

**Baker & McKenzie LLP**

**Report and Financial Statements**

**30 June 2008**

TUESDAY



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**Baker & McKenzie LLP**

**REPORT AND FINANCIAL STATEMENTS  
for the year ended 30 June 2008**

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**Baker & McKenzie LLP**

**REPORT AND FINANCIAL STATEMENTS  
for the year ended 30 June 2008**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DESIGNATED MEMBERS**

G Senior

B Pessoa de Araujo

J Evason

P Strivens

**REGISTERED OFFICE**

100 New Bridge Street  
London  
EC4V 6JA

**BANKERS**

National Westminster Bank plc  
Aldwych Branch  
London

**INDEPENDENT AUDITORS**

Deloitte LLP  
Chartered Accountants  
London

# **Baker & McKenzie LLP**

## **REPORT AND FINANCIAL STATEMENTS for the year ended 30 June 2008**

### **MEMBERS' REPORT**

The members are pleased to present their report and audited financial statements for the year ended 30 June 2008.

### **PRINCIPAL ACTIVITY**

The principal activity of Baker & McKenzie LLP is the provision of legal services in the United Kingdom to clients in the UK and overseas.

### **RESULTS**

The results for the year are set out on page 6. The members regard the results and future prospects to be satisfactory.

### **LEGAL STRUCTURE**

Baker & McKenzie LLP, a limited liability partnership in England and Wales, was incorporated on 1 February 2005.

### **DESIGNATED MEMBERS**

The designated members who served during the year, and appointments following the year end, were as follows:

G Senior

B Pessoa de Araujo

C Cook (Resigned 31 August 2007)

J Evason (Appointed 1 September 2007)

M Webster (Resigned 31 August 2008)

P Strivens (Appointed 1 September 2008)

### **MEMBERS' DRAWINGS AND CAPITAL POLICY**

The members are remunerated out of the profits of Baker & McKenzie LLP. Allocation of profits is made on an accounts year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members.

Baker & McKenzie LLP's policy on determining the profits to be allocated and distributed to members in respect of a year is based on a cash received and paid basis. During the year the members receive monthly drawings on account of their share of distributable profits, and further distributions are made such that the entire distributable profit is paid to partners within five months of the year end.

No retention for member's personal tax is made; members are responsible for settling their liabilities personally.

An individual member's capital requirement is linked to the member's profit share and the number of years of service and the requirements of the business. Capital is repaid to members on resignation or retirement from Baker & McKenzie LLP.

**Baker & McKenzie LLP**

**REPORT AND FINANCIAL STATEMENTS  
for the year ended 30 June 2008**

**MEMBERS' REPORT (continued)**

**AUDITORS**

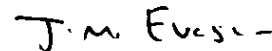
Deloitte LLP have expressed their willingness to continue in office as auditors.

Approved by the Board of Members  
and signed on behalf of the Board



Designated Member

17/04/09



Designated Member

17/04/09

**REPORT AND FINANCIAL STATEMENTS  
for the year ended 30 June 2008**

**STATEMENT OF MEMBERS' RESPONSIBILITIES**

The members are responsible for preparing the annual report and the financial statements. The members have chosen to prepare the accounts for the limited liability partnership in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP').

The Limited Liability Partnerships (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the members to prepare financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the limited liability partnership as at the end of the financial year and of the profit or loss of the limited liability partnership for that period and comply with UK GAAP and the LLP Regulations 2001. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the LLP Regulations 2001. They are also responsible for the system of internal control, for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP**

We have audited the financial statements of Baker & McKenzie LLP ( the "financial statements" ) for the year ended 30 June 2008 which comprise the profit and loss account, the balance sheet, the cash flow statements and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with section 235 of the Companies Act 1985, as applicable to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditors' 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of members and auditors**

The members' responsibilities for preparing 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 United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985, as applicable to limited liability partnerships. We also report to you if, in our opinion, the LLP 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 Members' Report. We consider the implications for our report if we become aware of any apparent misstatements.

### **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 judgements made by the members in the preparation of the financial statements and of whether the accounting policies are appropriate to the LLP'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 LLP's affairs as at 30 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, as applicable to limited liability partnerships; and
- the information given in the Members' Report is consistent with the financial statements.

*Deloitte LLP*

**Deloitte LLP**  
Chartered Accountants and Registered Auditors  
London, UK  
21 April 2009

# **Baker & McKenzie LLP**

## **PROFIT AND LOSS ACCOUNT**

**Year ended 30 June 2008**

	<b>Notes</b>	<b>2008 £000's</b>	<b>2007 £000's</b>
<b>TURNOVER</b>	2	119,841	111,580
Administrative expenses		(82,607)	(73,574)
Other operating income		810	547
<b>OPERATING PROFIT</b>	3	38,044	38,553
Net interest receivable	5	130	136
<b>PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AND AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS</b>	11	38,174	38,689

All results relate to continuing activities.

There have been no recognised gains and losses other than the profit for the year. Accordingly no statement of total recognised gains and losses is presented.



**Baker & McKenzie LLP****BALANCE SHEET**

Year ended 30 June 2008

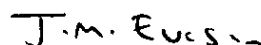
	Notes	2008 £000's	2007 £000's
<b>Fixed Assets</b>			
Tangible assets	7	3,365	4,322
<b>Current Assets</b>			
Debtors	8	49,857	46,018
Amounts due from members	11	31,655	24,224
Cash at bank and in hand		5,717	8,182
		87,229	78,424
Creditors: amounts falling due within one year	9	(11,009)	(10,243)
<b>Net Current Assets</b>		76,220	68,181
<b>Total Assets Less Current Liabilities</b>		79,585	72,503
Provisions for liabilities and charges	10	(400)	(400)
<b>Net Assets Attributable to Members</b>		79,185	72,103
<b>Represented by</b>			
Loans and other debt due to members within one year:			
Members' capital classified as a liability under FRS 25	11	6,663	5,977
Equity:			
Other reserves	11	72,522	66,126
<b>Members' Other Interests</b>		79,185	72,103
<b>Total Member Interests</b>			
Members' other interests	11	79,185	72,103
Amounts due from members	11	(31,655)	(24,224)
	11	47,530	47,879

These financial statements were approved by the Members on 17<sup>th</sup> APRIL 2009.

Signed on behalf of the Board of Members



Designated Member



Designated Member

**Baker & McKenzie LLP****CASH FLOW STATEMENT****Year ended 30 June 2008**

	<b>Notes</b>	<b>2008 £000's</b>	<b>2007 £000's</b>
<b>Net cash inflow from operating activities</b>	14	36,492	41,444
<b>Returns on investments and servicing of finance</b>	15	130	136
<b>Capital expenditure and financial investment</b>	15	(564)	(366)
<b>Transactions with members</b>	15	(38,523)	(35,920)
<b>(Decrease) / increase in cash</b>	16,17	<u>(2,465)</u>	<u>5,294</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2008**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. These have all been applied consistently throughout the current year and the preceding year.

**Basis of accounting**

The financial statements are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice, 'Accounting by Limited Liability Partnerships'. The particular accounting policies adopted by the members are described below.

**Accounting convention**

The financial statements have been prepared in accordance with the historical cost convention.

**Basis of preparation**

Baker & McKenzie LLP, a limited liability partnership in England and Wales, was incorporated on 1 February 2005. On 1 June 2005, the business previously carried out by Baker & McKenzie, a partnership with unlimited liability, was transferred to Baker & McKenzie LLP.

**Going concern**

The members have prepared the financial statements on a going concern basis. The LLP's principal activity and policy on members' drawings and capital is set out in the Members' Report on page 2. Notwithstanding the current economic conditions and uncertainty over the level of future revenues, having considered the LLP's forecasts and projections, the members are satisfied that the LLP has adequate resources to continue in operational existence for the foreseeable future.

**Tangible fixed assets**

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

Leasehold improvements	10% per annum
Computer equipment	20% per annum
Fixtures and fittings	12.5% per annum

**Turnover and amounts recoverable from clients in respect of unbilled work performed**

Services provided during the year to clients, which at the balance sheet date have not yet been billed, are recognised as turnover in accordance with Financial Reporting Standard No 5. Turnover is recognised by reference to an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement.

Provision is made against unbilled amounts on those client engagements where the right to receive consideration is contingent on factors outside the control of the limited liability partnership.

**Members' interests**

In accordance with Financial Reporting Standard No. 25, Financial Instruments: Disclosure and Presentation, members' interests have been presented as follows:

- classification of members' capital as a financial liability; and
- discretionary profit allocations are classified as a division of profits within members' interests.

**Taxation**

Members are personally liable for taxation on their share of the profits of the limited liability partnership. Consequently no reserve for taxation is made in the financial statements in respect of members' tax liabilities, and the profits are shown within Members' Interests or as 'Loans and other debts due to members' without any deduction for tax.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2008**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Foreign Currencies**

Transactions 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 are translated using the rate of exchange ruling at the balance sheet date, and the gains and losses on translation are included in the profit and loss account.

**Provisions**

Provision is made on a case by case basis in respect of the cost of defending claims and, where appropriate, the estimated cost to Baker & McKenzie LLP of settling claims. Separate disclosure is not made of any expected insurance recoveries in respect of claims on the grounds that disclosure might seriously prejudice the position of the firm.

**Leases**

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

**Pension costs**

Baker & McKenzie LLP operates a defined contribution pension scheme for staff. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Members of Baker & McKenzie LLP are required to make their own provision for pensions.

**Allocation of profits**

A member's share in the profit or loss for the year is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2008**

**2. TURNOVER**

Turnover represents fee income earned from the provision of legal services in the United Kingdom, and is stated net of value added tax.

	2008 £000's	2007 £000's
Fee income	<u>119,841</u>	<u>111,580</u>

**3. OPERATING PROFIT**

	2008 £000's	2007 £000's
<b>Operating profit is after charging:</b>		
Depreciation		
- owned assets	1,521	1,671
Rentals under operating leases		
Other operating leases	6,764	6,734
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	53	60
Fees payable to the company's auditors for other services to the company		
- Other assurance services	34	30
- Tax compliance	44	84
- Consulting fees	113	194
	<u>          </u>	<u>          </u>

**4. STAFF COSTS**

	2008 No.	2007 No.
Average number of persons employed during the period:		
Practice	387	365
Support staff	324	308
	<u>711</u>	<u>673</u>
	2008 £000's	2007 £000's
Employee costs during the period amounted to:		
Wages and salaries	38,799	33,000
Social security costs	4,880	4,138
Pension costs	989	850
	<u>44,668</u>	<u>37,988</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**5. NET INTEREST RECEIVABLE**

	2008 £000's	2007 £000's
Bank interest receivable	585	482
Bank interest payable	(455)	(346)
	<u>130</u>	<u>136</u>

**6. MEMBERS' SHARE OF PROFITS**

Allocation of profits is made on an accounts year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members. All members are required to make their own provision for pensions from their profit shares.

The profit attributable to the member with the largest entitlement to profit was £826,787 (2007: £903,863).

	2008 No	2007 No
Average number of members during the period	<u>78</u>	<u>78</u>

**7. TANGIBLE FIXED ASSETS**

	Leasehold improvements £000's	Fixtures and fittings £000's	Computer equipment £000's	Total £000's
<b>Cost</b>				
At 1 July 2007	11,442	7,553	11,599	30,594
Additions	32	37	495	564
	<u>11,474</u>	<u>7,590</u>	<u>12,094</u>	<u>31,158</u>
At 30 June 2008				
<b>Accumulated depreciation</b>				
At 1 July 2007	9,048	6,708	10,516	26,272
Charge for the year	671	314	536	1,521
	<u>9,719</u>	<u>7,022</u>	<u>11,052</u>	<u>27,793</u>
At 30 June 2008				
<b>Net book value</b>				
At 30 June 2008	<u>1,755</u>	<u>568</u>	<u>1,042</u>	<u>3,365</u>
At 30 June 2007	<u>2,394</u>	<u>845</u>	<u>1,083</u>	<u>4,322</u>

**Baker & McKenzie LLP****NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008****8. DEBTORS**

	<b>2008</b>	<b>2007</b>
	<b>£000's</b>	<b>£000's</b>
<b>Due within one year:</b>		
Trade debtors	16,410	13,606
Amounts recoverable from clients in respect of unbilled work performed	11,174	12,088
Amount due from Baker & McKenzie International BV	17,826	15,688
Other debtors	1,426	1,849
Prepayments	3,021	2,787
	<u>49,857</u>	<u>46,018</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2008</b>	<b>2007</b>
	<b>£000's</b>	<b>£000's</b>
Trade creditors	7,774	7,313
Taxation and social security	1,673	1,493
Accruals	1,296	698
Sundry creditors	266	739
	<u>11,009</u>	<u>10,243</u>

**10. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>1 July 2007</b>	<b>Profit and loss account movement</b>	<b>30 June 2008</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Client claim provisions	400	-	400

Client claim provisions are the estimated cost of defending and concluding client claims. No separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice Baker & McKenzie LLP.

# Baker & McKenzie LLP

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

### 11. TOTAL MEMBERS' INTERESTS

	Members' capital £000's	Other reserves £000's	Total £000's	Loans and other debts due from members £000's	Total members' interests £000's
At 1 July 2007	5,977	66,126	72,103	(24,224)	47,879
Profit for the financial year available for discretionary division among members	-	38,174	38,174	-	38,174
Members' interests after profit for the year	5,977	104,300	110,277	(24,224)	86,053
Allocated profits	-	(31,778)	(31,778)	31,778	-
Capital introduced	830	-	830	-	830
Repayments of capital	(142)	-	(142)	-	(142)
Exchange movement on translation of members' capital	(2)	-	(2)	-	(2)
Loans to members	-	-	-	(644)	(644)
Drawings	-	-	-	(38,565)	(38,565)
At 30 June 2008	6,663	72,522	79,185	(31,655)	47,530

Baker & McKenzie's LLP's policy on determining the profits to be allocated and distributed to members in respect of a year is based on a cash received and paid basis.

Allocation of profits is made on an accounts year basis, taking account of both the performance of the business as a whole and the individual performance of each member as assessed by a committee of members.

Members' other interests rank after unsecured creditors. Loans and other debts due to members rank pari passu with unsecured creditors in the event of winding up.



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008****12. OBLIGATIONS UNDER OPERATING LEASES**

Annual commitments under non-cancellable operating leases are as follows:

	<b>2008</b> <b>Land and</b> <b>buildings</b> <b>£000's</b>	<b>2007</b> <b>Land and</b> <b>buildings</b> <b>£000's</b>
Leases which expire:		
After five years	<u>6,807</u>	<u>6,734</u>

**13. PENSIONS**

The limited liability partnership operates a defined contribution pension scheme.

The assets of the scheme are held separately from those of the limited liability partnership in an independently administered fund. The pension cost charge represents contributions payable by the limited liability partnership to the fund and amounted to £988,860 (2007: £850,119).

Amounts due as at 30 June 2008 £85,416 (2007: £69,585).

**14. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2008</b> <b>£000's</b>	<b>2007</b> <b>£000's</b>
Operating profit	38,044	38,553
Depreciation	1,521	1,671
Increase in debtors	(3,839)	(245)
Increase in creditors	<u>766</u>	<u>1,465</u>
Net cash inflow from operating activities	<u>36,492</u>	<u>41,444</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2008**

**15. ANALYSIS OF CASH FLOWS**

	<b>2008</b> <b>£000's</b>	<b>2007</b> <b>£000's</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	585	482
Interest paid	(455)	(346)
	<u>130</u>	<u>136</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(564)	(366)
	<u></u>	<u></u>
<b>Transactions with members</b>		
Payments to members	(39,209)	(35,451)
Capital introduced by members	830	825
Capital repaid to members	(142)	(581)
Capital due to former members	-	(129)
Exchange movement on translation of members' capital	(2)	(584)
	<u>(38,523)</u>	<u>(35,920)</u>

**16. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>1 July</b> <b>2007</b> <b>£000's</b>	<b>Cash</b> <b>flow</b> <b>£000's</b>	<b>30 June</b> <b>2008</b> <b>£000's</b>
Cash at bank and in hand	8,182	(2,465)	5,717
<b>Total</b>	<u>8,182</u>	<u>(2,465)</u>	<u>5,717</u>

**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>2008</b> <b>£000's</b>	<b>2007</b> <b>£000's</b>
(Decrease) / Increase in cash in the year	(2,465)	5,294
Change in net funds resulting from cash flows	(2,465)	5,294
Net funds at start of year	8,182	2,888
Net funds at end of year	<u>5,717</u>	<u>8,182</u>

**18. TRANSACTIONS WITH RELATED PARTIES**

Baker & McKenzie LLP is a member firm of Baker & McKenzie International, a Swiss Verein. In the opinion of the members Baker & McKenzie LLP is not related with any other member firm of Baker & McKenzie International as defined for the purposes of FRS 8 'Related Party Disclosures'.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 June 2008**

**19. CONTROLLING PARTY**

In the opinion of the members there is no controlling party as defined by Financial Reporting Standard 8 "Related party disclosures".

**20. CONTINGENT LIABILITIES**

Baker & McKenzie International BV ("BMIBV") is the primary financing vehicle for Baker & McKenzie International, a Swiss Verein, and its member firms, including Baker & McKenzie LLP. Each member firm of the Verein has entered into arrangements with BMIBV pursuant to which such entity may borrow funds from BMIBV.

In order to obtain the funds to make loans to the member firms, BMIBV has entered into an arrangement to obtain loans from certain banks.

As part of the arrangements between BMIBV and the banks, Baker & McKenzie LLP has entered into guarantee arrangements with the Banks pursuant to which it has guaranteed a portion of the bank loans equal to its then outstanding loans from BMIBV.

As at 30 June, 2008, the obligations of Baker & McKenzie LLP under these guarantees was £nil (2007:£nil).