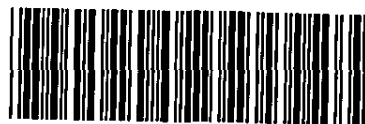


Baker & McKenzie LLP

Report and Financial Statements

30 June 2012

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Baker & McKenzie LLP

**REPORT AND FINANCIAL STATEMENTS
for the year ended 30 June 2012**

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Baker & McKenzie LLP

**REPORT AND FINANCIAL STATEMENTS
for the year ended 30 June 2012**

OFFICERS AND PROFESSIONAL ADVISERS

DESIGNATED MEMBERS

G Senior

T Cassels

P Rawlinson

P Strivens

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

BANKERS

National Westminster Bank plc
Aldwych Branch
London

INDEPENDENT AUDITOR

Deloitte LLP
London

Baker & McKenzie LLP

REPORT AND FINANCIAL STATEMENTS for the year ended 30 June 2012

MEMBERS' REPORT

The members are pleased to present their report and audited financial statements of the group for the year ended 30 June 2012

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

GOING CONCERN

Details regarding the adoption of the going concern basis can be found in the Statement of accounting policies described in note 1 in the financial statements

RESULTS

The results for the year are set out on page 7. The members regard the results and future prospects to be satisfactory

LEGAL STRUCTURE

Baker & McKenzie LLP, a limited liability partnership registered in England and Wales, was incorporated on 1 February 2005. On 1 October 2010 the employment contracts of all employees of Baker & McKenzie LLP were transferred to Baker & McKenzie Services Limited (which is wholly owned by Baker & McKenzie LLP). From that date Baker & McKenzie Services Limited has provided services to Baker & McKenzie LLP under a service agreement between the two entities.

DESIGNATED MEMBERS

The designated members who served during the year were as follows

G Senior

T Cassels

P Rawlinson

P Strivens

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 2012**

MEMBERS' REPORT (continued)

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor

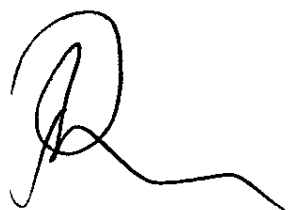
Approved by the Members and signed on their behalf



Designated Member

25 March 2013

G SENIOR



Designated Member

25 March 2013

PRAWLSTON

**REPORT AND FINANCIAL STATEMENTS
for the year ended 30 June 2012**

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

The Limited Liability Partnership Regulations 2001 made under the Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the members are required to

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

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP

We have audited the financial statements of Baker & McKenzie LLP for the year ended 30 June 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and LLP Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 30 June 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAKER & MCKENZIE LLP (continued)

Matters on which we are required to report by exception

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

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



Peter Saunders (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom 26 March 2013

Baker & McKenzie LLP**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
Year ended 30 June 2012

	Notes	2012 £000's	2011 £000's
TURNOVER	2	129,149	122,233
Administrative expenses		(87,833)	(81,373)
Other operating income		1,084	903
OPERATING PROFIT	3	42,400	41,763
Net interest receivable / (payable)	5	80	(3)
PROFIT BEFORE TAXATION		42,480	41,760
Taxation	7	(663)	(522)
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AND AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	14	41,817	41,238

All results relate to continuing activities

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

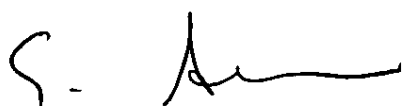
Baker & McKenzie LLP

CONSOLIDATED BALANCE SHEET At 30 June 2012

	Notes	2012 £000's	2011 £000's
Fixed Assets			
Tangible assets	9	4,589	3,192
Current Assets			
Debtors	10	62,495	62,925
Amounts due from members	14	49,511	43,153
Cash at bank and in hand		5,608	6,353
		117,614	112,431
Creditors amounts falling due within one year	11	(14,793)	(16,304)
Net Current Assets		102,821	96,127
Total Assets Less Current Liabilities		107,410	99,319
Provisions for liabilities	12	(375)	(375)
Net Assets Attributable to Members		107,035	98,944
Represented by			
Loans and other debt due to members within one year			
Members' capital classified as a liability under FRS 25	14	9,244	8,165
Equity			
Other reserves	14	97,791	90,779
Members' Other Interests		107,035	98,944
Total Member Interests			
Members' other interests	14	107,035	98,944
Amounts due from members	14	(49,511)	(43,153)
	14	57,524	55,791

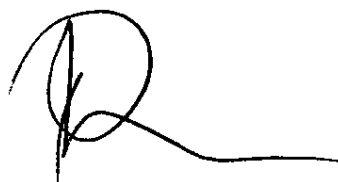
These financial statements of Baker & McKenzie LLP (Registration No OC311297) were approved by the Members on 25 March 2013

Signed on behalf of the Members



Designated Member

G SENIOR



Designated Member

PRAWLINSON

Baker & McKenzie LLP

LIMITED LIABILITY PARTNERSHIP BALANCE SHEET At 30 June 2012

	Notes	2012 £000's	2011 £000's
Fixed Assets			
Tangible assets	9	4,589	3,192
Current Assets			
Debtors	10	57,909	58,688
Amounts due from members	15	49,511	43,153
Cash at bank and in hand		5,535	6,122
		112,955	107,963
Creditors amounts falling due within one year	11	(10,154)	(11,846)
Net Current Assets		102,801	96,117
Total Assets Less Current Liabilities		107,390	99,309
Provisions for liabilities	12	(375)	(375)
Net Assets Attributable to Members		107,015	98,934
Represented by			
Loans and other debt due to members within one year			
Members' capital classified as a liability under FRS 25	15	9,244	8,165
Equity			
Other reserves	15	97,771	90,769
Members' Other Interests		107,015	98,934
Total Member Interests			
Members' other interests	15	107,015	98,934
Amounts due from members	15	(49,511)	(43,153)
	15	57,504	55,781

These financial statements of Baker & McKenzie LLP (Registration No OC311297) were approved by the Members on 25 March 2013

Signed on behalf of the Members



Designated Member

G SENIOR



Designated Member

PRAWLINSON

Baker & McKenzie LLP**CONSOLIDATED CASH FLOW STATEMENT**
Year ended 30 June 2012

	Notes	2012 £000's	2011 £000's
Net cash inflow from operating activities	18	42,466	48,395
Returns on investments and servicing of finance	19	80	(3)
Taxation	19	(797)	-
Capital expenditure and financial investment	19	(2,410)	(1,941)
Transactions with members	19	(40,084)	(42,222)
(Decrease)/increase in cash	20,21	<u>(745)</u>	<u>4,229</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2012

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.

Going concern

The members have prepared the financial statements on the 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.

The LLP has considerable financial resources. As a consequence, the members believe that the LLP is well placed to manage its business risks successfully despite the current uncertain economic outlook. On this basis, the members are satisfied that the LLP has adequate resources to continue in operational existence for the foreseeable future.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Baker & McKenzie LLP and all of its subsidiary undertakings.

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% - 33.33% per annum
Fixtures and fittings	12.5% - 20% per annum

Turnover

Fee income represents amounts receivable, both billed and unbilled, for services provided in the normal course of business net of VAT and disbursements.

Accrued income

Services provided to clients during the year which, at the balance sheet date, have not been invoiced, have been recognised as turnover in accordance with Financial Reporting Standard 5 'Reporting the substance of transactions' (Application note G Revenue Recognition).

Turnover recognised in this manner is based on assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2012

1 ACCOUNTING POLICIES (CONTINUED)

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.

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'.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2012

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

3. OPERATING PROFIT

	2012 £000's	2011 £000's
Operating profit is stated after charging:		
Depreciation		
- owned assets	1,013	1,075
Rentals under operating leases		
Other operating leases	6,983	6,983
Auditor's remuneration		
Fees payable to the LLP's auditor for the audit of the LLP's annual accounts	51	50
Fees payable to the LLP's auditor for other services to the LLP		
- The audit of the LLP's subsidiary	8	8
- Other assurance services	35	35
- Tax compliance for the LLP and its members	192	204

4. STAFF COSTS

	2012 No	2011 No.
Average number of persons employed during the period		
Practice	310	327
Support staff	281	273
	591	600

	2012 £000's	2011 £000's
Employee costs during the period amounted to		
Wages and salaries	39,364	39,288
Redundancy costs	839	276
Social security costs	5,339	5,058
Pension costs	1,162	1,041
	46,704	45,663

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2012

5. NET INTEREST RECEIVABLE / (PAYABLE)

	2012 £000's	2011 £000's
Bank interest receivable	81	32
Interest payable to Baker & McKenzie International BV	(1)	(35)
	<u>80</u>	<u>(3)</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 £854,801 (2011 £871,826)

	2012 No	2011 No
Average number of members during the year	<u>82</u>	<u>80</u>

7. TAXATION

	2012 £000's	2011 £000's
Current tax	<u>663</u>	<u>522</u>
Profit before taxation	42,480	41,760
Less Amounts subject to personal tax	<u>(42,470)</u>	<u>(41,750)</u>
Profits subject to taxation	<u>10</u>	<u>10</u>
UK corporation tax of 24% (26% to 31 March 2012)	3	3
Tax effect of		
- Transfer pricing adjustment	652	495
- Expenses disallowed for tax purposes	<u>8</u>	<u>24</u>
	<u>663</u>	<u>522</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

8 PROFIT ATTRIBUTABLE TO THE LIMITED LIABILITY PARTNERSHIP

The profit for the financial year attributable to the parent undertaking, Baker & McKenzie LLP, was £41,807,000 (2011 £41,228,000)

9. TANGIBLE FIXED ASSETS - CONSOLIDATED AND LIMITED LIABILITY PARTNERSHIP

	Leasehold improvements £000's	Fixtures and fittings £000's	Computer equipment £000's	Total £000's
Cost				
At 1 July 2011	12,377	8,547	13,855	34,779
Additions	1,879	128	403	2,410
Disposals	-	(198)	(9,037)	(9,235)
At 30 June 2012	14,256	8,477	5,221	27,954
Accumulated depreciation				
At 1 July 2011	11,342	7,577	12,668	31,587
Charge for the year	313	194	506	1,013
Disposals	-	(198)	(9,037)	(9,235)
At 30 June 2012	11,655	7,573	4,137	23,365
Net book value				
At 30 June 2012	2,601	904	1,084	4,589
At 30 June 2011	1,035	970	1,187	3,192

10 DEBTORS

	Consolidated		Limited Liability Partnership	
	2012 £000's	2011 £000's	2012 £000's	2011 £000's
Due within one year:				
Trade debtors	23,097	19,410	23,097	19,410
Amounts recoverable from clients in respect of unbilled work performed	16,221	14,804	16,221	14,804
Amount due from group undertakings	17,844	23,458	13,768	19,819
Other debtors	1,890	1,877	1,672	1,665
Prepayments	3,443	3,376	3,151	2,990
	62,495	62,925	57,909	58,688

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2012

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Limited Liability Partnership	
	2012 £000's	2011 £000's	2012 £000's	2011 £000's
Trade creditors	8,031	7,449	7,876	7,345
Corporation tax	388	522	-	-
Taxation and social security	1,779	2,079	225	556
Accruals	3,192	3,052	652	745
Amount due to group undertakings	1,401	3,199	1,401	3,199
Sundry creditors	2	3	-	1
	<u>14,793</u>	<u>16,304</u>	<u>10,154</u>	<u>11,846</u>

12. PROVISIONS FOR LIABILITIES

Consolidated and Limited Liability Partnership

	1 July 2011 £000's	Utilised in the current year £000's	Charged in the current year £000's	30 June 2012 £000's
Client claim provisions	<u>375</u>	<u>-</u>	<u>-</u>	<u>375</u>

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.

13. PRINCIPAL GROUP INVESTMENTS

Baker & McKenzie LLP has an investment in Baker & McKenzie Services Limited at a value of £4

	Country of incorporation	Principal activity	Holding	%
Baker & McKenzie Services Limited Subsidiary undertaking	UK	Provision of support services	Ordinary Shares	100

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2012

14 TOTAL MEMBERS' INTERESTS - CONSOLIDATED

	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 2011	8,165	90,779	98,944	(43,153)	55,791
Profit for the financial year available for discretionary division among members	-	41,817	41,817	-	41,817
Members' interests after profit for the year	8,165	132,596	140,761	(43,153)	97,608
Allocated profits	-	(34,805)	(34,805)	34,805	-
Capital introduced	871	-	871	-	871
Exchange movement on translation of members' capital	208	-	208	-	208
Repayments of loans to members	-	-	-	196	196
Drawings	-	-	-	(41,359)	(41,359)
At 30 June 2012	9,244	97,791	107,035	(49,511)	57,524

15 TOTAL MEMBERS' INTERESTS - LIMITED LIABILITY PARTNERSHIP

	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 2011	8,165	90,769	98,934	(43,153)	55,781
Profit for the financial year available for discretionary division among members	-	41,807	41,807	-	41,807
Members' interests after profit for the year	8,165	132,576	140,741	(43,153)	97,588
Allocated profits	-	(34,805)	(34,805)	34,805	-
Capital introduced	871	-	871	-	871
Exchange movement on translation of members' capital	208	-	208	-	208
Repayments of loans to members	-	-	-	196	196
Drawings	-	-	-	(41,359)	(41,359)
At 30 June 2012	9,244	97,771	107,015	(49,511)	57,504

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

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 2012

16. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows

	Fixtures and Fittings		Land and Buildings	
	2012	2011	2012	2011
	£000's	£000's	£000's	£000's
Leases which expire				
Less than two years	132	176	-	-
Between two and five years	-	-	-	-
After five years	-	-	6,807	6,807
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17. 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 £1,283,000 (2011 £1,135,000)

Amounts due as at 30 June 2012 £121,000 (2011 £95,000)

18. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012	2011
	£000's	£000's
Operating profit	42,400	41,763
Depreciation	1,013	1,075
Decrease in debtors	430	3,799
(Decrease)/increase in creditors	(1,377)	1,883
Decrease in provisions	-	(125)
Net cash inflow from operating activities	<u>42,466</u>	<u>48,395</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2012

19. ANALYSIS OF CASH FLOWS

	2012 £000's	2011 £000's
Returns on investment and servicing of finance		
Interest received	81	32
Interest paid	(1)	(35)
	<u>80</u>	<u>(3)</u>
Taxation		
UK Corporation tax paid	(797)	-
	<u>(797)</u>	<u>-</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(2,410)	(1,941)
	<u>(2,410)</u>	<u>(1,941)</u>
Transactions with members		
Payments to members	(41,359)	(41,634)
Capital introduced by members	871	936
Capital repaid to members	-	(1,531)
Repayment of loans to members	196	555
Exchange movement on translation of members' capital	208	(548)
	<u>(40,084)</u>	<u>(42,222)</u>

20. ANALYSIS OF CHANGES IN NET FUNDS

	1 July 2011 £000's	Cash flow £000's	30 June 2012 £000's
Cash at bank and in hand	6,353	(745)	5,608
Total	<u>6,353</u>	<u>(745)</u>	<u>5,608</u>

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2012 £000's	2011 £000's
(Decrease) / Increase in cash in the year	(745)	4,229
Change in net funds resulting from cash flows	(745)	4,229
Net funds at start of year	6,353	2,124
Net funds at end of year	<u>5,608</u>	<u>6,353</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2012

22. 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'.

Baker & McKenzie LLP has relied upon the exemption given in FRS 8 'Related Party Disclosures' not to disclose transactions between itself and its subsidiary undertakings.

23. 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.

At 30 June 2012 and 30 June 2011 the obligations of Baker & McKenzie LLP under these does not exceed that amount already recognised as payable to BMIBV.

24. POST BALANCE SHEET EVENT

On 1 September 2012 the employment contracts of certain employees of Baker & McKenzie Services Limited were transferred to Baker & McKenzie Services II LLP (which is wholly owned by Baker & McKenzie LLP). From that date Baker & McKenzie Services II LLP has provided services to Baker & McKenzie LLP under an agreement between the two entities.