursements, and management's processes and controls.
Key judgement and key estimate: Recognition of revenue and valuation of contingent unbilled revenue		
<p>The Group recognises a contract asset in relation to contingent unbilled revenue in accordance with the provisions of IFRS 15.</p> <p>Management applies judgement in respect of the point at which revenue should first be recognised, particularly in respect of Complex Personal Injury cases once damages are agreed, at which point a contract asset is recognised at recoverable value.</p> <p>Estimation uncertainty also exists within assumptions used to generate the recovery rates at which unbilled hours are valued and the recoverable value of contract asset balances.</p>	<p>Through a review of reports provided by management and subsequent discussion, the Committee has considered the Group's application of the relevant accounting standards in order to assess whether the key judgement around when revenue is recognised can be considered reasonable.</p> <p>The Committee also considered whether the accounting processes and the key assumptions used in order to value contract assets (including recovery rate) can be considered reasonable.</p>	Having discussed the key judgements and areas of estimation uncertainty with management, the Committee considers the key judgement related to the timing of recognition of revenue, particularly in respect of contingent matters, and the process by which management produces its estimates around the valuation of contract assets, to be acceptable.
Key estimate: Valuation of goodwill in respect of Private Client Services group of cash-generating units		
Management is required by IAS 36 to estimate the recoverable value of goodwill attributable to the Tax, Trust & Estate cash-generating unit in order to ascertain whether the recoverable value supports the carrying value of £3.1m or whether the balance is considered to be impaired.	Through a review of reports provided by management and subsequent discussion, the Committee has considered the key assumptions inherent within the IAS 36 impairment assessment.	The Committee considers that the processes and key assumptions used by management in order to ascertain the recoverable value of the Tax Trust & Estate cash-generating unit are reasonable, and, as such, considers management's assertion that the recoverable value supports the carrying value of £3.1m is appropriate.

Control environment

The Committee also considered the below matters in respect of the effectiveness of the Group's control environment and IT systems.

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Risk management and internal control		
The Committee assists the Board in evaluating the effectiveness of the Group's risk management and internal control frameworks.	The Committee has received reports from management discussing various aspects of the Group's internal control environment, which it subsequently discussed with management.	The Committee considers that it has reviewed the effectiveness of the internal control environment and the risk management framework.

External auditor

The Committee is responsible for considering the appropriateness of the audit plan and the observations within the external auditor's reports to the Committee. The Committee is also responsible for providing recommendations in relation to the appointment, reappointment and replacement of the external auditor in addition to considering and agreeing amounts payable to the external auditor in relation to both audit and non-audit fees. The following table summarises the main activities performed in relation to the external audit.

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Auditor independence		
The Committee is charged with governance in relation to the independence of the external audit, including providing recommendations in relation to the appointment, reappointment or replacement of the external auditor.	The Committee considered whether the length of tenure of the current external auditor was such that auditor independence could be maintained for the foreseeable future.	The Committee recommended that Ernst & Young LLP remain sufficiently independent to continue in role.
Oversight of external audit		
The Committee is required to oversee the work and performance of Ernst & Young LLP as external auditor.	<p>The Committee met with senior members of the Ernst & Young LLP's audit team at both the planning and completion stages of the audit.</p> <p>At the planning stage, the Committee agreed the areas of focus and significant financial statement risks. The Committee subsequently considered Ernst & Young LLP's report to the Audit Committee, which highlighted the impact of significant accounting estimates and judgements on the financial statements and commented on any audit issues noted.</p> <p>The Committee considered the draft audit opinion having reviewed the audit findings.</p> <p>The Committee received a report on the year end audit performed by EY and noted the conclusions reached arising from the work performed.</p>	<p>The Committee approved the audit plan inclusive of the significant audit risks and key areas of audit focus, which included revenue recognition and the valuation of contingent unbilled income, and management override of controls.</p> <p>The Committee was satisfied with the results of the audit undertaken by EY.</p> <p>Further discussion of the Committee's consideration of the effectiveness of the external auditor is shown on the following page.</p>

Audit Committee report continued

External auditor continued

Role of the Committee	Discharge of responsibilities	Conclusion/action taken
Audit and audit-related fees		
Audit and audit-related fees include those related to the statutory audit of the Group and its subsidiaries, in addition to audits required due to the regulated nature of the Group's operations, inclusive of the FCA audit opinion in relation to the Group's processes and controls over client money segregation.	The Committee approved a recommendation from management in respect of the Company's audit and audit-related fees.	The Committee considered that the audit and audit-related fees, provided by Ernst & Young LLP, for the year ended 30 April 2023 were acceptable.
Non-audit services and fees		
It is the Committee's responsibility to safeguard the objectivity and independence of the external auditor, including consideration of the provision of non-audit services to the Group and considering the level at which independence becomes compromised.	<p>The Committee reviewed and approved the proposed fees in relation to all non-audit services provided by Ernst & Young LLP in the year.</p> <p>The Committee considered whether competitive tender processes were performed for the provision of services considered significant in their nature or size.</p>	<p>During the year, total fees of £448,000 were incurred to Ernst & Young LLP in relation to non-audit services. These primarily related to the Group's FCA audit, reporting under the SRA Accounts Rules 2011 and other services in relation to the Group's organisational and governance structure.</p> <p>The Committee continues to monitor the ratio of audit to non-audit fees in order to maintain independence.</p>

Effectiveness of the external auditor

The Committee assessed both the independence and effectiveness of the external auditor. In doing so, it considered relevant regulatory requirements and professional guidance in the context of the Group's relationship with the external auditor as a whole. The Committee specifically considered the length of tenure of both the firm and the audit partner, their qualification expertise, level of resource and the effectiveness of the audit plan, execution and reporting. The Committee also considered a report from the external auditor regarding its own internal quality and independence procedures.

As part of the assessment, a questionnaire was completed by key stakeholders in the Group. The questionnaire addressed matters including the external auditor's independence, objectivity and the quality of planning and execution of the audit, insights and added value and general support and communication to the Committee and management. The results were compiled and a report produced to the Committee.

In considering the above, the Committee concluded that Ernst & Young LLP performed effectively and maintained independence for the year ended 30 April 2023.

Andrew Kemp
Chair

Risk Committee report



During the year, significant changes were made to the membership of the Committee and to its terms of reference, in line with our commitment to further develop our approach to corporate governance and the continuing development of our Risk Management framework.”

Maria Da Cunha

Chair, Board Risk Committee

Committee membership and attendance 1 May 2022 – 28 February 2023

Board member	Scheduled meetings eligible to attend	
Mel Egglenton – Chair		2
Richard Allen – Executive Director		2
Craig Marshall – Executive Director		2
Mark Higgins – LLP Member Non-Board		2
Bruce Macmillan – LLP Member and General Counsel & Company Secretary		2

March 2023 – April 2023

Board member	Scheduled meetings eligible to attend	
Maria Da Cunha – Chair		1
Andrew Kemp – Non-Executive Director		1

Chair's overview

Last year we reported that the Group risk structure had been further embedded, enabling the Committee to continue to drive its focus on principal and emerging risks, through enhanced governance structures and reporting to support the achievement of the Group's strategic aims. During the year, the Committee further refined its approach to the establishment and reporting of key risk appetite indicators (KRAIs), aligned to its risk categories and to its monitoring of principal risks.

Changes were made towards the end of the financial year, including significant changes to Committee membership. On 1 March 2023, I was appointed as the Chair of the Committee, with Andrew Kemp being appointed as a Committee member. Changes were also made to the Committee's terms of reference, in line with our commitment to further develop our approach to corporate governance, aligned to the needs of the business and its continuing development of our Risk Management framework.

The Committee is supported by the Director of Group Risk and Insurance and the Risk team within the Finance, Risk, Procurement & Data function. Richard, as GCFO and the principal executive responsible for risk management at an operational level, will continue to attend meetings by invitation, as will other selected individuals, as appropriate.

I would like to thank Mel for his service as Chair of the Committee and for shaping its development, I would also like to thank Mel for his wise counsel in ensuring my transition to the role of Committee Chair and the other Committee members for their time on the Committee. While the Committee has reduced in size and its membership is now made up exclusively of non-executive directors, the update to its terms of reference, developed while Mel was the Chair, will ensure the further development of its focus on current and emerging risks and risk appetite.

Role of the Committee

The general purpose of the Committee is to provide oversight and advice to the Board in relation to current and potential future risk exposures of the Group and future risk strategy, including the determination of risk appetite and tolerance, taking into account the current prospective macroeconomic and financial environment. The Committee will also assist on such other matters as may be referred to it by the Board and promote a risk-aware and continuous improvement culture within the Group.

The responsibilities of the Committee, detailed in the new terms of reference, are now segregated into matters reserved for decision, matters for review and recommendation, principally to the Board, and matters where the Committee exercises oversight. The Committee reports on its activities to the Board.

The principal responsibilities of the Committee, as set out in its terms of reference, relate to:

- Risk strategy, framework and policy, including risk maturity
- Risk profile
- Risk appetite and risk management
- Oversight of the risk management function
- Legal and regulatory risk
- Business resilience and sustainability
- Internal audit

Risk Committee report continued

Role of the Committee continued

In exercising those responsibilities, the Committee will ensure that appropriate systems are in place to identify and record enterprise-wide risks, review the Group's principal risks in order to ensure appropriate mitigation strategies are in place for the major risks facing the organisation, consider the risk implications to the Group for major business and operational projects.

How the Committee operates

To ensure the Committee discharges its responsibilities appropriately, it operates under the Committee terms of reference. The terms of reference, together with the annual forward-looking calendar, enables a coordinated and structured approach to agenda setting and to the delivery of timely and focused papers to the Committee, which in turn helps the quality of debate and decision making.

The Company Secretariat, with input from the Chair as appropriate, drafts the agenda before each meeting, ensuring that each of the items under the Committee's terms of reference and responsibilities are covered at least once in the financial year, and more frequently if required.

Following each Committee meeting, feedback and recommendations are provided to the Board where applicable.

Activities during the financial year

The Committee discussed and reported on:

- The performance of the seven identified risk categories, being (i) Compliance/Legal and Regulatory (ii) Operational (iii) Financial (iv) Strategic (v) Technology (vi) People and (vii) Client and Customer outcomes, against their individual KRAs agreed by the Board.
- The Group's identified principal risks, associated controls and mitigation plans, being (i) failure of core IT systems (ii) failure to realise the Group's Environmental strategy (iii) failure to comply with laws and regulations (iv) failure to meet profit expectations and protect cash (v) failure to recruit and retain key people (vi) failure to meet client expectations and (vii) information and cyber security.
- Emerging risks relating to (i) M&A (ii) SRA scope (iii) business interruption and supply chain risk and (iv) artificial intelligence and other advance analytics.
- Internal audit reports on key short-term issues requested by the Committee relating to the IT infrastructure.
- The agreement of the current level of risk maturity within the Group, being the measure of the quality of risk management activities and the extent to which they are embedded within the organisation structure.
- Deep dive on legal and regulatory compliance and technology principal risks.
- The annual Group Risk Appetite review.
- The review and recommendation to the Board of fully revised Group Risk Management policy, setting out the principles for effectively managing risk throughout the Group and the processes, ownership, responsibilities and risk oversight required to support its implementation and consistent application, including a refreshed risk matrix.
- The establishment and work of the Executive Risk Committee, chaired by the GCFO, with responsibility for assisting the GCFO in carrying out their role in respect of effectiveness of the risk management framework and ensuring that the organisation has good visibility of the risks that it faces and that these risks are being effectively managed.
- Risk Management resource and activity review.
- Internal Audit activity reporting.
- Adoption of annual Committee calendar.

Maria Da Cunha

Chair

Directors' report

The directors present their report, together with the Group financial statements and the notes to those financial statements, for the year ended 30 April 2023. Certain information not disclosed here that the Directors would like to highlight can be found in other sections of the Annual Report and Accounts and are incorporated by reference as set out below:

Information	Section reference and page number
Likely future developments	Strategic report, page 24
Risk factors and principal risk	Strategic report, page 70
Financial instruments	Financial statements, note 2, page 117
Streamlined Energy and Carbon Reporting (SECR)	Responsible business, page 53
Social and community matters	Responsible business, pages 44 to 61
Modern slavery	Non-financial and sustainable information statement, page 75
Financial risk management and control	Financial statements, note 28, page 140
Corporate governance statement	Corporate governance, page 80
Non-financial and sustainability information statement	Page 75
Directors' responsibilities statement	Corporate governance, page 103
Engagement with colleagues, customers, suppliers and others in a business relationship with the Company	Engaging with our stakeholders, pages 8 and 9
Employment of people with disabilities	Responsible business, pages 58 and 59 www.irwinmitchell.com/about-us/social-responsibility/diversity/disability-confident
Going concern statement	Financial statements, note 2, page 112

Strategic report

The Company has decided to present a Strategic report in these Annual Report and Accounts that includes details of the Company's principal activities and a business review, which can be found on [pages 12 to 75](#).

Profits and dividends

The Group's statutory profit for the year after taxation amounted to £7.6m (FY22: £15.9m).

The Group paid an interim dividend payment of 1.75p per share in February 2023 (FY22: 1.50p per share). In light of the Group's continued performance and the outlook for the business, the Board has reiterated its commitment to a progressive dividend policy and an announcement detailing any final proposed dividend for FY23 (FY22: 6.5p per share) will be made prior to the AGM, which will be held later in the year.

Dividends are recognised in the financial statements for the year in which they are paid, or in the case of a final dividend, when approved by shareholders. The amount recognised in [note 15](#) to the financial statements on [page 129](#) includes this financial year's interim dividend and the final dividend from the previous year, both of which were paid.

Our Member Benefits Trust (the 'Trust') holds shares in the Company in connection with the operation of the Company's Member Share Option Plan. Dividend waivers remain in place on unvested shares held by the Trust.

Articles of association

The Company's articles of association (the 'Articles') are available by writing to the Company Secretary at the Group's registered office. The Articles can also be obtained from the Jersey Registrar of Companies and the UK Registrar of Companies. No amendments have been made to the Articles during the financial year.

The Board

Board of directors

The directors as at the date of this report are listed on [pages 82 to 84](#). Helen Beck and Maria Da Cunha were appointed to the Board as non-executive directors on 1 September 2022, and Andrew Kemp was appointed to the Board as a non-executive director on 1 February 2023.

Appointment, reappointment and removal of directors

Directors are appointed and may be removed in accordance with the Articles and the provisions of Jersey Law. A director may be appointed to the Board by ordinary resolution of the Company, either to fill a vacancy or as additional director. A director may be removed by the Board by ordinary resolution of the Company.

Powers of directors

The business of the Company shall be managed by the directors and may exercise all such powers of the Company that are not required by Jersey Law or the Articles to be exercised by the Company in general meeting.

Directors' insurance

The Group has directors and officers' liability insurance in place, providing appropriate cover for legal action brought against its directors.

Directors' report continued

The Board continued

Conflicts of interest

All directors must disclose both the nature and extent of any potential or actual conflict with the interests of the Company.

Research and development

The Group develops new services in the ordinary course of business that are complementary to the Group's existing service lines.

Political donations

The Company made no political donations to political organisations or independent election candidates and incurred no political expenditure during the year (FY22: £0).

Data protection

Our data protection policies and processes help ensure that privacy and security are set to the highest standard throughout the Group. They also help regulate the sharing of information both internally and externally. Our General Counsel team help monitor compliance with all relevant Data Protection Regulation, raise awareness of the issues and provide training to ensure we are working to the latest advice, guidelines and legal regulatory requirements.

Anti-bribery, anti-corruption and whistleblowing

Irwin Mitchell is committed to the highest standards of accountability, ethical behaviour, financial integrity and reliability. Our aim is to limit exposure to bribery and corruption in a number of ways, including setting out clear anti-bribery and anti-corruption policies, training all colleagues so they recognise and avoid situations where there is the possibility of bribery, and operating a zero tolerance HR policy to any colleague to a bribery or corruption event.

There is a whistleblowing policy, which facilitates empowering employees to act as a line of defence in the identification of any corrupt practices and report concerns confidentially and without fear of retribution.

Share capital structure and share rights

Share capital

Details of the issued share capital can be found in [note 29](#) to the financial statements on [page 142](#). The Company has one class of shares which carry no right to fixed income.

Voting rights

Rights attributable to the Company's shares are as set out in the Articles and in applicable company law. Holders of the Company's shares have the right to attend, speak and vote (either in person or by proxy) at a general meeting of the Company. No shareholder owns shares with special rights as to control.

Restrictions on transfer of shares

Irwin Mitchell Group legal entities are regulated by the Solicitors Regulation Authority (SRA), the Financial Conduct Authority (FCA) and the Guernsey Financial Services Commission (GFSC). The Company and shareholders are subject to statutory ownership restrictions pursuant to the Legal Services Act 2007.

Other than as set out above, as stated in the Articles or where imposed by law or regulation, there are no other restrictions regarding the transfer of shares in the Company, subject to the provisions of the relevant vesting deeds. The Company is not aware of any agreement which would result in any additional restrictions on the transfer of shares or voting rights.

Authority to allot and purchase own shares

Subject to Jersey Law, the Company may purchase its own shares, including redeemable shares.

Employee share schemes

The Company currently offers share-based incentives to its full equity members through the operation of a members share option plan (MSOP) and employee share option plan (ESOP). The Company does not currently offer share-based incentives for colleagues or partners outside of this Group.

Branch offices

The Company has no branches outside the UK.

Auditor

The Company reviews and will make a recommendation each year with regard to the appointment of external auditors. The external auditors, Ernst & Young LLP, have indicated their willingness to continue in office. Following a review, the Company recommends the reappointment of Ernst & Young LLP, subject to the GCFO and the Chair of the Board Audit Committee reaching agreement on scope of work and fees, and resolutions concerning their reappointment and remuneration will be proposed and approved at a meeting of the Board of directors.

Annual general meeting

The Company's AGM will be held later in the year. Details of the resolutions to be proposed at the AGM will be provided in the Notice of AGM.

Post balance sheet events

Information on post balance sheet events can be found in [note 35](#) to the financial statements on [page 146](#).

Approved by the Board on 4 August 2023 and signed.

Andrew Tucker
Group Chief Executive Officer

Statement of directors' responsibilities

in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and amendments issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and performance;
- in respect of the financial statements, state whether IFRS and amendments issued by the IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements

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Independent Auditors' report

to the members of Irwin Mitchell Holdings Limited

Opinion

We have audited the financial statements of Irwin Mitchell Holdings Limited (the "company") and its subsidiaries (the "group") for the year ended 30 April 2023 which comprise the Consolidated Statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Note to the cash flow statement and the related notes 1 to 36, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors 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 group'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 directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the group, or proper 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 group's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on [page 103](#), the directors 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 directors 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 directors are responsible for assessing the group'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 directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' report

to the members of Irwin Mitchell Holdings Limited continued

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 Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to International Financial Reporting Standards as adopted by the European Union, Companies (Jersey) Law 1991, relevant tax compliance regulations, the requirements of the Solicitors' Regulatory Authority (SRA) and Financial Conduct Authority (FCA);
- We understood how Irwin Mitchell Holdings Limited is complying with those frameworks by making enquiries of management and those charged with governance, holding internal audit team discussions on the inherent risk factors present within the group, considering our understanding of the group. We corroborated our enquiries through our review of board minutes, we also reviewed board correspondence with the FCA and SRA;
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent controls, and then identifying entity level controls in place and whether the design of these controls is sufficient for the prevention and detection of fraud, utilising both internal and external information to perform our risk assessment. We considered the risk of fraud through management override and considered the design and implementation of controls at the financial statement level to prevent this, as well as incorporating data analytics across manual journal entries in our audit approach; and

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of management and those charged with governance and challenging the assumptions and judgements made by management by reading third party evidence where possible. We also involved internal specialists as appropriate and evaluated any investigations into matters of non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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 company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate Jarman
for and on behalf of Ernst & Young LLP
Leeds

4 August 2023

Consolidated statement of comprehensive income

for the year ended 30 April 2023

	Notes	30 April 2023 £'000	30 April 2022 £'000
Revenue	<u>5, 6</u>	276,365	275,739
Cost of sales	<u>10</u>	(136,032)	(131,602)
Gross profit		140,333	144,137
Other operating income	<u>7</u>	9,122	7,188
Administrative expenses	<u>10</u>	(134,210)	(128,462)
Movement in expected credit losses	<u>20</u>	(1,405)	592
Operating profit		13,840	23,455
Finance income	<u>12</u>	4,160	401
Finance costs	<u>13</u>	(2,983)	(2,691)
Profit before tax		15,017	21,165
Taxation	<u>14</u>	(7,389)	(5,216)
Net profit		7,628	15,949
Operating profit		13,840	23,455
Add back: Non-underlying items	<u>9</u>	4,890	2,283
Underlying operating profit		18,730	25,738
Add back: Operating loss from non-core segments	<u>5</u>	4,092	4,074
Core underlying operating profit		22,822	29,812
Net profit is attributable to:			
Owners of the Company		8,198	14,823
Non-controlling interests		(570)	1,126
		7,628	15,949
Basic EPS (£/share)	<u>16</u>	0.23	0.43
Diluted EPS (£/share)	<u>16</u>	0.21	0.40

There are no other items of comprehensive income or expense in the current or prior years.

All results derive from continuing operations.

Consolidated statement of financial position

for the year ended 30 April 2023

	Notes	30 April 2023 £'000	30 April 2022 £'000
Non-current assets			
Goodwill	17	7,264	4,434
Intangible assets	17	5,324	2,665
Property, plant and equipment	18	4,225	4,060
Right of use assets	19	38,107	45,616
Trade and other receivables	20	8,477	17,558
Deferred tax asset	27	-	705
Total non-current assets		63,397	75,038
Current assets			
Trade and other receivables	20	296,160	296,477
Current tax receivable		591	8,559
Current asset investments	21	2,694	3,146
Cash and cash equivalents	21	41,739	49,677
Total current assets		341,184	357,859
Total assets		404,581	432,897
Current liabilities			
Amounts held in respect of members of Irwin Mitchell LLP	22	(21,458)	(22,115)
Trade and other payables	24	(185,962)	(193,470)
Lease liability	23	(8,728)	(10,059)
Total current liabilities		(216,148)	(225,644)
Net current assets		125,036	132,215
Total assets less current liabilities		188,433	207,253
Non-current liabilities			
Amounts held in respect of members of Irwin Mitchell LLP	22	(22,232)	(28,449)
Lease liability	23	(31,939)	(40,708)
Provision for liabilities	26	(16,774)	(27,421)
Deferred tax provision	27	(185)	-
Trade & other payables	24	(1,078)	-
Total non-current liabilities		(72,208)	(96,578)
Total liabilities		(288,356)	(322,222)
Net assets		116,225	110,675
Equity attributable to equity holders of the Company			
Share capital	29	387	387
Share premium	29	8,324	8,324
Own shares	29	(25)	(35)
Treasury shares	29	(1,563)	(1,563)
Retained profits		107,711	100,441
Equity attributable to owners of the Company		114,834	107,554
Non-controlling interest	33	1,391	3,121
Total equity		116,225	110,675

The financial statements of Irwin Mitchell Holdings Limited (registration number FC031481) on pages 107 to 147 were approved and authorised for issue by the Board of Directors on 4 August 2023 and were signed on its behalf by:

Andrew Tucker
Group Chief Executive Officer

Consolidated statement of changes in equity

for the year ended 30 April 2023

	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Treasury shares £'000	Retained profits £'000	Total £'000	NCI £'000	Total £'000
Balance at 30 April 2021		387	8,324	(43)	(1,563)	87,348	94,453	5,553	100,006
<i>Comprehensive profit/(loss) for the year ended 30 April 2022:</i>									
Profit for the year		-	-	-	-	14,823	14,823	1,126	15,949
<i>Transactions with owners recorded directly in equity for the year ended 30 April 2022:</i>									
Credit to equity for share based payments	30	-	-	-	-	3,005	3,005	-	3,005
Vesting of Members' Share Trust shares		-	-	8	-	(8)	-	-	-
Acquisition of non-controlling interest	33	-	-	-	-	(3,271)	(3,271)	(938)	(4,209)
Dividends paid	15	-	-	-	-	(1,456)	(1,456)	(2,620)	(4,076)
Balance at 30 April 2022		387	8,324	(35)	(1,563)	100,441	107,554	3,121	110,675
<i>Comprehensive profit/(loss) for the year ended 30 April 2023:</i>									
Profit for the year		-	-	-	-	8,198	8,198	(570)	7,628
<i>Transactions with owners recorded directly in equity for the year ended 30 April 2023:</i>									
Credit to equity for share based payments	30	-	-	-	-	2,049	2,049	-	2,049
Vesting of Members' Share Trust shares		-	-	10	-	(10)	-	-	-
Dividends paid	15	-	-	-	-	(2,967)	(2,967)	(1,160)	(4,127)
Balance at 30 April 2023		387	8,324	(25)	(1,563)	107,711	114,834	1,391	116,225

Consolidated statement of cash flows

for the year ended 30 April 2023

	Notes	Year ended 30 April 2023 £'000	Year ended 30 April 2022 £'000
Cash flows from operating activities			
Profit for the year		7,628	15,949
Tax charge	14	7,389	5,216
Finance costs	13	2,983	2,691
Finance income	12	(4,160)	(401)
Amortisation of intangible assets	10	1,148	1,083
Impairment of goodwill	17	-	544
Depreciation and impairment of tangible assets	10	8,876	9,778
(Decrease) / Increase in provisions	26	(10,697)	2,293
Loss/(gain) on disposal of assets		20	13
Loss on disposal of subsidiaries	33	96	-
Non-cash right of use asset and lease liability charges		2,524	-
Share based payments	30	2,049	3,005
		17,856	40,171
<i>Changes in working capital:</i>			
Decrease/(increase) in trade & other receivables	20	11,694	(8,857)
(Decrease)/increase in trade & other payables	26	(8,144)	692
Cash generated from operations		21,406	32,006
Corporation tax received / (paid)	14	1,159	(8,369)
Net cash inflow from operating activities		22,565	23,637
Cash flows from investing activities			
Interest received	12	3,410	405
Purchase of intangible assets	17	(2,919)	(496)
Purchase of property, plant & equipment	18	(1,368)	(1,313)
Net cashflow from acquisition of subsidiary (TWP Wealth Limited)	36	(2,187)	-
Cash paid in advance of acquisition of Andrew Gwynne LLP	20	(1,246)	-
Net cashflow from disposal of subsidiaries	36	45	-
Net cash used in investing activities		(4,265)	(1,404)
Cash flow from financing activities			
Dividends paid to shareholders	15	(2,967)	(1,456)
Dividends paid to non-controlling interests	33	(1,160)	(2,620)
Introduction of partner capital in subsidiaries	22	4,689	3,789
Repayment of partner capital in subsidiaries	22	(9,546)	(2,987)
Payment of lease obligations	23	(13,284)	(10,554)
Acquisition of non-controlling interest	33	(2,227)	(1,981)
Interest paid	13	(2,195)	(1,768)
Net cash used in financing activities		(26,690)	(17,577)
Net (decrease)/increase in cash		(8,390)	4,656
Cash and cash equivalents at beginning of the period		52,823	48,167
Cash and cash equivalents at end of the period		44,433	52,823

Note to the cash flow statement

The cash and cash equivalents at the end of the period comprises the following:

	30 April 2023 £'000	30 April 2022 £'000
Cash and cash equivalents	41,739	49,677
Current asset investments (note 21)	2,694	3,146
	44,433	52,823

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Cash movements				Non-cash movements		30 April 2022 £'000
	1 May 2021 £'000	Introduction £'000	Repayment £'000	Other operating cash flows* £'000	New leases & modifications £'000	Non-cash interest £'000	
Amounts held in respect of members of Irwin Mitchell LLP	46,244	3,789	(2,987)	3,518	-	-	50,564
Lease liabilities	57,309	-	(10,418)	-	2,864	1,012	50,767
Total financing liabilities	103,553	3,789	(13,405)	3,518	2,864	1,012	101,331

	Cash movements				Non-cash movements		30 April 2023 £'000
	1 May 2022 £'000	Introduction £'000	Repayment £'000	Other operating cash flows* £'000	New leases & modifications £'000	Non-cash interest £'000	
Amounts held in respect of members of Irwin Mitchell LLP	50,564	4,689	(9,545)	(2,018)	-	-	43,690
Lease liabilities	50,767	-	(13,284)	-	2,343	841	40,667
Total financing liabilities	101,331	4,689	(22,829)	(2,018)	2,343	841	84,357

* Other operating cash flows are non-capital movement on balances with members of Irwin Mitchell LLP, relating to member current accounts and members tax deductions and payments, which are included in operating cashflows. This represents amounts withheld from payments to LLP members in respect of their personal tax liabilities, net of amounts paid to HMRC in respect of the settlement of those liabilities during the year. The liability outstanding as at 30 April 2023 in relation these balances, which do not give rise to financing cash flows, is £17,621k (30 April 2022: £19,168k).

Notes to the financial statements

1. Company information

Irwin Mitchell Holdings Limited is a company incorporated in and resident of Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 26 New Street, St Helier, Jersey, JE2 3RA. The nature of the Group's operations and its principal activities comprise the delivery of a broad range of legal and financial asset services to both individual and corporate clients.

2. Accounting policies

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards and to conform with the requirements of the Companies (Jersey) Law 1991. These financial statements are prepared on the historical cost basis, except for the valuation of financial instruments; and presented in sterling to the nearest thousand. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

2.1 Basis of preparation

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS") and amendments issued by the IASB. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") that are in effect as at 30 April 2023. The policies set out below have been applied consistently throughout all the periods presented to items considered material to the consolidated financial statements.

Under Article 105(11) of the Companies (Jersey) Law 1991, if the directors prepared consolidated financial statements, they can elect not to prepare separate financial statements (i.e., company only financial statements) if the company meets the definition of a holding company and the members (shareholders) have not requested individual accounts to be prepared. In the directors' opinion, the Company meets the definition of a holding company and the members of the Company have not passed a resolution requiring separate financial statements. As permitted by the law, the directors have elected not to prepare separate financial statements.

The preparation of these financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the historical financial statements and their effect are disclosed in [note 3](#).

2.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. [Note 28](#) describes the Group's financial risk management objectives and its exposure to credit risk and liquidity risk. The Group considers the going concern period to be the period to 30 September 2024 and factors in any other known events to its assessment.

Performance in the year was good, with the Group achieving a profit before tax of £15.0m and a free cash inflow of £9.4m ([see Note 4](#)).

The Group meets its day to day working capital requirements primarily through available cash and cash equivalent balances, which stand at £44.4m at April 2023. The Group also has access to a committed £50m combined revolving credit facility ("RCF") and overdraft facility, renewed in August 2022 and committed to August 2026, neither of which have been drawn down at any point during the year. The Group also has an additional £25m accordion facility that can be requested for the purpose of M&A activity but is not included in subsequent headroom analysis. 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 through the going concern period.

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

The Group's Financial Continuity Committee ("FCC") meet 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 Group with Divisional CEOs. Group Company Directors and Group Services Directors all involved in both forecasting and also in reviewing actual spend and trading pipelines.

The most recent projections show the Group as remaining significantly profitable throughout the going concern period and with significant headroom on available cash, of at least £44m, throughout. This amount of headroom on availability facilities is considered 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 has stress tested the base case 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 corporation tax and bonus payments). 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 Group 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. Management have therefore determined that only a very severe unmitigated reduction in trading performance would be required to remove all headroom on available facilities or covenant calculations.

We consider the risk that conditions change to such an extent beyond the severe downside scenario that facility or covenant headroom would be reduced to a level that mitigating actions are required is remote. However, the Group 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 Group 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 Group 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 Group 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.

2.3 Basis of consolidation

The consolidated financial information presents the results of Irwin Mitchell Holdings Limited and its own subsidiaries (the "Group") as if they form a single entity.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

2.4 Business combinations

All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For business combinations the Group has determined whether a particular set of activities and assets is a business by assessing whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

If the Group loses control of a subsidiary by means of a disposal, the assets and liabilities of the subsidiary are derecognised and the difference between the fair value of the net disposal proceeds and the carrying amount of the net assets derecognised is taken to the income statement.

Acquisitions on or after 1 May 2019

For acquisitions on or after 1 May 2019, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

Notes to the financial statements continued

2. Accounting policies continued

2.4 Business combinations continued

Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

2.5 Revenue

The Group 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 performance obligations, determining the transaction price and allocating the transaction price to the identified performance obligations. The Group considers that there are two contract types in issue in the performance of the Group's legal and financial asset services, being non-contingent and contingent contracts.

Contingent fee arrangements

The Group 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 Group 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, typically the point at which damages are agreed as 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 an explanation of how recovery rates are estimated, see note 3. Estimated recovery rates are reviewed regularly, and at least at each reporting date. 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 expected revenue for each cohort of matters and the recognition of revenue is constrained to £nil 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 Group 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. Estimated recovery rates are reviewed regularly, and at least at each reporting date. This is then trued up when the final fee is known.

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.

Financial Asset Services ('FAS'): Contracts with customers within the Wealth Management revenue stream may contain more than one performance obligation, in which case the transaction price allocated to the performance obligations is the individual selling price identified in the contract. Contracts in the Ascent division contain one performance obligation and as such the transaction price is as stated in the contract.

Revenue is recognised over time in line with the Group's delivery of the performance obligation. This can either be in line with the milestone reached as at the reporting date (typically for Recoveries performance obligations) where this most faithfully depicts the measure of progress achieved at the reporting date, or for investment management performance obligations revenue is recognised over time and is calculated by reference to the value of a customer's investment.

Management is satisfied there is no significant financing component present in non-contingent fee arrangement contracts as such contracts are billed on a regular basis.

Other income

Other income includes premium income earned by the Group in relation to After The Event ('ATE') insurance products which are offered by the Group to its clients as a means of insuring the value of the client's disbursements. These policies are underwritten by a recognised insurance firm and re-insured by Captive Cells which are 100% owned by the Group.

Premium income is contingent on a successful outcome being achieved on the matter underlying the insurance policy. Income is recognised over the period in which the insurance is provided. Income is constrained until the point at which it is highly probable that there will not be a significant revenue reversal in the future.

Management consider that IFRS 4 and 17 are not applicable to premium income arising from the ATE insurance products. A stop loss mechanism is in place between the insurer and the Captive Cell (the reinsurer) to ensure that the Captive Cell owned by the Group is not exposed to the risk of a significant loss arising from the reinsurance arrangement, and as such management consider that the Group is not exposed to significant insurance risk and therefore IFRS 4 and 17 do not apply.

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 Group 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 Group 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.

2.6 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.

2.7 Intangible assets and goodwill

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.

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 Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group 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.

Intangible assets arising from business combinations

Intangible assets that arise from a business combination including customer relationships, are recognised initially at their estimated fair value, being the acquisition date estimate of the present value of future economic benefits most likely to be derived from the assets acquired. Intangible assets are initially recognised at their estimated cost, which in the case of intangible assets acquired in a business combination is their fair value as at the acquisition date, and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

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).

Customer relationships - Straight line over the estimated useful life of the asset (20 years).

Notes to the financial statements continued

2. Accounting policies continued

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements Straight line over the lease term
- Fixtures and fittings 15% - 25% 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.

2.9 Leases and right of use assets

The Group 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 Group obtains substantially all the economic benefits from use of the asset; and
- c) The Group 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 Group 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 Group include personal computers and small items of office furniture.

A contract may include an amount payable by the Group for activities and costs that do not transfer a good or service to the Group. 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 Group 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 Group 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 Group is reasonably certain to exercise the option)
- b) periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The Group 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.

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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. In calculating the present value of lease payments, the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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.

2.10 Impairment of non-financial assets (excluding deferred tax)

The carrying amounts of the Group's non-financial assets, excluding deferred tax 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. 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 ("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.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

The Group handles client monies in the normal course of business. Client monies are not recognised in the Group financial statements because the Group has no entitlement over it. Cash balances are recognised on the balance sheet when they are contained within an account which is registered to and controlled by the Group, and have been identified following the Group's internal processes as an amount to which the Group is entitled.

2.12 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when the entity becomes a party to the contractual provisions of the instrument. All other financial assets and financial liabilities are initially recognised when the Group 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. For an item not at fair value through profit or loss ("FVTPL"), this also includes transaction costs that are directly attributable to its acquisition or issue. A trade receivable or trade payable without a significant financing component is initially measured at the transaction price.

Notes to the financial statements continued

2. Accounting policies continued

2.12 Financial instruments continued

(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 Group 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.

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 Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group 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 Group; and
- where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's 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 the Group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

The Group'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 Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for when 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information. The individual characteristics of the contract counterparty and the nature of the legal services provided are also considered.

The Group 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 Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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.

2.13 Provisions

A provision is recognised in the balance sheet when the Group 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.14 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary difference can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the temporary difference. Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.15 Employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group 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 income statement in the periods during which services are rendered by employees.

2.16 Share based payment transactions

Share-based payment arrangements in which the Group receives services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group. A number of shares in the Group are held by the Group's Members' Share Trust ('MST') for the purpose of satisfying share based payment awards made to members of Irwin Mitchell LLP through the Members' Share Option Plan (MSOP), and during the year an Employee Share Option Plan (ESOP) has been incepted to award share options on similar terms to senior employees of the Group. The grant date fair value of share-based payments awards is recognised as an employee expense, with a corresponding increase in equity, over the period that the awardee become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service performance conditions at the vesting date.

2.17 Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Other exchange differences are recognised in profit or loss in the period in which they arise.

2.18 Related party disclosures

Details of transactions between the Group and any related parties which require disclosure under International Accounting Standard ("IAS") 24 'Related Party Disclosures' are given in [note 33](#). Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group and are not disclosed.

2.19 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of directors (the "Board") which is considered as the Group's chief operating decision maker and is responsible for allocating resources and assessing performance of the operating segments. The Board considers the business from both a geographic and divisional perspective.

2.20 Non-underlying items

Non-underlying items are those considered to be either one-off or non-trading in nature, and of such a quantum that separate disclosure in the consolidated income statement is considered by management to be of benefit in assessing the underlying performance of the Group.

Notes to the financial statements continued

2. Accounting policies continued

2.21 Standards, amendments and interpretations in issue but not yet effective

At the authorisation of these historical financial statements, the Group has not applied the following new and revised standards that have been issued but are not effective yet:

	Effective date – period beginning on or after
Definition of an Accounting Estimate (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Lease liability in a sale and leaseback - Amendments to IFRS 16	1 January 2024
IAS 1 'Presentation of Financial Statements': Classification of liabilities as current or non-current	1 January 2024

The adoption of all above standards is not expected to have a material impact on the Group's financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements under IFRS requires management to make judgements and estimates which impact the financial information presented. Estimates are made based on historical experience in addition to other factors where appropriate that are considered most relevant, and are reviewed on an ongoing basis.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the 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 Group's work throughout the life of a matter and that work performed does not create an asset capable of use elsewhere in the Group.

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.

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 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 £175.1m (2022: £174.8m).

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 do 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.

Valuation of unbilled revenue in Complex Personal Injury ('CPI') continued

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% decrease in management's estimate of the recovery rates would lead to an £1,324k decrease in accrued income (2022: £1,226k decrease).

Valuation of goodwill in relation to a Private Client Services group of cash generating units

Management is required by IAS 36 to perform an impairment assessment at least annually, in order to consider whether the carrying value of goodwill is supported by the recoverable value of the cash generating units to which the goodwill is allocated.

Goodwill with a net book value of £3.1m arising from the historic Berkeley Law acquisition is included on the FY23 balance sheet and is allocated to a Private Client Services group of cash generating units.

Management has tested this balance for impairment by comparing the carrying value to the present value of future cash flows expected to be derived from the relevant business unit, after an allocation of central costs.

The key assumptions embedded in management's calculation of the recoverable value are shown in [note 17](#) to the financial statements, along with the outcome of management's sensitivity analysis.

The outcomes of this sensitivity analysis are considered to be sufficiently sensitive in order for management to consider this to be a key source of estimation uncertainty.

Notes to the financial statements continued

4. Alternative performance measures

The Group references alternative performance measures ('APMs') when evaluating the Group's reported financial performance, financial position and cash flows that are not defined or specified under International Financial Reporting standards (IFRS). The Group considers that these APMs provide stakeholders with additional useful information by adjusting for certain reported items which impact upon IFRS measures or, by defining new measures, aid the understanding of the Group's financial performance and position. These are aligned to measures which are used internally to assess performance in the Group's processes when determining compensation. The Group's APMs should not be viewed in isolation but as supplementary information. The following APMs appear within these financial statements:

Alternative Performance Measure	Definition	Why it is considered useful	Reconciliation to statutory measure
Underlying operating profit and underlying profit before tax	Statutory operating profit/profit before tax, adjusted for the impact of non-underlying items (see note 9).	Excluding non-underlying items (see note 9) provides readers with a clear and consistent presentation of underlying business performance and it excludes the impact of certain items to aid comparability.	See below, within note 4.
Underlying earnings per share and underlying diluted earnings per share	Statutory earnings per share and diluted earnings per share, but with the calculation adjusted to use underlying profit before tax instead of profit before tax (see above).	Excluding non-underlying items (see note 9) provides readers with a clear and consistent presentation of underlying business performance and it excludes the impact of certain items to aid comparability.	See below, within note 4.
Core Group revenue and core underlying operating profit	The relevant statutory measure (or underlying measure), excluding the results from the Other Businesses segment (see note 5) which is non-core and largely comprises the Group's Volume Personal Injury activities which are in run-off.	Excluding the non-core segment allows the readers to have visibility of a metric which will keep consistency and comparability in future years.	See note 5 (Operating segments) for reconciliation of Core segments to Group results.
Core Group revenue per fee earner	Revenue from core group segments divided by the mean average number of fee earners in the year in core group segments (on an FTE basis).	Excluding the non-core segment allows the readers to have visibility of a metric which will keep consistency and comparability in future years.	n/a – no similar statutory measure.
Staff cost to revenue %	Total staff costs divided by Total revenue.	Staff costs to revenue measures the productivity and efficiency of our people.	n/a – no similar statutory measure.
Revenue pipeline	Hours worked on open matters that have not yet been billed or recognised as a contract asset, valued at client charge out rates.	Pipeline gives an indication of the visibility of future revenue and cash flow generation.	n/a – this measures time not recognised in the financial statements.
Free cash flow	Total Group cash flow, before M&A related cash flows, dividend payments, introduction/repayment of partner capital and cash impact of non-underlying items.	Free cashflow gives an indication of the ability of the Group to generate cash to enable growth and distributions to shareholders.	See below, within note 4.
Net cash/(debt)	Total cash and short term investments, less bank borrowings and LLP members' balances.	Net cash/(debt) is a measure of the Group's leverage.	See below, within note 4.
Lock-up days	The total of trade debt, accrued income and paid disbursement debtors divided by revenue recorded in the last year, multiplied by 365.	Lock up measures the length of time it takes us to convert working capital into cash on fee earning matters.	See below, within note 4.

The free cash flow APM has been amended in the year to include an adjustment to net cashflow for the introduction and repayment of partner capital, as Board decisions around capital can be strategic and based on the availability of cash before and after capital payments. It is considered that the revised calculation provides a better understanding of the performance of the Group.

Reconciliation to statutory measures

In order to provide shareholders with a clearer understanding of the Group's underlying trading performance, the Group has presented an underlying profit measure which adjusts for items considered to be one-off in nature or which experience significant fluctuations that can be contrary to core trading performance. Underlying operating profit and core underlying operating profit reconciles to statutory profit before tax on the following basis:

	30 April 2023 £'000	30 April 2022 £'000
Profit before tax	15,017	21,165
Add back: Non-underlying items (note 9)	4,890	2,283
Underlying profit before tax	19,907	23,448
Add back/(deduct): Net interest payable/(receivable)	(1,177)	2,290
Underlying operating profit	18,730	25,738
Add back: operating loss from non-core operations	4,092	4,074
Core underlying operating profit	22,822	29,812

Core Group revenue reconciles to revenue as follows:

	30 April 2023 £'000	30 April 2022 £'000
Revenue	276,365	275,739
Less: Revenue from non-core operations	(5,370)	(9,657)
Core Group revenue (note 5)	270,995	266,082

The underlying profit measure above is the basis of the underlying earnings per share and underlying diluted earnings per share APMs. The items included as non-underlying items in the above reconciliation are presented in note 9.

Lock-up days

Lock-up days are calculated as follows:

	30 April 2023 £'000	30 April 2022 £'000
Gross trade receivables (note 20)	27,895	26,129
Contract assets (note 20)	73,657	72,887
Paid unbilled disbursements (within unbilled disbursements)	55,431	56,530
Working capital subject to lock-up calculation	156,983	155,546
Revenue	276,365	275,739
Lock-up days (working capital divided by revenue and converted to days)	207 days	206 days

Free cash flow

Free cash flow is calculated as follows:

	30 April 2023 £'000	30 April 2022 £'000
Net cash flow	(8,390)	4,656
Add back: M&A related cash flows (including acquisitions and disposals of businesses)	3,388	–
Add back: Dividends paid (including to non-controlling interests)	4,127	4,076
Add back/(deduct): Net repayment/(introduction) of partner capital	4,857	(802)
Add back: Cash impact of non-underlying items	5,431	1,551
Free cash flow	9,413	9,481

Net cash

Net cash is calculated as follows:

	30 April 2023 £'000	30 April 2022 £'000
Cash and cash equivalents	41,739	49,677
Current asset investments (note 21)	2,694	3,146
Amounts held in respect of members of Irwin Mitchell LLP (note 22)	(43,690)	(50,564)
Net cash	743	2,259

Notes to the financial statements continued

5. Operating segments

IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports of the Group that are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker of the Group is considered to be the Board of directors.

The Group has operating segments as follows:

- Complex Personal Injury – helping clients (or client groups) receive compensation for complicated injuries suffered as a result of accidents either in the workplace, in public, or as a result of clinical negligence.
- Life Cycle Legal Services – delivering advice to businesses and individuals across a broad array of practice areas such as; property law, public law, private client services, family law, corporate and finance and commercial advisory and disputes.
- Financial Asset Services – Services related to the management of financial assets on behalf of clients, services in relation to the collection of debt and Court of Protection deputyships and trusteeships.
- Other Businesses – service lines which are not classed as part of the Group's core operations, largely comprising the Group's Volume Personal Injury business in run off.

The operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

The revenues are allocated to the following operating segments:

	30 April 2023						Total £'000
	Complex personal injury £'000	Life cycle legal services £'000	Financial asset services £'000	Central & eliminations £'000	Core Group Total £'000	Other Businesses £'000	
Revenue	147,556	89,737	35,360	(1,658)	270,995	5,370	276,365

	30 April 2022						Total £'000
	Complex personal injury £'000	Life cycle legal services £'000	Financial asset services £'000	Central & eliminations £'000	Core Group Total £'000	Other Businesses £'000	
Revenue	146,725	83,740	35,771	(154)	266,082	9,657	275,739

Where revenues or eliminations cannot be meaningfully allocated to any primary operating segments, these are allocated as central adjustments and eliminations. The results are allocated to the following operating segments:

	30 April 2023						Total £'000
	Complex personal injury £'000	Life cycle legal services £'000	Financial asset services £'000	Central & eliminations £'000	Core Group Total	Other Businesses £'000	
Revenue	147,556	89,737	35,360	(1,658)	270,995	5,370	276,365
Cost of sales	(57,145)	(55,211)	(18,312)	546	(130,122)	(5,910)	(136,032)
Gross profit	90,411	34,526	17,048	(1,112)	140,873	(540)	140,333
Other income					9,122	–	9,122
Administrative costs					(132,063)	(3,552)	(135,615)
Operating profit					17,932	(4,092)	13,840
Net finance income					1,177	–	1,177
Profit before tax					19,109	(4,092)	15,017

30 April 2022

	Complex personal injury £'000	Life cycle legal services £'000	Financial asset services £'000	Central & eliminations £'000	Core Group Total	Other Businesses £'000	Total £'000
Revenue	146,725	83,740	35,771	(154)	266,082	9,657	275,739
Cost of sales	(54,109)	(51,502)	(18,733)	679	(123,665)	(7,937)	(131,602)
Gross profit	92,616	32,238	17,038	525	142,417	1,720	144,137
Other income					7,188	-	7,188
Administrative costs					(122,076)	(5,794)	(127,870)
Operating profit					27,529	(4,074)	23,455
Net finance costs					(2,290)	-	(2,290)
Profit before tax					25,239	(4,074)	21,165

There were no customers who individually accounted for more than 10% of total Group revenue (2022: None).

Revenue analysed by geographical market

	30 April 2023 £'000	30 April 2022 £'000
United Kingdom	267,165	265,463
International	9,200	10,276
Revenue	276,365	275,739

6. Revenue from contracts with customers

All revenue of the Group is recognised over time. Disaggregated revenue information by business line which align to the Group's operating segments, and geographical markets is provided in [note 5](#).

The Group has recognised the following assets and liabilities related to contracts with customers:

	30 April 2023 £'000	30 April 2022 £'000
Contract assets		
At start of year	72,887	73,247
Transfers in the year from contract assets to trade receivables	(55,108)	(53,154)
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	55,969	52,801
Movement in expected credit loss provision	15	(7)
Disposal of subsidiary	(106)	-
At end of year	73,657	72,887
Contract liabilities		
At start of year	2,043	1,980
Amounts included in contract liabilities that were recognised as revenue during the year	(9,843)	(2,576)
Cash received in advance of revenue recognition during the year	11,153	2,639
At end of year	3,353	2,043

Contract assets and contract liabilities are included within 'trade and other receivables' and 'trade and other payables' respectively on the face of the statement of financial position. They arise from the Group's contracts because cumulative payments received from customers at each balance sheet date do not necessarily equal the revenue recognised on those contracts. The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on legal services provided. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to consideration received from customers in advance of the corresponding revenue recognised.

Notes to the financial statements continued

7. Other operating income

	30 April 2023 £'000	30 April 2022 £'000
After the event ("ATE") insurance premium income	9,122	7,188
	9,122	7,188

ATE policy premium income includes premium income of £7.1m (2022: £6.2m) generated by the IM PI 2 Captive Cell within Fiable Insurance Limited and premium income of £1.5m (2022: £0.5m) generated by the IM85 cell within Mannequin Insurance PCC Limited, with the remaining income immaterial.

8. Staff costs and numbers

Employee costs (including directors)	30 April 2023 £'000	30 April 2022 £'000
Wages and salaries	108,245	104,079
Social security costs	11,133	10,324
Contributions to defined contribution pension scheme	9,089	8,680
Total employment costs	128,467	123,083

The average number of employees during the year was made up as follows:

	30 April 2023 Number	30 April 2022 Number
Fee earners	1,409	1,539
Administration	1,154	1,047
Total average number of employees	2,563	2,586

All employees are based in the United Kingdom.

Directors' emoluments	30 April 2023 £'000	30 April 2022 £'000
Remuneration for qualifying services	2,582	2,793
Contributions to defined contribution pension scheme	-	-
Share based payment expense	113	231
Total employment costs	2,695	3,024

Remuneration of the highest paid director is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Remuneration for qualifying services	788	821
Contributions to defined contribution pension scheme	-	-
Share based payment expense	35	51
Total employment costs	822	872

15,000 share options in the name of the highest paid director vested (and automatically exercised) in the year (2022: 35,000). The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to nil (2022: nil). Key management personnel are defined as the executive Board of the Company and Group Executive Committee and their remuneration is shown in [note 31](#).

9. Non-underlying items

	30 April 2023 £'000	30 April 2022 £'000
Loss on termination of office lease	2,858	-
Goodwill impairment (see note 17)	-	544
Transaction related legal & professional fees	2,032	1,739
	4,890	2,283

The basis of the FY22 goodwill impairment is detailed in [note 17](#). Transaction related legal & professional fees are incremental costs relating to transactions that are one-off in nature (not including activity related to M&A). Management expects the quantum of these fees to reduce significantly in FY24. The loss on termination of office lease relates to the combined right of use asset write off and adjustment to lease liability (£2.7m) and adjustment to dilapidations provision (£0.2m) required upon reaching an agreement with a landlord to exit one of the Group's IFRS 16 leasehold properties, Gatwick, in advance of the break clause. An amount of £3.0m was paid in the year in lieu of all future lease payments, which has led to the derecognition of the remaining balance sheet items.

10. Operating profit

Operating profit for the year has been arrived at after charging/(crediting):

	30 April 2023 £'000	30 April 2022 £'000
Members remuneration charged as an expense	43,112	46,827
Depreciation of property, plant and equipment (note 18)	1,220	1,303
Depreciation of right of use assets (note 19)	7,656	8,475
Amortisation of intangible assets (note 17)	1,148	1,083
Non-underlying items (note 9)	4,890	2,283
Lease costs for low value leases	3,571	2,727

11. Fees for audit and other services

The analysis of auditor's remuneration is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Total audit fees payable to the Group's auditor and its associates	576	612

Fees payable to the Group's auditor for non-audit services are as follows:

	30 April 2023 £'000	30 April 2022 £'000
Other services	369	200
FCA audit	79	47
Total non-audit fees	448	247
Total fees	1,024	859

No services were provided pursuant to contingent fee arrangements. Other services include reporting under the SRA Account Rules 2011, amounts related to a review of the control environment, IT transformation support services audit and other services relating to the Group's organisational and governance structure.

Notes to the financial statements continued

12. Finance income

	30 April 2023 £'000	30 April 2022 £'000
Interest received on bank deposits	4,160	401
Total finance income	4,160	401

13. Finance costs

	30 April 2023 £'000	30 April 2022 £'000
Interest on bank borrowings and overdrafts	429	590
Interest payable on leases	860	1,012
Interest on former partner capital	267	192
Interest on current partner capital	1,427	897
Total finance costs	2,983	2,691

All interest costs are on financial liabilities measured at amortised cost.

14. Taxation

The tax charge is analysed as follows:

	30 April 2023 £'000	30 April 2022 £'000
UK current tax:		
Current tax on profit for the year	5,385	695
Adjustments in respect of prior years	1,343	(266)
Total current tax	6,728	429
UK deferred tax:		
Origination and reversal of temporary differences	661	4,603
Impact of change in tax rates	-	184
Total deferred tax	661	4,787
Total tax charge in the Income Statement	7,389	5,216

Reconciliation of effective tax charge

The current tax charge for the period is higher (2022: higher) than the prevalent rate of corporation tax in the UK for the period of 19.5% (2022: 19.0%). The prevalent rate in the UK has been used as the starting point for the tax reconciliation on the basis that this is the jurisdiction in which the majority of the Group's operations reside.

	30 April 2023 £'000	30 April 2022 £'000
Profit before taxation	15,017	21,165
Expected tax charge at corporation tax rate of 19.5% (2022: 19.0%)	2,928	4,021
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,311	1,263
Origination and reversal of temporary differences	661	-
Adjustments in respect of prior years	1,343	(266)
Impact of change in tax rates	-	184
Other	146	14
Total tax charge in the Income Statement	7,389	5,216

Factors affecting future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Deferred tax balances at the reporting date are therefore measured at 25% (2022: 25%).

15. Dividends

Amounts recognised as distributions to equity holders is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Final dividend for the previous year of 6.5p (2022: 2.75p) per ordinary share	2,347	944
Interim dividend of 1.75p (2022: 1.5p) per ordinary share	620	512
	2,967	1,456

Treasury shares and own shares in the members share trust do not attract a dividend. In light of the Group's continued performance and outlook, the Board has reiterated its commitment to a progressive dividend policy and an announcement detailing any final proposed dividend for FY23 (2022: 6.5p per share) will be made prior to the annual general meeting.

The final dividend for FY22 of 6.5p per share, paid in FY23, comprised a normal final dividend of 2.75p per share and a one-off special dividend of 3.75p per share.

16. Earnings per share

Earnings per share ("EPS") for the Group is calculated as follows:

	30 April 2023 £'000	30 April 2022 £'000
Earnings used in calculation (£'000)	8,198	14,823
Weighted average number of ordinary shares	35,431,870	34,374,370
Basic EPS (£)	0.23	0.43
Weighted average number of dilutable shares	38,210,211	37,421,870
Diluted EPS (£)	0.21	0.40

In all periods there were share options outstanding. The exercise price of the options is in the money and have therefore been included in the calculation of the weighted average number of dilutable shares. Included in the calculation of dilutable shares are options over 2,778,341 (2022: 2,900,000) ordinary shares. This is further detailed in [note 30](#).

Underlying earnings per share

The directors use an adjusted earnings figure as an alternative performance measure which the directors believe reflects a fair estimate of ongoing profitability and performance, as detailed in [note 4](#). The calculated underlying profit after tax for the current period of accounts is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Profit attributable to owners of the Company	8,198	14,823
Add back:		
Non-underlying costs	4,890	2,283
Underlying profit after tax attributable to owners of the Company	13,088	17,106
Basic Adjusted EPS (£)	0.37	0.50
Diluted Adjusted EPS (£)	0.34	0.46

The calculation of underlying earnings removes non-underlying items as explained further in [note 4](#).

Notes to the financial statements continued

17. Goodwill and other intangible assets

	Goodwill £'000	Software £'000	Assets under construction £'000	Customer relationships £'000	Total £'000
Cost					
At 30 April 2021	34,433	4,577	526	–	39,536
Additions	–	471	1,224	–	1,695
Transfers	–	38	(38)	–	–
Disposals	–	(827)	(904)	–	(1,731)
At 30 April 2022	34,433	4,259	808	–	39,500
Additions	2,830	–	2,905	902	6,637
Transfers	–	1,407	(1,407)	–	–
Disposals	–	(955)	–	–	(955)
At 30 April 2023	37,263	4,711	2,306	902	45,182
Amortisation and impairment					
At 30 April 2021	29,455	2,136	–	–	31,591
Amortisation charged for the year	–	1,093	–	–	1,093
Eliminated in respect of disposals	–	(827)	–	–	(827)
Impairment charge	544	–	–	–	544
At 30 April 2022	29,999	2,402	–	–	32,401
Amortisation charged for the year	–	1,129	–	19	1,148
Eliminated in respect of disposals	–	(955)	–	–	(955)
Impairment charge	–	–	–	–	–
At 30 April 2023	29,999	2,576	–	19	32,594
Carrying amount					
At 30 April 2022	4,434	1,857	808	–	7,099
At 30 April 2023	7,264	2,135	2,306	883	12,588

Goodwill

Goodwill has been allocated to cash generating units (“CGUs”) or groups of cash generating units as follows:

Goodwill (before impairment)	30 April 2023	30 April 2022
Complex personal injury group of CGUs	1,343	1,343
Life cycle legal services group of CGUs	12,368	12,368
Ascent CGU	619	619
Asset Management CGU	2,830	–
Private client services group of CGUs	3,850	3,850
Total	21,010	18,180

Accumulated Impairment	30 April 2023	30 April 2022
Complex personal injury group of CGUs	–	–
Life cycle legal services group of CGUs	12,368	12,368
Ascent CGU	619	619
Asset Management CGU	–	–
Private client services group of CGUs	759	759
Total	13,746	13,746

Goodwill carrying amount	30 April 2023	30 April 2022
Complex personal injury group of CGUs	1,343	1,343
Life cycle legal services group of CGUs	–	–
Ascent CGU	–	–
Asset Management CGU	2,830	–
Private client services group of CGUs	3,091	3,091
Total	7,264	4,434

Goodwill arising from business combinations is not amortised but reviewed for impairment at least on an annual basis, or when there are other indications that goodwill could be impaired. Impairment reviews were performed at each year-end date by comparing the carrying value of each CGU to the recoverable value, calculated as its value in use. The recoverable value of each CGU is determined as the higher of the value in use, and its fair value less cost to sell. The value in use has been determined using a discounted cash flow model. The key assumptions in the models are below. These are applied to each CGU on the basis that management approved forecasts cover the same period, each CGU operates primarily in the UK economy, and therefore inputs into the discount rate calculation are comparable.

	30 April 2023	30 April 2022
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	11.0%	10.6%

The value in use calculations are based on the Board approved Strategic Growth Plan ('SGP') (including FY24 budget), and extend beyond the initial Board approved forecast period into perpetuity using a long term growth rate relevant to the UK, the primary economy of the Group. The SGP is prepared by the finance team and commercial leaders, by planning for how revenues and costs are likely to develop over a four year period at team level for client-facing teams, and at department level for central functions. The combined plans go through various levels of review and amendment before approval, including by commercial leadership, entity boards and Group board.

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

Base Case model and Sensitivity Analysis

The base case model, using the above key assumptions, shows in the following headroom (i.e. excess of value of discounted future cashflows over carrying value of CGU): Complex personal injury group of CGUs - £386.3m; Asset Management CGU - £11.2m, Private client services group of CGUs - £0.5m. It is not considered that any reasonably possible change to key assumptions could result in the Complex personal injury or Asset Management recoverable values reducing to the extent that it is equal to or below the CGU carrying value.

It is considered that a reasonably possible change in key assumptions could cause the private client services CGU carrying value to exceed its recoverable value. The following changes to key assumptions would cause the recoverable value to equal the carrying value: Reduce the gross margin percentage in every year by 0.27%, increase the discount rate by 1.2%, from 11.0% to 12.2%; or reduce the long term growth rate by 1.5%, from 2% to 0.5%.

The outcomes of the private client services CGU impairment test is also sensitive to greater changes to the key assumptions. Using a sensitised case of increasing the discount rate by 1% to 12.0% and reducing the growth rate by 1% to 1% would result in an impairment charge of £0.2m. Separately, a reduction in the gross margin percentage included in management's forecasts of 1% would lead to an impairment of £1.4m if unmitigated by management action (such as cost avoidance measures).

The carrying value of the Private Client group of CGUs, which suffered an impairment in FY22 but is not fully impaired, is £3.1m.

Notes to the financial statements continued

18. Property, plant and equipment

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Assets under construction £'000	Total £'000
Cost				
At 30 April 2021	8,528	4,418	143	13,089
Additions	–	51	681	732
Transfers	–	171	(171)	–
Disposals	(1,233)	(2,858)	(43)	(4,134)
At 30 April 2022	7,295	1,782	610	9,687
Additions	–	11	1,374	1,385
Transfers	1,297	426	(1,723)	–
Disposals	(315)	(249)	–	(564)
At 30 April 2023	8,277	1,970	261	10,508
Depreciation and impairment				
At 30 April 2021	5,883	2,402	–	8,285
Depreciation charged for the year	559	752	–	1,311
Eliminated in respect of disposals	(1,110)	(2,859)	–	(3,969)
At 30 April 2022	5,332	295	–	5,627
Depreciation charged for the year	587	633	–	1,220
Eliminated in respect of disposals	(315)	(249)	–	(564)
At 30 April 2023	5,604	679	–	6,283
Carrying amount				
At 30 April 2022	1,963	1,487	610	4,060
At 30 April 2023	2,673	1,291	261	4,225

19. Right of use assets

IFRS 16 has been adopted and leased assets are presented as a separate line item in the Statement of Financial Position, as right of use assets. 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 (note 10).

	Right of use assets - Properties £'000	Right of use assets - Motor vehicles £'000	Right of use assets - Other £'000	Total £'000
Cost				
At 30 April 2021	111,520	3,542	-	115,062
Additions	1,629	1,624	-	3,253
Modifications	-	(168)	-	(168)
Disposals	(896)	(1,190)	-	(2,086)
At 30 April 2022	112,253	3,808	-	116,061
Additions	2,263	1,463	1,052	4,778
Modifications	(2,094)	43	-	(2,051)
Disposals	(7,370)	(1,028)	-	(8,398)
At 30 April 2023	105,052	4,286	1,052	110,390
Depreciation and impairment				
At 30 April 2021	61,958	2,043	-	64,000
Depreciation charged for the year	7,605	870	-	8,475
Eliminated in respect of disposals	(882)	(1,148)	-	(2,030)
At 30 April 2022	68,681	1,764	-	70,445
Depreciation charged for the year	6,625	950	81	7,656
Eliminated in respect of disposals	(4,868)	(950)	-	(5,818)
At 30 April 2023	70,438	1,764	81	72,283
Carrying amount				
At 30 April 2021	49,563	1,500	-	51,063
At 30 April 2022	43,572	2,044	-	45,616
At 30 April 2023	34,614	2,522	971	38,107

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

The Group's vehicle leases are of UK based cars, with a typical duration of three 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 disposal recognised in FY23 with a net book value of £2.5m was recognised in relation to an agreement made with a landlord to exit a leasehold property, Gatwick, in advance of the break clause.

Notes to the financial statements continued

20. Trade and other receivables

	30 April 2023 £'000	30 April 2022 £'000
Amounts falling due within one year		
Trade receivables	27,895	26,129
Expected credit loss provision	(3,613)	(2,208)
	24,282	23,921
Unbilled disbursements (net of impairment and expected credit loss provision)	167,686	169,380
Contract assets (note 6)	73,657	72,887
Prepayments	16,593	14,558
Other receivables	12,364	15,731
Amounts recognised in advance of future business combination (Andrews Gwynne LLP)	1,578	-
Trade and other receivables falling due within one year	296,160	296,477
Amounts falling due after one year		
Insurance reimbursement asset (see note 26)	8,477	17,588
Trade and other receivables falling due after one year	8,477	17,588

Other receivables primarily relates to the deferral of amounts related to the Group's captive insurance arrangements, around which further narrative is included in [note 24](#).

Amounts recognised in advance of future business combination

On 31 March 2023 (the 'completion date'), IM Asset Management ('IMAML') signed an agreement to acquire the trade and assets of Andrews Gwynne LLP ('AG'). Immediately following the completion date, the employees of AG transferred to IMAML under the TUPE process. The ownership of the assets of AG will transfer at an unspecified future date (the 'transfer date'), upon completion of the Marketing and Transfer Plan included within the completion documents. On the transfer date, customer relationships in the name of AG at the transfer date will transfer to IMAML.

IMAML have paid £1,246k upon completion, with future contingent consideration payments as specified in the completion documents of up to £900k falling due in the future. Any net profit or loss that AG makes between the completion date and the transfer date will also fall due to IMAML at a future date. It has been determined that as at the year-end, although IMAML has exposure to variable returns resulting from the signature of the completion documents, IMAML has only protective control over AG and will not obtain substantive control (i.e. the power and ability to control its exposure to variable returns) until the transfer date. On that basis, under IFRS 3 the Group has not consolidated AG into the Group and will do so only from the transfer date.

Therefore at the year-end, the amount paid on completion of £1,246k is presented within trade and other receivables as an 'amount recognised in advance of future business combination' (falling due within one year). Further, a fair value of £332k in relation to a contingent consideration clause linked to earn out targets (with an upper limit of £450k) has been included within 'amounts recognised in advance of future business combination' with a corresponding value included within trade and other payables (contingent consideration) in respect of the contractual liability that exists at year end and will be settled in future years. A further £450k may fall due in the future linked to continued employment over three years post completion of key individuals, however this is not treated as part of the consideration for the acquisition and will instead be recognised on an accruals basis in future years. The profits of AG between the completion date and the year-end, which will fall due to IMAML, are included within trade and other receivable and are immaterial.

Expected Credit Losses

The Group 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 Group applies the IFRS 9 simplified approach to measuring expected credit losses as described in [note 2](#).

Provisions against trade receivables

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

£'000	Gross Trade Receivables		Expected Credit Loss Provision		Trade Receivables (net of provision)	
	30 April 2023	30 April 2022	30 April 2023	30 April 2022	30 April 2023	30 April 2022
Trade receivables not past due	14,092	14,477	(228)	(172)	13,864	14,305
<i>Trade receivables past due</i>						
0-60 days past due	6,738	5,933	(273)	(204)	6,465	5,729
61-150 days past due	1,987	1,713	(225)	(201)	1,762	1,512
More than 151 days past due	5,078	4,006	(2,887)	(1,631)	2,191	2,375
Total	27,895	26,129	(3,613)	(2,208)	24,282	23,921

The movement in expected credit loss provision against receivables is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Brought forward provision	2,208	2,800
Utilised in year	(1,316)	(2,500)
Created in year	2,721	1,908
Carried forward provision	3,613	2,208

Provisions against unbilled disbursements

	30 April 2023 £'000	30 April 2022 £'000
Gross unbilled disbursements	173,735	174,793
Provision for recoverability	(5,997)	(5,362)
Expected credit loss allowance	(52)	(51)
Net unbilled disbursements	167,686	169,380

The movement in the provision for recoverability against disbursements is as follows:

	30 April 2023 £'000	30 April 2022 £'000
Brought forward provision	5,362	9,445
Movements in year	635	(3,568)
Carried forward provision	5,997	5,877

A further £165,000 (2022: £150,000) expected credit loss provision has been recognised against contract assets balances. This is based on the assumption that contract assets carry the same credit risk as trade receivables not past due.

21. Current asset investments, and cash and cash equivalents

	30 April 2023 £'000	30 April 2022 £'000
Current asset investments: unlisted investments – at cost less impairment	2,694	3,146
Cash & cash equivalents	41,739	49,677
	44,433	52,823

Current asset investments relate to cash deposits with various financial institutions. These typically have a term of up to three months and as such are included in cash and cash equivalents in the statement of cash flows.

Included within cash and cash equivalents on the statement of financial position are £17,946,000 (2022: £nil) of overnight money market deposits which were placed across the year end, and receipted back into bank on 1 May 2023. At the year end, £2,360,000 (2022: £1,325,000) of cash & cash equivalents is restricted within subsidiaries that are FCA regulated in order to ensure ongoing compliance.

Notes to the financial statements continued

22. Amounts held in respect of members of Irwin Mitchell LLP

	30 April 2023			30 April 2022		
	Current £000	Non- Current £000	Total £000	Current £000	Non- Current £000	Total £000
Borrowings at amortised cost						
Amounts held in respect of current partners	17,621	18,312	35,933	19,168	22,808	41,976
Amounts held in respect of former partners	3,837	3,920	7,757	2,947	5,641	8,588
Total amounts held in respect of members of Irwin Mitchell LLP	21,458	22,232	43,690	22,115	28,449	50,564

The amounts held in respect of current partners appearing as a current liability of £17,621,000 (2022: £19,168,000) represent amounts reserved from partner drawings to cover future tax liabilities that will be settled directly by the Group. All other amounts represent fixed capital.

Contractual terms of fixed capital payable to current and former partners

Interest on partner capital (for current and former partners) varies depending on the type of capital. Interest paid to partners on B capital is Bank of England Base rate % ("BOEB") + 2.5% and interest paid to partners on their tax reserves is the greater of either 2% or 1% + BOEB% (annual rate).

Fixed capital payable to retired former partners is payable over a period ranging from three months to ten years. The last payment due on the fixed capital payable to former partners is March 2031 (as at 30 April 2023). Fixed capital payable to current partners is not repayable until the partner leaves the firm and therefore does not have a maturity date.

23. Leases

	30 April 2023			30 April 2022		
	Current £'000	Non-Current £'000	Total £'000	Current £'000	Non-Current £'000	Total £'000
Lease liability (net of future finance charges)	8,728	31,939	40,667	10,059	40,708	50,767

The lease liability movements are as follows:

	30 April 2023				30 April 2022			
	Land and buildings leases £'000	Motor vehicle leases £'000	Other £'000	Total leases £'000	Land and buildings leases £'000	Motor vehicle leases £'000	Other £'000	Total leases £'000
Borrowings at amortised cost								
Balance at 1 May	48,728	2,039	–	50,767	55,834	1,475	–	57,309
Additions	1,895	1,464	961	4,320	1,404	1,624	–	3,028
Interest expense	804	34	22	860	999	13	–	1,012
Modification of existing leases	(1,856)	(18)	–	(1,874)	–	(164)	–	(164)
Payment of lease liabilities (including interest)	(12,395)	(939)	–	(13,334)	(9,509)	(909)	–	(10,418)
Disposals	–	(72)	–	(72)	–	–	–	–
Balance at 30 April	37,176	2,508	983	40,667	48,728	2,039	–	50,767

Future gross minimum lease payments are as follows:

	30 April 2023 £'000	30 April 2022 £'000
Due within one year	8,738	10,060
Due in two to five years	19,207	23,490
Due in more than five years	15,780	20,891
Gross lease payments due	43,725	54,441
Less future finance charges	(3,058)	(3,674)
Net lease payments due	40,667	50,767

The Group's right of use asset additions and depreciation charge recognised on leases in the year is shown in note 19, and interest expense in note 13. The total cash outflows in the year are explained in the Statement of Cash Flows and associated note. The property leases are discounted at the Group's estimated incremental cost of borrowing at a rate of 0.8-5.1%. The motor vehicle leases are discounted at the Group's incremental cost of borrowing at a rate of 0.3%-4.9%.

24. Trade and other payables

	30 April 2023 £'000	30 April 2022 £'000
Due in less than one year		
Trade creditors	61,929	60,392
Taxation & social security	11,841	7,920
Accruals	17,330	18,957
Contract liabilities (note 6)	3,353	2,043
Other creditors	90,800	104,158
Contingent consideration	709	-
	185,962	193,470

The directors consider that the carrying amount of trade payables approximates to their fair value.

	30 April 2023 £'000	30 April 2022 £'000
Due in greater than one year		
Contingent consideration	1,078	-

Contingent Consideration

Contingent consideration represents amounts owed in respect of the acquisition of TWP Wealth Limited and the signed agreement to acquire the trade and assets of Andrews Gwynne LLP. The amounts are partly contingent on future performance, represent the present value of amounts expected to be paid under the contracts, and are payable within 12 months (£709,000) and in greater than 12 months (£1,078,000). See note 20 for further detail on Andrews Gwynne LLP, and note 36 for further detail on TWP Wealth Limited.

Other Creditors

Other creditors includes £82,418,000 (2022: £84,197,000) in relation to the deferral of income in the Group's Captive Cells. This relates partly to insurance premiums (where the debtor is included within unbilled disbursements) that are reinsured by the Group's Captive Cells, and are deferred until they can be recognised upon successful conclusion of a matter. Also included within this balance are amounts relating to the anticipated value of claims arising on unsuccessful matters. These amounts, recognised within other creditors, are deferred within Other Receivables until the conclusion of an unsuccessful matter.

25. Employee benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund of £9,089,000 (2022: £8,680,000). Contributions totalling £823,000 (2022: £731,000) were payable to the fund at the year-end and are included in other creditors.

26. Provisions

	Dilapidations £'000	Claims £'000	Onerous Lease £'000	Total £'000
Year ended 30 April 2023				
Balance at 1 May	7,849	19,572	-	27,421
Provisions made during the year	368	1,572	-	1,940
Provisions charged/(released) during the year	(1,329)	(4,858)	-	(6,187)
Provisions used during the year	(791)	(5,609)	-	(6,400)
Balance at 30 April	6,097	10,677	-	16,774
Year ended 30 April 2022				
Balance at 1 May	7,969	16,828	331	25,128
Provisions made during the year	225	-	-	225
Provisions charged/(released) during the year	(345)	3,959	(331)	3,283
Provisions used during the year	-	(1,215)	-	(1,215)
Balance at 30 April	7,849	19,572	-	27,421

Notes to the financial statements continued

26. Provisions (continued)

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 Group's current property lease portfolio has a remaining duration of up to 11 years.

The claims provision represents the Group's expected outflow arising from professional indemnity claims brought against the Group 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 due in greater than one year (see note 20).

27. Deferred tax assets and liabilities

	30 April 2023			
	Liability <1 year £'000	Liability >1 year £'000	Asset <1 year £'000	Asset >1 year £'000
Accelerated capital allowances	-	-	-	578
Customer relationship intangible assets	-	216	-	-
Leases	-	547	-	-
Total	-	763	-	578

	30 April 2022			
	Liability <1 year £'000	Liability >1 year £'000	Asset <1 year £'000	Asset >1 year £'000
Accelerated capital allowances	-	-	-	1,366
Leases	-	660	-	-
Total	-	660	-	1,366

The following are the deferred tax assets and liabilities recognised by the Group and related movements during the current and prior years:

	Net liability/ (asset) at 01 May 2022 £'000	Created on acquisition of TWP Wealth £'000	(Credit)/charge to profit and loss £'000	Effect of change in tax rate £'000	Net liability/ (asset) at 30 April 2023 £'000
Accelerated capital allowances	(1,365)	-	787	-	(578)
Customer relationship intangible assets	-	226	(10)	-	216
Leases	660	-	(113)	-	547
Net movement	(705)	226	664	-	185

	Net liability/ (asset) at 01 May 2021 £'000	(Credit)/charge to profit and loss £'000	Effect of change in tax rate £'000	Net liability/ (asset) at 30 April 2022 £'000
Accelerated capital allowances	(1,340)	(25)	-	(1,365)
Leases	583	(107)	184	660
Tax credits on adoption of IFRS 16	(170)	170	-	-
Tax credits on adoption of IFRS 15	(4,367)	4,367	-	-
Tax credits on adoption of IFRS 9	134	(134)	-	-
Other tax credits on adoption of IFRS	(332)	332	-	-
Net movement	(5,492)	4,603	184	(705)

28. Financial instruments

Management of financial risk

The Board has responsibility for the oversight of Group's financial risk management framework. Risk management is explained further within the risk section of the Strategic report. The Group's primary financial instruments comprise trade and other receivables, contract assets and liabilities, cash and cash equivalents, current asset investments, trade and other payables, bank borrowing facilities, and LLP members' capital balances. By way of holding these financial instruments, the Group is exposed to the following financial risks:

Market risk

Market risk is the risk that changes in financial market pricing will impact the Group's profitability. The Group's main area of exposure in this respect is with regard to interest rate risk in respect of bank borrowings and members' capital balances. The Group's rate of interest in relation to its existing bank borrowing facilities is variable, linked to SONIA. Interest on member capital (for current and former partners) varies depending on the type of capital. Interest paid to partners on B capital is Bank of England Base rate % ("BOEB") + 2.5% and interest paid to partners on their tax reserves is the greater of either 2% or 1% + BOEB% (annual rate).

Interest rate exposure is monitored and supplemented by a robust budgeting and forecasting process, with sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. The Group holds immaterial foreign currency bank balances, and has limited exposure in relation to transactions denominated in a currency other than the Group's functional currency. Foreign currency risk is not considered material.

Capital risk

The Group's capital structure comprises of equity share capital and net cash/(debt). The main components of net cash/(debt) are cash & cash equivalents, short term liquid investments, bank borrowings, and members' capital balances. Management seeks to optimise the capital structure of the Group in order to ensure sufficient capital adequacy to allow the Group to continue in operation as a going concern whilst maximising shareholder returns. This includes ongoing consideration of the value of members' capital in Irwin Mitchell LLP, and from time to time surplus cash balances are placed on short-term deposit in order to enhance returns.

Liquidity risk

Liquidity is the risk of the Group not being able to repay financial obligations as they fall due. The Group maintains adequate cash reserves and headroom against borrowing facilities to ensure the Group is able to meet its financial obligations. The risk is overseen by the Treasury Committee which ensures the Group's Cash Management policy is followed and that there is a system of reviews and controls in place to manage funds appropriately. The Group's borrowing facilities comprise a £50 million RCF & overdraft committed to August 2026, with a further £25 million accordion facility for M&A activity. Management maintains at least 12 month rolling cash flow and covenant forecasts discussed in a monthly Financial Continuity Committee to ensure sufficient visibility of facility headroom.

Credit risk

Credit risk is the risk of financial loss in respect of a counterparty's inability to meet contractual obligations as they fall due. The Group's main area of credit risk is in relation to trade receivables. The Group performs regular credit checks on new and existing clients, and recognises an expected credit loss provision against the gross value of trade receivables in order to recognise the risk of credit loss. The degree to which the Group is exposed to credit risk depends on the characteristics of the counterparty and the nature of the legal services provided. The Group's credit risk influenced by the general macroeconomic conditions. The Group does not have significant concentration of risk in respect of amounts due from clients at the reporting date given the spread across a range of industries.

Credit risk against contract assets and disbursement receivable is considered to be immaterial, and the majority of the risk of credit loss arises from the Group's Life Cycle Legal Services segment. The average expected credit loss rates for trade receivables are below:

	30 April 2023 £'000	30 April 2022 £'000
Number of days past due		
Not yet past due	1.6%	1.2%
0 - 60 days overdue	4.1%	3.4%
61 - 150 days overdue	11.3%	11.7%
More than 150 days overdue	56.9%	40.7%

Notes to the financial statements continued

28. Financial instruments continued

Fair value measurement

Management determines that the fair value of each of the Group's classes of financial instrument is its carrying value:

- Trade and other receivables, current asset investments, trade and other payables and revolving credit facility / bank overdraft: Each of these classes of financial instrument has a sufficiently short maturity to ensure that carrying value equals fair value.
- Members' capital balances: Interest on members' capital balances is accrued on a variable rate linked to the Bank of England Base Rate (see [note 22](#)), and is paid to members annually in arrears. This ensures that the fair value continues to equate to the carrying value.

All of the Group's financial instruments are considered to represent Level 3 assets and liabilities on the fair value hierarchy because the inputs used to calculate the fair value of each instrument are not based on observable market data. Each class of financial instrument listed above is held at amortised cost, with the exception of items held at fair value disclosed separately below.

The carrying amount of financial instruments is shown below:

	30 April 2023 £'000	30 April 2022 £'000
Cash and cash equivalents	41,739	49,677
<i>Financial assets held at amortised cost</i>		
Trade and other receivables	304,651	314,035
Current asset investments	2,694	3,146
Total financial assets held at amortised cost	307,345	317,181
<i>Financial liabilities held at amortised cost</i>		
Trade and other payables	185,253	193,470
Lease liabilities	40,667	50,767
Amounts held in respect of members of Irwin Mitchell LLP	43,690	50,564
Total financial liabilities	269,610	294,801

Financial assets and liabilities held at fair value

Within trade and other payables, there is a balance of £1,738,000 held at fair value in respect of future contingent acquisition related payments, of which £1,445,000 relates to the acquisition of TWP Wealth Limited and £350,000 relates to the deal to acquire the trade and assets of Andrews Gwynne LLP. The key assumptions used to derive the fair value of contingent consideration in respect of the acquisition of TWP Wealth Limited, and relative sensitivities, are disclosed in [note 36](#). The amounts in respect of Andrews Gwynne are not considered to be materially sensitive to any change in assumptions given the overall cap on earn-out payments of £450,000.

Exposure to financial risk

As above, the Group has exposure in relation to credit risk (particularly in relation to trade receivables), liquidity risk, and interest rate risk in respect of its bank borrowings and amounts owed to current and former members of Irwin Mitchell LLP.

Exposure to credit risk

The Group's exposure to credit risk in relation to trade receivables is represented by ageing in [note 20](#).

Expected credit loss is determined based on historic rates of default and consideration of potential future events for assets in each age category, and for individual departments providing different legal services.

A summary of movements in the expected credit loss provision against trade receivables is presented in [note 20](#).

Exposure to liquidity risk

Below is the contractual maturities of financial assets and liabilities at the reporting date. The amounts are gross and undiscounted.

	Demand and less than 3 months £'000	From 3 to 12 months £'000	More than 12 months £'000	Total £'000
Financial assets				
Insurance receivable asset	-	-	17,558	17,558
Cash and cash equivalents	49,677	-	-	49,677
Trade receivables	26,129	-	-	26,129
Current asset investments	3,146	-	-	3,146
As at 30 April 2022	78,952	-	17,558	96,510
Insurance receivable asset	-	-	8,477	8,477
Cash and cash equivalents	41,739	-	-	41,739
Trade receivables	27,895	-	-	27,895
Current asset investments	2,694	-	-	2,694
As at 30 April 2023	72,328	-	8,477	80,805

Contract assets and unbilled disbursement receivables are excluded from the maturity analysis above as they have no fixed maturity, and are invoiced in line with the performance of services and terms stated in the engagement letter.

	Demand and less than 3 months £'000	From 3 to 12 months £'000	More than 12 months £'000	Total £'000
Financial liabilities				
Trade and other payables	74,062	2,538	2,167	78,767
Lease liabilities	2,515	7,545	44,381	54,441
Amounts held in respect of Irwin Mitchell LLP	19,988	16,766	13,810	50,564
As at 30 April 2022	96,565	26,849	60,358	183,772
Trade and other payables	80,716	6,485	-	87,201
Contingent consideration	-	709	1,078	1,787
Lease liabilities	2,108	5,996	32,563	40,667
Amounts held in respect of Irwin Mitchell LLP	13,812	7,646	22,232	43,690
As at 30 April 2023	96,636	20,836	55,873	173,345

Contract liabilities and other creditors that are not financial liabilities are not included in the maturity analysis table.

Exposure to interest rate risk

The Group is exposed to fluctuating interest rates as a result of variable rates of interest arising from existing bank borrowing facilities and members' capital balances. The rate of interest payable on bank borrowings is variable with SONIA and determined in relation to the Group's financial covenant headroom at the end of each financial quarter. Interest on partner capital (for current and former partners) varies depending on the type of capital. Interest paid to partners on B capital is Bank of England Base rate % ("BOEB") + 2.5% and interest paid to partners on their tax reserves is the greater of either 2% or 1% + BOEB% (annual rate).

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for all periods.

The impact of an increase of 100 basis points on the below metrics would be as shown below:

	30 April 2023 £'000	30 April 2022 £'000
Impact on profit/(loss) and equity of an increase of 100 basis points (£'000)		
Due to interest payable to current and former members of Irwin Mitchell LLP	593	235

The impact of an increase of 100 basis points on interest receivable in the statement of comprehensive income, if in existence throughout FY23, would have been £2,384,000.

Notes to the financial statements continued

29. Share capital and other equity

Number of ordinary shares	30 April 2023	30 April 2022
Ordinary shares of £0.01 each	38,651,593	38,651,593

Nominal value of ordinary shares	30 April 2023 £'000	30 April 2022 £'000
Ordinary shares of £0.01 each	387	387

The Group has one class of ordinary shares which carry no right to fixed income.

The Group's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments. The share based payment reserve, presented within retained earnings, represents the cumulative share based payment expense recognised to date, net of amounts recycled into retained earnings in respect of options exercised.

The own shares reserve represents 2,430,200 (2022: 3,487,700) ordinary shares with a nominal value of £0.01 held within the members share trust. These shares are held for the purpose of making share based payments.

The treasury share reserve has arisen from the purchase of certain shares from retiring members, and represents 789,523 (2022: 789,523) ordinary shares at a weighted average cost of £1.98 (2022: £1.98) per share.

30. Share options

The Group operates two equity settled share based payment schemes.

Members' Share Option Plan (MSOP)

The Members' Share Trust ('MST') is a discretionary trust established to facilitate the operation of the MSOP, a long-term incentive scheme. The reserve for 'own shares' arises in connection with the MST; The amount of the reserve represents the deduction in arriving at shareholders' funds for the consideration paid for the Company's shares purchased by the trust which had not vested unconditionally on members at the balance sheet date.

Conditional share awards have been granted through the MSOP to certain members of Irwin Mitchell LLP from September 2012 onwards, with these vesting 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 MST until the vesting date, with the right to dividends waived up to this point. The total charge to the income statement from these transactions was £2,048,000 (2022: £3,005,000).

The number and weighted average fair value of share options are as follows:

	Number of share options 2023 Number	Weighted average fair value 2023 £	Number of share options 2022 Number	Weighted average fair value 2022 £
Outstanding at 1 May	3,047,500	1.78	2,810,000	0.95
Granted	663,341	2.50	1,197,500	2.06
Forfeited	(55,000)	1.54	(105,000)	1.69
Exercised	(1,057,500)	1.54	(855,000)	1.49
Outstanding at 30 April	2,598,341	2.87	3,047,500	1.78
Exercisable at 30 April	-	-	-	-

The fair value of share awards granted has been determined based on a multiple of earnings valuation. This has then been discounted to reflect the minority share holdings, the lack of external market and the expected dividend yield.

Employee Share Option Plan ('ESOP')

Conditional share awards have been granted through the ESOP to certain employees of Irwin Mitchell Holdings Limited in April 2023, with these vesting after three years, on the condition that the employees remain with the firm throughout the vesting period. These are all equity settled transactions with the employee receiving an award of shares on exercise for nil consideration. The awards will be settled by an employee benefit trust, which will be funded with shares in Irwin Mitchell Holdings Limited prior to the vesting of each award. No shares have been transferred to an employee benefit trust at year-end. The total charge to the income statement from these transactions was immaterial in FY23 on the basis that the awards were granted on 26th April 2023, in close proximity to the year-end.

The number and weighted average fair value of share options are as follows:

	Number of share options 2023 Number	Weighted average fair value 2023 £	Number of share options 2022 Number	Weighted average fair value 2022 £
Outstanding at 1 May	-	-	-	-
Granted	180,000	2.50	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at 30 April	180,000	2.50	-	-
Exercisable at 30 April	-	-	-	-

The fair value of all conditional share awards granted has been determined based on a multiple of earnings valuation. This has then been discounted to reflect the minority share holdings, the lack of external market and the expected dividend yield.

31. Related party transactions

Transactions with key management personnel

Directors of the Company and their immediate relatives control 7 per cent of the voting shares of the Company. Key management personnel are defined as the Group Executive Committee. Compensation of key management personnel (including directors) was:

	30 April 2023 £000	30 April 2022 £'000
Remuneration	4,481	3,749
Share based payment expense	132	314
	4,613	4,063

32. Commitments and contingent liabilities

The Company does not consider it has any material off-balance sheet commitments or contingent liabilities.

Notes to the financial statements continued

33. Subsidiaries

The Company and the Group have investments in the following subsidiary undertakings, associates and other significant investments all held as ordinary share capital.

Name of undertaking	Registered office	Nature of business	% Held
Irwin Mitchell LLP	Riverside East, 2 Millsands, Sheffield, S3 8DT	Provision of legal services	Controlling member
Ascent Performance Group Limited+	Riverside East, 2 Millsands, Sheffield, S3 8DT	Financial asset services	100%
Berkeley Hurrell Limited+	Riverside East, 2 Millsands, Sheffield, S3 8DT	Holding company	100%
Berkeley Law Limited+	Riverside East, 2 Millsands, Sheffield, S3 8DT	Provision of legal services	100%
Cell IMPI2 within Fiable Insurance PCC Limited**	PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH	Provision of ATE insurance policies	100%
Cell IMCL within Themis Insurance PCC Limited**	PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH	Provision of ATE insurance policies	100%
Cell IM85 within Mannequin Insurance PCC Limited**	PO Box 230, Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH	Provision of ATE insurance policies	100%
IMe Law Limited***	Riverside East, 2 Millsands, Sheffield, S3 8DT	Provision of legal services	91%
IM Asset Management Limited+	Riverside East, 2 Millsands, Sheffield, S3 8DT	Financial asset services	100%
MPH Solicitors Limited+	Riverside East, 2 Millsands, Sheffield, S3 8DT	Provision of legal services	100%
IMCO Investments Limited +	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Queen Street Trustees Limited	2 Wellington Place, Leeds, West Yorkshire, LS1 4BZ	Independent trustee to company pension schemes	100%
IM Asset Management Nominees Limited****	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
TWP Wealth Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Financial asset services	100%
TWP Entrust Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Financial asset services	100%
IM Asset Management Nominees Number Two Limited****	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
IM Commercial Holdings Limited +	Riverside East, 2 Millsands, Sheffield, S3 8DT	Holding company	100%
IM Investment Holdings Limited**** +	Riverside East, 2 Millsands, Sheffield, S3 8DT	Holding company	100%
Irwin Mitchell Trust Corporation Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Irwin Mitchell Trustees Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Thomas Eggar Trust Corporation Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Thomas Eggar Secretaries Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Irwin Mitchell Scotland LLP	150 St Vincent Street, Glasgow, G2 5NE	Provision of legal services	100%
Gold's Trustees Limited	150 St Vincent Street, Glasgow, G2 5NE	Dormant	100%
Wills 123 Limited	150 St Vincent Street, Glasgow, G2 5NE	Dormant	100%
IMTC Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Medico Legal Records Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Irwin Mitchell Trustees Corporation Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
IMCO Director Limited	2 Wellington Place, Leeds, LS1 4BZ	Dormant	100%
IMCO Secretary Limited	2 Wellington Place, Leeds, LS1 4BZ	Dormant	100%
IMCO Shareholder 1 Limited	2 Wellington Place, Leeds, LS1 4BZ	Dormant	100%
IMCO Shareholder 2 Limited	2 Wellington Place, Leeds, LS1 4BZ	Dormant	100%

Name of undertaking	Registered office	Nature of business	% Held
Berkeley Law Nominees Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Berkeley Law Trust Company Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Kensington Law Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Berkeley Latam Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Ascent Legal Services Limited +	Riverside East, 2 Millsands, Sheffield, S3 8DT	Dormant	100%
Irwin Mitchell Limited +	2 Wellington Place, Leeds, LS1 4BZ	Dormant	100%
Excel Collection and Enquiry Services Limited	Riverside East, 2 Millsands, Sheffield, S3 8DT	Non-trading	100%

** Cell IMPI2 within Fiable Insurance PCC Limited, Cell IM IMCL within Themis Insurance PCC Limited and Cell IM85 within Mannequin Insurance PCC Limited are held by IM Investment Holdings Limited which is controlled by Irwin Mitchell Holdings Limited.

*** IMe Law Limited is held by IM Commercial Holdings Limited which is controlled by Irwin Mitchell Holdings Limited. The sole 9% non-controlling interest is entitled to 80% of the result of IMe Law Limited.

**** The results of IM Asset Management Nominees Limited, IM Asset Management Nominees Number Two Limited and IM Investments Holdings Limited have not been included in the consolidated historical financial statements on the grounds of immateriality.

+ Held directly by Irwin Mitchell Holdings Limited.

On 19 April 2023, Irwin Mitchell Holdings Limited completed the disposal of the entire share capital of Coris UK Limited to Claims Corporation Network B.V. (CCN). Total consideration for the transaction was £219,000 due on completion with deferred consideration of £153,000 relating to the book value of unpaid disbursements on the completion balance sheet. The carrying value of net identifiable assets disposed of amounted to £468,000 at the date of disposal, resulting in a loss on disposal of £96,000, calculated as below, which is presented in administrative costs:

During the year ended 30 April 2022 the Company acquired an additional 4.41% of the share capital of IM Asset Management Limited (previously held 91%). The Company simultaneously entered into a binding contract to acquire the remaining share capital for a fixed value. It was considered at 30 April 2022 that as a result of signing the contract, the Company was exposed to the risks and rewards in relation to the outstanding shares as at 30 April 2022 and therefore the non-controlling interest in relation to the outstanding 4.9% share capital had been derecognised at that date. During the year ended 30 April 2023, the Company transferred the consideration in respect of the remaining 4.9% share capital, and now owns 100%.

Non-controlling interests

	30-Apr-23			30-Apr-22		
	IMe Law 80% £'000	Other immaterial £'000	Total £'000	IMe Law 80% £'000	Other immaterial £'000	Total £'000
NCI % at year-end						
Non-current assets	–	–	–	–	–	–
Current assets	8,030	–	8,030	10,026	–	10,026
Non-current liabilities	–	–	–	–	–	–
Current liabilities	(6,291)	–	(6,291)	(6,125)	–	(6,125)
Net assets	1,739	–	1,739	3,901	–	3,901
Net assets attributable to NCI	1,391	–	1,391	3,121	–	3,121
Revenue	2,944	–	2,944	6,299	–	6,299
Profit/(loss) after tax	(712)	–	(712)	1,208	–	1,208
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	(712)	–	(712)	1,208	–	1,208
Profit attributable to NCI	(569)	–	(569)	966	160	1,126

34. Ultimate controlling party

The directors do not consider there to be an ultimate controlling party. No individual holds a controlling stake.

Notes to the financial statements continued

35. Events after the reporting date

No material events after the reporting date have been noted by management.

36. Business Combinations

Acquisition of TWP Wealth Limited

On 4th May 2022, IM Asset Management Limited ('IMAML') signed a Share Purchase Agreement for the acquisition of 100% of the share capital of TWP Wealth Limited ('TWP'), a wealth management business providing a range of financial services and financial planning. On 1st November 2022, following approval from the Financial Conduct Authority, IMAML completed the acquisition by obtaining control of the business. The acquisition date, 1st November 2022, is the date at which the Group became exposed to variable returns.

Consideration for the acquisition totalled a maximum of £4,000k comprising a completion payment of £2,200k (in addition to a locked box working capital payment of £124k) and contingent consideration of up to £1,800k, contingent on performance of the acquired entity in the three years post acquisition.

The amounts recognised in these financial statements in respect of the identifiable assets acquired and liabilities assumed are as follows:

	Carrying value £'000	Fair value adjustment £'000	Total £'000
Intangible asset - customer relationships	–	902	902
Property, plant and equipment	3	–	3
Right of use assets	330	–	330
Trade and other receivables	51	–	51
Cash & cash equivalents	137	–	137
Trade & other payables	(41)	–	(41)
Lease liabilities	(280)	–	(280)
Provisions	(50)	–	(50)
Deferred tax	–	(226)	(226)
Net assets acquired and liabilities assumed	150	676	826
Goodwill			2,823
Total fair value of consideration transferred			3,649

Fair value of consideration	£'000
Cash consideration, including locked box payment of £124,000	2,324
Fair value of contingent consideration	1,325
Total fair value of consideration transferred	3,649

	£'000
Cash consideration, including locked box payment of £124,000	2,324
Less: cash acquired	(137)
Cash consideration net of cash acquired, included in consolidated statement of cash flows	2,187

Goodwill of £2,823,000 arising on acquisition represents the assembled workforce and revenue and cost synergies which are expected to be achieved from the integration of TWP into the Group. The share purchase agreement included a contingent consideration arrangement, based on the performance of TWP post-acquisition, for which a fair value of £1,325k has been derived at the acquisition date. Up to £600k can be achieved by the vendor in each of the three years post-acquisition, with the opportunity to catch up on missed targets in forthcoming years. The proportion of the maximum contingent consideration to which the vendor will become entitled is dependent on a percentage derived from the excess of a growth target over the actual change in market value of assets under administration ('AUA') during each of the three years post-completion. As part of estimating the value to which the vendor will become entitled management has estimated the likelihood of AUA targets being met in each of the three years post acquisition. Management does not believe that the likelihood of AUA targets being met has significantly changed since acquisition, and as such no adjustment to the contingent consideration values has been recorded at the year-end. The maximum undiscounted value of potential future payments within the contingent consideration agreement is £1,800k, payable in three instalments after the first, second and third anniversaries of completion. This maximum potential value has been reduced in accordance with management's best estimate of the value that will accrue to the vendor, discounted at an appropriate discount rate. The impact of discounting is not material to the Group financial statements. Between the acquisition date of 1 November 2022 and 30 April 2023, TWP contributed £0.5m of revenue and £0.03m of profit before tax to the Group's result. Had the acquisition occurred at the beginning of the financial year, TWP would have contributed £0.9m to Group revenue and £0.03m to Group profit before tax. Group revenue would therefore have been £276.8m and Group profit before tax would have been £15.0m.

Disposal of Coris U.K. Limited

On 19 April 2023, Irwin Mitchell Holdings Limited completed the disposal of the entire share capital of Coris U.K. Limited to Claims Corporation Network B.V. (CCN). Total consideration for the transaction was £219,000 due on completion with deferred consideration of £153,000 relating to the book value of unpaid disbursements on the completion balance sheet. The carrying value of net identifiable assets disposed of amounted to £468,000 at the date of disposal, resulting in a loss on disposal of £96,000, calculated as below, which is presented in administrative costs:

	£'000
Cash received from CCN on completion	219
Deferred consideration in relation to unpaid disbursements	153
Total consideration from disposal	372
Less: net assets of Coris UK Limited at date of disposal	(468)
Loss on disposal	(96)

The closing net assets on disposal of Coris included £174k of cash and cash equivalents, therefore the cash consideration net of cash disposed of was £45k and is included in the consolidated statement of cash flows.

Shareholder and company information

Shareholder information

Annual General Meeting (AGM)

The AGM of the Company will be held later in the year. Details of the resolutions to be proposed at the AGM will be provided in the Notice of AGM.

Shareholder communications

Our shareholders include retired and current partners of the LLP, the largest subsidiary within the Group. To ensure we engage fully, we provide regular financial and operational updates throughout the year to our partner shareholders. We also maintain access to the Board throughout the year and at the AGM.

Shareholders are free to contact senior management as required and retain a financial interest in the Group through payment of dividends and for some shareholders the repayment of outstanding capital balances. The Board believes the interests of all shareholders are aligned to the sustainable long-term growth of the Group.

Company information

Company name

Irwin Mitchell Holdings Limited

Registered number

JE108258

Registered office

26 New Street
St Helier
Jersey
JE2 3RA

Directors (at date of signature)

Executive directors

Richard Allen (Group Chief Financial Officer)
Victoria Brackett (Group Chief Commercial Officer)
Craig Marshall (Group Chief Operating Officer)
Andrew Tucker (Group Chief Executive Officer)

Non-executive directors

Glyn Barker (Chair)
Helen Beck
Maria Da Cunha
Mel Egglenton (Senior Independent Director)
Andrew Kemp

Company Secretary

Bruce Macmillan

Company website

www.irwinmitchell.com

Bankers

HSBC UK Bank PLC
1 Centenary Square
Birmingham
B1 1HQ

External auditors

Ernst & Young LLP
Bridgewater Place
1 Water Lane
Leeds
LS11 5QR

Solicitors

Addleshaw Goddard LLP

Milton Gate
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London
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Carey Olsen Jersey LLP

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