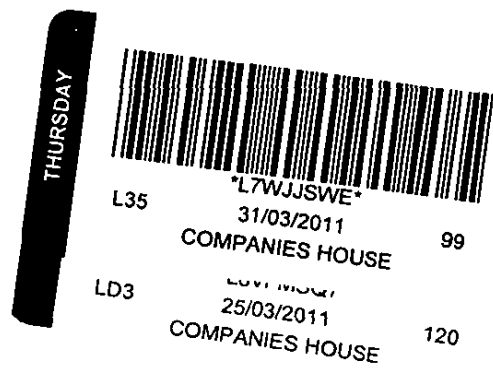


Baker & McKenzie LLP

Report and Financial Statements

30 June 2010



Baker & McKenzie LLP

**REPORT AND FINANCIAL STATEMENTS
for the year ended 30 June 2010**

CONTENTS

	Page
Officers and professional advisers	1
Members' report	2
Statement of members' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9

Baker & McKenzie LLP

**REPORT AND FINANCIAL STATEMENTS
for the year ended 30 June 2010**

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 AUDITORS

Deloitte LLP
Chartered Accountants
London

Baker & McKenzie LLP

REPORT AND FINANCIAL STATEMENTS for the year ended 30 June 2010

MEMBERS' REPORT

The members are pleased to present their report and audited financial statements for the year ended 30 June 2010

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

T Cassels

J Evason (Resigned 1 January 2011)

P Rawlinson (Appointed 1 January 2011)

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 2010**

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 - Gary Senior

Date 18 March 2011



Designated Member - Tom Cassels

Date 18 March 2011

Baker & McKenzie LLP

REPORT AND FINANCIAL STATEMENTS for the year ended 30 June 2010

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 profit of the firm for that period. In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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 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.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Baker & McKenzie LLP for the year ended 30 June 2010 which comprise the Balance Sheet, the Profit and Loss Account, the Cash Flow Statement and the related notes 1 to 21. 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 auditors

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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 June 2010 and of its 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.

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

Peter Saunders

Peter Saunders (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

22 March 2011

Baker & McKenzie LLP

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2010

	Notes	2010 £000's	2009 £000's
TURNOVER	2	119,085	115,046
Administrative expenses		(74,425)	(85,038)
Other operating income		779	770
OPERATING PROFIT	3	45,439	30,778
Net interest payable	5	(471)	(392)
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AND AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	11	44,968	30,386

All results relate to continuing activities

There have been no recognised gains and 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

BALANCE SHEET
30 June 2010

	Notes	2010 £000's	2009 £000's
Fixed Assets			
Tangible assets	7	2,326	2,877
Current Assets			
Debtors	8	66,724	48,655
Amounts due from members	11	41,978	36,627
Cash at bank and in hand		2,124	3,781
		110,826	89,063
Creditors amounts falling due within one year	9	(13,899)	(12,511)
Net Current Assets		96,927	76,552
Total Assets Less Current Liabilities		99,253	79,429
Provisions for liabilities	10	(500)	(319)
Net Assets Attributable to Members		98,753	79,110
Represented by			
Loans and other debt due to members within one year			
Members' capital classified as a liability under FRS 25	11	9,308	8,818
Equity			
Other reserves	11	89,445	70,292
Members' Other Interests		98,753	79,110
Total Member Interests			
Members' other interests	11	98,753	79,110
Amounts due from members	11	(41,978)	(36,627)
	11	56,775	42,483

These financial statements of Baker & McKenzie LLP (Registration No OC311297) were approved by the Members on 18 March 2011

Signed on behalf of the Board of Members



Designated Member
 Gary Senior



Designated Member
 Tom Cassels

Baker & McKenzie LLP

CASH FLOW STATEMENT

Year ended 30 June 2010

	Notes	2010 £000's	2009 £000's
Net cash inflow from operating activities	14	30,203	34,856
Returns on investments and servicing of finance	15	(471)	(392)
Capital expenditure and financial investment	15	(713)	(967)
Transactions with members	15	<u>(30,676)</u>	<u>(35,433)</u>
Decrease in cash	16,17	<u><u>(1,657)</u></u>	<u><u>(1,936)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2010

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 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.

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.

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 2010

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 2010

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

	2010 £000's	2009 £000's
Fee income	119,085	115,046

3. OPERATING PROFIT

	2010 £000's	2009 £000's
Operating profit is stated after charging:		
Depreciation		
- owned assets	1,264	1,455
Rentals under operating leases		
Other operating leases	6,851	6,807
Auditors' remuneration		
Fees payable to the LLP's auditors for the audit of the LLP's annual accounts	53	60
Fees payable to the LLP's auditors for other services to the LLP		
- Other assurance services	34	34
- Tax compliance	79	55
- Consulting fees	156	147

4. STAFF COSTS

	2010 No.	2009 No.
Average number of persons employed during the period		
Practice	399	390
Support staff	271	295
	670	685
	2010 £000's	2009 £000's
Employee costs during the period amounted to		
Wages and salaries	38,128	40,006
Redundancy costs	426	3,127
Social security costs	4,812	5,475
Pension costs	1,015	1,057
	44,381	49,665

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2010

5. NET INTEREST PAYABLE

	2010 £000's	2009 £000's
Bank interest receivable	32	143
Interest payable to Baker & McKenzie International BV	(503)	(535)
	<u>(471)</u>	<u>(392)</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 £1,039,416 (2009 £638,137)

	2010 No	2009 No
Average number of members during the year	<u>78</u>	<u>82</u>

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £000's	Fixtures and fittings £000's	Computer equipment £000's	Total £000's
Cost				
At 1 July 2009	11,530	7,704	12,891	32,125
Additions	38	30	645	713
At 30 June 2010	<u>11,568</u>	<u>7,734</u>	<u>13,536</u>	<u>32,838</u>
Accumulated depreciation				
At 1 July 2009	10,393	7,274	11,581	29,248
Charge for the year	567	159	538	1,264
At 30 June 2010	<u>10,960</u>	<u>7,433</u>	<u>12,119</u>	<u>30,512</u>
Net book value				
At 30 June 2010	<u>608</u>	<u>301</u>	<u>1,417</u>	<u>2,326</u>
At 30 June 2009	<u>1,137</u>	<u>430</u>	<u>1,310</u>	<u>2,877</u>

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2010

8. DEBTORS

	2010 £000's	2009 £000's
Due within one year:		
Trade debtors	19,256	14,305
Amounts recoverable from clients in respect of unbilled work performed	11,780	12,823
Amount due from group undertakings	31,354	16,815
Other debtors	1,264	1,400
Prepayments	3,070	3,312
	<u>66,724</u>	<u>48,655</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000's	2009 £000's
Trade creditors	6,451	8,244
Taxation and social security	1,935	1,394
Accruals	3,063	2,781
Amount due to group undertakings	1,794	-
Sundry creditors	656	92
	<u>13,899</u>	<u>12,511</u>

10. PROVISIONS FOR LIABILITIES

	1 July 2009 £000's	Utilised in the current year £000's	Charged in the current year £000's	30 June 2010 £000's
Client claim provisions	<u>319</u>	<u>(319)</u>	<u>500</u>	<u>500</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.

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2010

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 2009	8,818	70,292	79,110	(36,627)	42,483
Profit for the financial year available for discretionary division among members	-	44,968	44,968	-	44,968
Members' interests after profit for the year	8,818	115,260	124,078	(36,627)	87,451
Allocated profits	-	(25,815)	(25,815)	25,815	-
Capital introduced	825	-	825	-	825
Repayments of capital	(979)	-	(979)	-	(979)
Capital due to former member	(289)	-	(289)	-	(289)
Exchange movement on translation of members' capital	933	-	933	-	933
Repayments of loans to members	-	-	-	626	626
Drawings	-	-	-	(31,792)	(31,792)
At 30 June 2010	9,308	89,445	98,753	(41,978)	56,775

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 2010

12. OBLIGATIONS UNDER OPERATING LEASES

Annual commitments under non-cancellable operating leases are as follows

	Fixtures and Fittings		Land and Buildings	
	2010	2009	2010	2009
	£000's	£000's	£000's	£000's
Leases which expire				
Between 2 and 5 years	176	-	-	-
After five years	-	-	6,807	6,807
	<u> </u>	<u> </u>	<u> </u>	<u> </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 £1,014,972 (2009 £1,057,279)

Amounts due as at 30 June 2010 £86,124 (2009 £83,662)

14. NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010	2009
	£000's	£000's
Operating profit	45,439	30,778
Depreciation	1,264	1,455
(Increase)/decrease in debtors	(18,069)	1,202
Increase in creditors	1,388	1,502
Increase/(decrease) in provisions	181	(81)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	<u>30,203</u>	<u>34,856</u>

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2010

15. ANALYSIS OF CASH FLOWS

	2010 £000's	2009 £000's
Returns on investment and servicing of finance		
Interest received	32	143
Interest paid	(503)	(535)
	<u>(471)</u>	<u>(392)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	<u>(713)</u>	<u>(967)</u>
Transactions with members		
Payments to members	(31,166)	(37,679)
Capital introduced by members	825	961
Capital repaid to members	(979)	(270)
Capital due to former members	(289)	(47)
Exchange movement on translation of members' capital	933	1,602
	<u>(30,676)</u>	<u>(35,433)</u>

16 ANALYSIS OF CHANGES IN NET FUNDS

	1 July 2009 £000's	Cash flow £000's	30 June 2010 £000's
Cash at bank and in hand	3,781	(1,657)	2,124
Total	<u>3,781</u>	<u>(1,657)</u>	<u>2,124</u>

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

	2010 £000's	2009 £000's
Decrease in cash in the year	<u>(1,657)</u>	<u>(1,936)</u>
Change in net funds resulting from cash flows	(1,657)	(1,936)
Net funds at start of year	3,781	5,717
Net funds at end of year	<u>2,124</u>	<u>3,781</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'

Baker & McKenzie LLP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2010

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, 2010, the obligations of Baker & McKenzie LLP under these guarantees was £nil (2009 £nil).

21. POST BALANCE SHEET EVENTS

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 an agreement between the two entities.