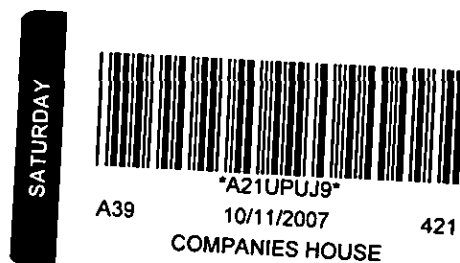


OC307988

**O'Melveny and Myers LLP
Financial Statements
Year ended 31st January 2007**

O'MELVENY & MYERS LLP



O'Melveny & Myers LLP

Annual report and financial statements for the year ended 31st January 2007

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Registered office

Warwick Court, 5 Paternoster Square, London EC4M 7DX

LLP number

OC307988

Auditors

PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH

O'Melveny & Myers LLP

Report to the members

The Management Committee of O'Melveny & Myers LLP presents this report on behalf of the members together with the audited financial statements of the LLP for the year ended 31st January 2007

Firm Structure

O'Melveny & Myers LLP has been established to carry on the practice of law as a Limited Liability Partnership in the United Kingdom in accordance with the applicable professional regulations

O'Melveny & Myers LLP was formed on 13th May 2004. On 19th November 2004, the business previously carried on by O'Melveny & Myers, a Multi National Partnership (MNP), was transferred to O'Melveny & Myers LLP

It is a condition of admission as a member of the UK LLP that such a member shall also be a member of the UK LLP's associated US firm, also called O'Melveny & Myers LLP, which is a Limited Liability Partnership organised and existing under the laws of the State of California

Principal Activities

The principal activities of the UK LLP comprise the provision of professional legal advisory services. It operates in association with the US LLP referred to above in the following offices: Beijing, Brussels, Century City, Hong Kong, Los Angeles, Newport Beach, New York, San Francisco, Shanghai, Silicon Valley, Tokyo and Washington D C

Results

The results for the year are set out in the profit and loss account on page 7

Designated Members

The designated members (as defined in the Limited Liability LLP Act 2000) of O'Melveny & Myers LLP during the year were John D Daghljan and Matthew D J Hudson (resigned 3rd September 2007). Christopher Ashworth appointed as designated member 3rd September 2007

Members' subscription and repayment of members' capital

Under the terms of the Members' Agreement relating to the UK LLP, the members of the LLP can be required to make capital contributions to the LLP as determined from time to time by the Management Committee. It is intended that any member's capital so contributed will be repayable to the contributing member within 30 days following the date on which that member ceases to be a member of the LLP

Members' capital is now shown within the accounts as a liability

In the event of a winding up loans and debts due to members would rank behind unsecured creditors

Members' profit shares

Members can be remunerated out of the profits of O'Melveny & Myers LLP (and can also be separately remunerated from the profits of the associated US firm in their capacity as members' in that firm) and are required to make their own provision for pensions and other benefits. Profits are allocated and divided between the members after finalisation of the financial statements. Certain members, as designated from time to time in a separate agreement between such members and the US LLP, hold such portion of the interest allocated to them in the profits of the UK LLP for the benefit of the members' of the US LLP. Members' profit shares will normally comprise

- a base component, reflecting the role and seniority of each member,
- an allocation of residual profits not retained for future investment in the business

Where allocations of profits are made to members to the extent that there is insufficient cash in the business to fund the distributions from the LLP, consistent with such allocations, the US LLP will by agreement with the members provide the required funding

Creditor Payment Policy

O'Melveny & Myers LLP does not follow a specific standard or code for the payment of creditors. It agrees payment terms with its suppliers when it enters into purchase contracts. It then seeks to adhere to these arrangements providing it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions.

Going concern

The Management Committee considers that the financial resources available to the business from the US LLP are adequate to meet its operational needs for the foreseeable future. Consequently the going concern basis has been adopted in preparing these financial statements.

Auditors

So far as the Management Committee is aware, there is no relevant audit information of which the firm's auditors are unaware. The Management Committee have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of this information.

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment.

Responsibilities of the Members and of the Management Committee

The law relating to UK limited liability partnerships requires the members to prepare financial statements which give a true and fair view of the state of affairs of the LLP at the end of the financial year and of the profit and loss and cash flows for that period. In preparing those financial statements the members are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that these are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the limited liability LLP will continue in business

The members are also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the LLP and which will enable them to ensure that the financial statements comply with the Companies Act 1985, as applied to limited liability partnerships. The members are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the Management Committee on behalf of the members. The Management Committee confirms it has complied with the above requirements in preparing the financial statements.

On behalf of the Management Committee

John Daghlia
Designated Member
19th October 2007

A handwritten signature in black ink, appearing to read 'J Daghlia', written in a cursive style.

Independent auditors' report to the members of O'Melveny & Myers LLP

We have audited the financial statements of O'Melveny & Myers LLP for the year ended 31 January 2007 which comprise the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members of the partnership in accordance with the Companies Act 1985 as applied to limited liability partnerships by the Limited Liability Partnerships Act 2000 and regulations made thereunder, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applied to limited liability partnerships. We also report to you if, in our opinion, the limited liability partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Members' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

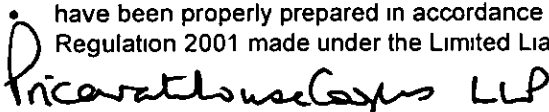
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited liability partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the partnership's affairs as at 31 January 2007 and of its profit and cash flows for the year then ended, and
- have been properly prepared in accordance with the provisions of the Limited Liability Partnerships Regulation 2001 made under the Limited Liability Partnerships Act 2000.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

30 October 2007

O'Melveny & Myers LLP**Profit and loss account for the year ended 31st January 2007**

	Notes	2007 £	2006 £
Turnover	2	<u>14,723,095</u>	<u>12,132,421</u>
Operating Costs			
Staff Costs	3	(7,080,807)	(4,691,863)
Depreciation and other amounts written off tangible fixed assets	4	(516,355)	(456,433)
Other operating charges	4	<u>(4,379,994)</u>	<u>(4,485,801)</u>
		<u>(11,977,156)</u>	<u>(9,634,097)</u>
Operating profit		2,745,939	2,498,324
Loss on disposal of fixed assets		-	(266,684)
Net interest payable	5	<u>(59,009)</u>	<u>(36,020)</u>
		<u>2,686,930</u>	<u>2,195,620</u>
Profit for the financial year before members remuneration and profit shares available for discretionary division among members		<u>2,686,930</u>	<u>2,195,620</u>

All amounts relate to continuing operations

There were no other recognised gains or losses in the period other than those set out above

O'Melveny & Myers LLP**Balance sheet at 31 January 2007**

	Notes	2007 £	2006 £ Restated
Fixed Assets			
Tangible Assets	8	<u>2,666,038</u>	<u>3,082,343</u>
Current Assets			
Debtors receivable within one year	7	<u>4,779,280</u>	1,416,068
Cash at bank and in hand		<u>884,931</u>	<u>252,562</u>
		<u>5,664,211</u>	1,668,630
Creditors - amounts falling due within one year	9	<u>(2,296,788)</u>	<u>(2,070,562)</u>
Net Current Assets		3,367,423	(401,932)
Creditors amounts falling due after one year	10	<u>(5,322,889)</u>	(4,701,769)
Provision for liabilities and charges	11	<u>(133,333)</u>	<u>(83,333)</u>
Net Assets/(Liabilities)		<u>577,239</u>	<u>(2,104,690)</u>
Represented by:			
Loans and other debts due to members within one year			
Members' capital	13	45,000	50,000
Equity			
Other reserves	13	<u>532,239</u>	<u>(2,154,691)</u>
Members other interests		<u>577,239</u>	<u>(2,104,691)</u>
Total Members' interest			
Loans and other debts due to members	13	5,322,889	4,701,769
Members' capital	13	45,000	50,000
Members' other interests	13	<u>532,239</u>	<u>(2,154,691)</u>
Members' other interests		<u>5,900,128</u>	<u>2,597,078</u>

The financial statements on pages 7 to 19 were approved on 19th October 2007 and signed on behalf of the members of O'Melveny & Myers LLP by



John Daghlia
Designated Member

Cash flow statement for the year ended 31st January 2007

Cash flow statement for the year ended 31 January 2007

	Notes	2007	2006
Net cash inflow from operating activities	14	201,207	3,057,637
Returns on investments and servicing of finance	15	(59,009)	(36,020)
Capital expenditure and financial investment	15	(125,949)	(850,842)
Transactions with members	15	616,120	(3,102,413)
Increase in cash in the year		<u>632,369</u>	<u>(931,638)</u>
 Increase / (decrease) in cash in the year		632,369	(931,638)
Net funds at beginning of year	16	<u>252,562</u>	<u>1,184,200</u>
Net funds at end of year		<u>884,931</u>	<u>252,562</u>

1 Accounting policies

Basis of preparation

These financial statements are the third statutory accounts for O'Melveny & Myers LLP and reflect the results for the year to 31st January 2007

The Financial Statements have been prepared in accordance with the applicable United Kingdom accounting standards including the Revised Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, and under historical cost convention except that they have been modified to include the revaluation of certain fixed assets. The policies have remained unchanged from the previous year.

New Accounting policies - FRS 25/UITF 39

The partnership has adopted *FRS 25 - Financial instruments: Disclosure and presentation* / *UITF 39 - Member's share in co-operative entities and similar instruments* for the period beginning 1 February 2005. This has resulted in a restatement of the 2006 balance sheet. There is no effect on unallocated or allocated profits and losses.

Going concern

O'Melveny & Myers LLP has the support of its associated US law firm of the same name. Accordingly these financial statements have been prepared on a going concern basis.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates prevailing at that date. Translation differences are dealt with in the profit and loss account.

Turnover

Turnover represents amounts chargeable to clients for professional services provided during the year, inclusive of direct expenses incurred but excluding value added tax.

Taxation

The taxation payable on the partnership profits is the personal liability of the members during the year and consequently neither taxation nor related deferred taxation are accounted for in the financial statements. Amounts retained for members' personal tax liabilities (if any) are treated in the same way as other profits of the partnership and included in the 'Members' interest' or in 'Loans and other debts due to members' depending on whether or not an allocation of profits has occurred.

Tangible fixed assets and depreciation

Depreciation is provided to write off the costs less the estimated residual value of tangible fixed asset any equal instalments over their estimated useful economic lives as follows:

Software	5 Years
Furniture & Fixtures	7 Years
Office Art	7 Years
Office Machines and Equipment	5 Years
Library	5 Years
Architectural Fees/Leasehold Improvements	10 Years

Retirement Benefits

O'Melveny & Myers LLP operates a defined contribution pension scheme for staff. Contributions are charged to the profit and loss account when they become payable.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line method.

Allocation of profits and losses and drawings

Unallocated profits and losses are included in other reserves within members' other interests. There were no drawings in the period covered by these financial statements.

2 Turnover

Fee income comprises amounts rendered (excluding VAT) and movements in accrued revenue in respect of the provision of services completed for clients during the period

3 Employees**Employees**

	2007	2006
	£	£
Salaries	5,837,044	4,106,513
Social security costs	711,820	357,135
Other benefits (including pension costs)	531,943	228,215
	<u>7,080,807</u>	<u>4,691,863</u>

Retirements Benefits

Defined Contribution scheme - amount outstanding as at balance sheet date	33,632	25,472
	<u>33,632</u>	<u>25,472</u>

The average number of employees employed during the year was

Assistants	31	23
Trainees	2	0
Paralegals	3	3
Secretaries	17	13
Support Staff	12	9
	<u>65</u>	<u>48</u>

4 Other operating costs

Depreciation and other amounts written off tangible fixed assets:	2007 £	2006 £
Depreciation of Owned assets	<u>516,355</u>	<u>456,433</u>
Other operating costs		
Occupancy	1,947,613	1,907,379
Maintenance and repairs	136,999	36,526
Office housekeeping	72,490	60,268
Delivery and postage	24,691	26,602
Equipment costs	70,771	83,287
Books and reference database	166,271	54,676
Communication	162,502	157,216
Photocopying	6,749	(7,647)
Business taxes	13,565	17,521
Insurance	105,395	68,402
Outside services	217,200	298,836
Other operating costs	233,100	227,513
Disbursements written off	43,994	914
Attorneys' expenses	906,552	714,585
Recruiting	228,148	646,804
Contribution	-	697
Foreign exchange loss /(profit)	43,954	192,222
	<u>4,379,994</u>	<u>4,485,801</u>

Auditors' remuneration for the year was £33,000 (2006 – £30,000) Fees paid to the auditors for non audit services were £7,360 (2006 - £31,715)

A charge for depreciation from the associated firm is included in these financial statements of £54,139 (2006 - £47,128)

5 Net interest payable

	2007 £	2006 £
Interest payable	(59,009)	(36,340)
Interest receivable	-	320
	<u>(59,009)</u>	<u>(36,020)</u>

6 Members' profit shares

The basis on which profits are shared among members is set out in note 1. The average monthly number of members during the year was 11 (2006 – 11)

	2007 £	2006 £
The average profit per member is calculated by dividing the profit for the financial year by the average number of members	244,266	199,602
Then estimated profit attributable to the member with the largest entitlement to profit is A B Culverhouse	-	1,646,715
Unallocated profits	2,015,198	-

Profits have not been allocated at the time of the financial statements being prepared. Allocation of these profits will be to the trustee partners who will hold them in trust for the US LLP.

7 Debtors

	2007 £	2006 £
Trade debtors	1,811,355	176,296
Other debtors	16,028	6,460
Prepayments and accrued income	2,951,897	1,233,312
	<u>4,779,280</u>	<u>1,416,068</u>

O'Melveny & Myers LLP

Notes forming part of the financial statements for the year ended 31st January 2007 (Continued)

8 Tangible assets

	Software	Furniture & Fixtures	Art, drapery & carpets	Office machines and equipment	Library	Leasehold property	Telephone	Total
Costs								
At Beginning of Year	49,047	482,725	15,166	422,873	154,759	2,612,338	61,002	3,797,910
Adjustments	-	-	-	-	-	(80,038)	-	(80,038)
Additions	-	12,083	165	30,907	27,564	55,230	-	125,949
Disposals and write-offs	-	-	-	-	-	-	-	-
At end of year	49,047	494,808	15,331	453,780	182,323	2,587,530	61,002	3,843,824
Depreciation								
At Beginning of Year	36,371	41,853	3,442	106,506	94,877	421,713	10,805	715,567
Additions	2,560	68,721	2,178	87,802	21,580	267,622	11,753	462,216
Disposals and write-offs	-	-	-	-	-	-	-	-
At end of year	38,931	110,574	5,620	194,308	116,457	689,335	22,558	1,177,783
Net book amount at end of year	10,116	384,234	9,711	259,472	65,866	1,898,195	38,444	2,666,038
At end of Prior year	12,676	440,872	11,724	316,367	59,882	2,190,625	50,197	3,082,343

Adjustments relate to a contribution received from the Landlord towards fit out costs in relation to leasehold property

9 Creditors, amounts falling due within one year

	2007 £	2006 £
Trade creditors	121,988	92,158
Other taxation and social security costs	263,172	246,087
Accruals and deferred income	1,911,628	1,732,317
	<u>2,296,788</u>	<u>2,070,562</u>

10 Creditor amounts falling due after more than a year

Due to associated law firm (note 18)	<u>5,322,889</u>	<u>4,701,769</u>
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Included in the above figure is an amount due from the associated law firm in relation to work undertaken by the UK LLP on their behalf of £1,272,827 (2006 - £2,109,825)

11 Provisions

	As at 1 February 2006 £	Utilised in the year £	Charged in the year £	At 31 January 2007 £
Property dilapidations provision	<u>83,333</u>	-	<u>50,000</u>	<u>133,333</u>

The dilapidations provision is in respect of work that may be required to be carried out at the end of the lease

12 Commitments under operating leases

The firm's annual commitments under operating leases are as follows

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Due within one year	-	-	-	-
Due within two to five years	-	30,600	-	30,600
Over five years	931,003	-	931,003	-
	<u>931,003</u>	<u>30,600</u>	<u>931,003</u>	<u>30,600</u>

Notes forming part of the financial statements for the year ended 31 January 2007 (Continued)

13 Members' interests

	Members' capital	Other reserves	Total	Loans and other debts due to members	Total
Members' interest as at 1 February 2005	-	(4,350,311)	(4,350,311)	7,854,182	3,503,871
Profit for the year ended 31 January 2006 available for division among members	-	2,195,620	2,195,620	-	2,195,620
Loans from members'	-	-	-	(3,152,413)	(3,152,413)
Members' interest as at 31 January 2006	-	(2,154,691)	(2,154,691)	4,701,769	2,547,078
Profit for the year ended 31 January 2007 available for division among members	-	2,686,930	2,686,930	-	2,686,930
Loans from members	-	-	-	621,120	621,120
Members' interest as at 31 January 2007	-	532,239	532,239	5,322,889	5,855,128

Loans and other debts due to members within one year

	2007 £	2006 £
Members' capital	45,000	50,000

Under the terms of the Members' Agreement relating to the UK LLP, the members' of the LLP can be required to make capital contributions to the LLP as determined from time to time by the Management Committee. It is intended that any member's capital so contributed will be repayable to the contributing member within 30 days following the date on which that member ceases to be a member of the LLP.

Members' capital has been reclassified to creditors greater than one year as the partnership has adopted FRS 25/UITF 39.

14 Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£	£
Operating profit	2,745,939	2,498,324
Depreciation	462,216	409,305
Increase in creditors	226,226	956,705
Net adjustment to fixed assets	80,038	(103,054)
Increase in provisions	50,000	50,000
(Increase) in debtors	(3,363,212)	(753,643)
Net cash inflow from operating activities	<u>201,207</u>	<u>3,057,637</u>

O'Melveny & Myers LLPNotes forming part of the financial statements for the year ended 31 January 2007 *(Continued)***15 Analysis of cash flows**

	2007 £	2006 £
Returns on investments		
Interest received	-	320
Interest paid	<u>(59,009)</u>	<u>(36,340)</u>
	<u>(59,009)</u>	<u>(36,020)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>(125,949)</u>	<u>(850,842)</u>
	<u>(125,949)</u>	<u>(850,842)</u>
Transactions with members		
Loans from members	621,120	(3,152,413)
Capital contributions	-	50,000
Capital payments to members	<u>(5,000)</u>	<u>-</u>
	<u>616,120</u>	<u>(3,102,413)</u>

16 Analysis of net funds

	2006	Cash flow	2007
Net funds			
Cash at bank and in hand	<u>252,562</u>	<u>632,369</u>	<u>884,931</u>

17 Ultimate controlling party

The ultimate controlling party is considered to be the members of the US firm, O'Melveny & Myers LLP

18 Related Party Transactions

From time to time O'Melveny & Myers LLP has received advances from the US LLP. At 31 January 2007 amounts totalling £5,322,889 were due as a result of these transactions.



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