

**Company Registration No: 3375920**

**Clifford Chance London Limited**

**Report and Financial Statements**

**30 April 2007**

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# **Clifford Chance London Limited**

## **Report and financial statements 2007**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisors</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Income statement</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Statement of recognised income and expense</b>	<b>9</b>
<b>Cash flow statement</b>	<b>10</b>
<b>Notes to the accounts</b>	<b>11</b>

# **Clifford Chance London Limited**

## **Report and financial statements 2007**

### **Officers and professional advisors**

#### **Directors**

P J Charlton  
D R Childs  
D Harkness  
C C Perrin  
S Popham  
J Sandelson

#### **Secretary**

Clifford Chance Secretaries Limited

#### **Registered Office**

10 Upper Bank Street  
London  
E14 5JJ

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# Clifford Chance London Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2007

### Principal activities and business review

The company is a wholly owned subsidiary of Clifford Chance LLP

The principal activities of the company are the supply of personnel to Clifford Chance LLP  
There have been no events since the balance sheet date which materially affect the position of the company

The directors are satisfied with the level of business and the company's position at 30 April 2007 and propose to continue with the current activities in the next financial year

The income statement for the year are set out on page 7, and the balance sheet on page 8

Due to the nature of the company there are no relevant non financial key performance indicators

### Principal risks and uncertainties

The company does not use derivatives to manage its financial risks. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk, and price risk. The directors consider none of these risks are applicable to this company

### Results and dividends

The income statement for the year is set out on page 7

No dividends have been paid or proposed for the year period ended 30 April 2007 (2006: £nil)

### Directors

The directors of the company who served throughout the year and up to the date of approval of the accounts, except as noted, were -

Peter John Charlton	
David Robert Childs	(Appointed effective 30th October 2006)
Peter Cornell	(Resigned effective 29th June 2006)
Alan Douglas French	(Resigned effective 16th August 2006)
Christopher Goodwill	(Resigned effective 30th October 2006)
David Harkness	(Appointed effective 30th October 2006)
Chris Perrin	
Stuart Popham	
Jeremy Sandelson	

# Clifford Chance London Limited

## Employees

The company communicates with all employees through regular staff briefings. Subject to practical and commercial considerations, employees are consulted and involved in decisions that affect their employment or future prospects.

The company employs disabled persons where the requirement of the job and the individual's disability make this possible. The company accepts the need to maintain and develop the careers of disabled employees and supports training and other programmes to that end.

If an employee becomes disabled the objective is the continued provision of suitable employment either in the same or an alternative position with appropriate training.

## Prompt payment policy

It is the company's policy to negotiate terms with its suppliers in all sectors and to ensure that they know the terms on which payments will take place when the business is agreed. It is our policy to abide by these terms.

## Disclosure of information to the auditors

The directors are not aware of any relevant audit information of which the company's auditors are unaware.

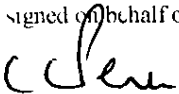
The directors have also taken all the steps they ought to have taken as directors in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s234ZA of the Companies Act 1985.

## Auditors

On 17th September 1997, the company passed an elective resolution to dispense with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Deloitte & Touche LLP, will be deemed to be reappointed for the succeeding financial year.

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



Chris Perrin

29th February 2008

# Clifford Chance London Limited

## Statement Of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International

Accounting Standards Board's 'Framework for the preparation and presentation of financial statement'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to

- \* Properly select and apply accounting policies,
- \* Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- \* Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- \* Make an assessment of the company's liability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report to the members of Clifford Chance London Limited**

We have audited the financial statements of Clifford Chance London Limited for the year ended 30 April 2007 which comprises the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense, the Cash Flow Statement and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective responsibilities of directors and auditors**

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union are set out in the Statement of Directors' 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).

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. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

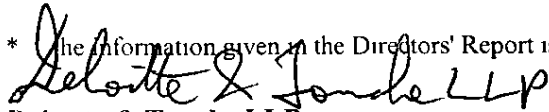
We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

# **Independent auditors' report to the members of Clifford Chance London Limited**

## **Opinion**

In our opinion

- \* the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 April 2007 and of its profit for the year then ended,
- \* the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- \* the information given in the Directors' Report is consistent with the financial statements

  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London

29th February 2008



# Clifford Chance London Limited

## Income statement

Year ended 30 April 2007

	Note	2007 £000's	2006 £000's
Revenue	1	208,148	188,150
Administrative expenses	3	(208,272)	(159,911)
		<hr/>	<hr/>
(Loss)/profit from operations		(124)	28,239
Finance income/(costs)	7	1,398	(2,431)
		<hr/>	<hr/>
Profit from operations before taxation	2	1,274	25,808
Taxation	4	-	-
		<hr/>	<hr/>
Profit after tax and profit retained for the financial year		<b>1,274</b>	<b>25,808</b>
		<hr/>	<hr/>

All profits arise from continuing operations

# Clifford Chance London Limited

## Balance sheet 30 April 2007

	Note	2007 £000's	2006 £000's
<b>Current assets</b>			
Receivables	5	36,392	21,161
Cash and cash equivalents		183	5,429
		<hr/>	<hr/>
<b>Total assets</b>		<b>36,575</b>	<b>26,590</b>
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	6	(35,486)	(25,501)
<b>Non-current liabilities</b>			
Retirement benefit obligation	7	(3,530)	(4,804)
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>(39,016)</b>	<b>(30,305)</b>
		<hr/>	<hr/>
<b>Net liabilities</b>		<b>(2,441)</b>	<b>(3,715)</b>
		<hr/>	<hr/>
<b>Equity</b>			
Share capital	8	1,100	1,100
Retained earnings	9	(3,541)	(4,815)
		<hr/>	<hr/>
<b>Total equity</b>		<b>(2,441)</b>	<b>(3,715)</b>
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors  
on 29th February 2009

Signed on behalf of the Board of Directors



Chris Perrin  
Director

## Clifford Chance London Limited

### Statement of recognised income and expense Year ended 30 April 2007

	2007 £000's	2006 £000's
Profit for the year	1,274	25,808
	<hr/>	<hr/>
Total recognised income and expense for the period	1,274	25,808
	<hr/>	<hr/>

# Clifford Chance London Limited

## Cash flow statement Year ended 30 April 2007

		2007 £000's	2006 £000's
	Note		
Net cash (outflow)/inflow from operating activities	10	(5,246)	4,279
Financing activities			
Proceeds from issue of shares		-	1,100
Net (decrease)/increase in cash and cash equivalents	11	(5,246)	5,379
Cash and cash equivalents at beginning of year		5,429	50
Cash and cash equivalents at end of year		183	5,429

# Clifford Chance London Limited

## Notes to the accounts

### Year ended 30 April 2007

#### 1 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU International Accounting Standards (IAS) regulation.

The financial statements have been prepared on the historical cost basis.

The accounting policies set out below have been applied consistently to all periods in these financial statements.

#### Pension scheme

Clifford Chance London Limited operates a defined benefit scheme based on final pay and pensionable service at retirement. The scheme's assets are invested independently of the company. Contribution levels to the scheme are as advised by independent actuaries. The most recent actuarial valuation of the scheme's assets was performed as at 30 April 2004, and on actuarial advice the present funding rate will remain at 8%. The company provides no other post retirement benefits to its employees.

Pension costs in relation to defined benefit schemes are recognised in accordance with International Accounting Standard 19 - Employee Benefits ("IAS 19").

The cost of providing benefits is determined using the Projected Unit Method. Full actuarial valuations are carried out every three years and the Scheme actuary updates these at each balance sheet date for the purposes of IAS 19.

The net periodic pension costs, including the amortisation of the unrecognised obligation described below, is charged to the income statement. Past service cost is recognised immediately in the income statement to the extent that the benefits are already vested and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The full retirement obligation represents the present value of the obligation to provide benefits, as adjusted for unrecognised past service costs, less fair value of the Scheme's assets. The cumulative amount of this obligation which has resulted from actual experience differing from the actuarial assumptions, less an allowance amounting to the greater of 10% of the obligation and 10% of the value of the Scheme's assets, is charged to the income statement and recognised as a liability over the estimated remaining service lives of Scheme members. Accordingly, the balance sheet liability represents the full retirement benefits obligation less the amount that has yet to be amortised.

#### Revenue

Revenue, which is stated net of VAT, represents amounts invoiced to the partnership of Clifford Chance LLP in the United Kingdom.

#### Taxation

Current tax, including corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12.

# Clifford Chance London Limited

## Notes to the accounts

Year ended 30 April 2007

### 2 Profit from operations before tax

	2007 £'000	2006 £'000
Profit from operations before tax is stated after charging		
Audit fee	10	9

No non-audit services were provided by the auditors to the company in the year (2006 £nil)

None of the directors received any remuneration for services as a director of Clifford Chance London Limited (2006 £nil)

### 3 Administrative expenses

	2007 £'000	2006 £'000
Administrative expenses include the following in respect of staff costs		
Wages and salaries	155,229	131,978
Social security costs	17,120	15,140
Other pension costs / (credits)	9,934	(17,469)

The average monthly number of persons employed by the company was

	2007 No.	2006 No.
Lawyers	880	823
Trainee solicitors	209	202
Support staff	1,353	1,357
	2,442	2,382

# Clifford Chance London Limited

## Notes to the accounts

Year ended 30 April 2007

### 4 Taxation

	2007 £'000	2006 £'000
Corporation tax on profit for the year at 30%	-	-

The tax charge for the year is lower than that resulting from applying the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	1,274	25,808
Tax at 30% thereon	382	7,742
Effects of		
Net credit/(charge) to the income statement in respect of the application of IAS 19	2,561	(4,511)
Pension contributions made during the year	(2,943)	(3,231)
Tax on transfer pricing adjustment - current year	3,453	1,233
- prior year	1,839	-
Payable by Clifford Chance LLP for tax on transfer pricing adjustment	(5,292)	(1,233)
	-	-

Under the UK-UK transfer pricing legislation introduced in FA 2004 the directors recognise that the company has not charged Clifford Chance LLP the controlling shareholder, at an arm's length charge for the services rendered to the LLP. Although no increase is proposed in the management fee in respect of the year ended 30 April 2007, it is recognised that a profit will, for tax purposes be deemed to arise in the company and will be material in the context of the company's net assets. However the company has received an undertaking from Clifford Chance LLP that the corporation tax liability on the adjusted profit will be borne by the LLP and so no provision for the liability is therefore made in the company's accounts.

### 5 Receivables

	2007 £'000	2006 £'000
Amounts due from ultimate parent undertaking	35,177	20,355
Other receivables	669	668
Prepayments	546	138
	36,392	21,161

# Clifford Chance London Limited

## Notes to accounts

Year ended 30 April 2007

### 6 Trade and other payables

	2007 £'000	2006 £'000
Corporation tax	1,917	751
Other taxation and social security	8,397	5,946
VAT	-	2,888
Other creditors	332	-
Amounts due to fellow subsidiary undertakings	57	-
Accruals	24,783	15,916
	<u>35,486</u>	<u>25,501</u>

### 7 Retirement benefit obligation

Certain employees of Clifford Chance London Limited participate in a pension scheme (the "Scheme") of which Clifford Chance Pension Trusts Limited is the trustee providing benefits based on final pensionable salary and pensionable service. The assets of the Scheme are held separately from those of the Firm. The Scheme is closed to new members.

Payments into the Scheme are assessed in accordance with the advice of an independent qualified actuary with the funding rate intended to enable the Scheme to be fully funded over time. Because the Scheme has a membership with an average of 25 years to retirement, there remain many years of contribution at the level advised by the Scheme actuary to provide the funding that will be required to meet its liabilities as they fall due.

A full actuarial valuation of the Scheme was carried out as at 30 April 2004 and updated to 30 April 2007 by a qualified independent actuary. The key assumptions used in updating these calculations are set out below.

	2007	2006
Long term rate of return on assets	7.4%	7.5%
Discount rate	5.6%	5.2%
Future pension increases - pensions accrued prior to 30 April 2005	3.0%	2.8%
Future pension increases - pensions accrued after 30 April 2005	2.3%	2.2%

The factors which have the most significant effect on the valuation are the discount rate and the amount by which the discount rate exceeds the assumed rate of pension increases.

Amounts recognised in the income statement are as follows:

	2007 £'000	2006 £'000
Current service costs	7,418	11,269
Recognised net actuarial losses	2,516	4,600
Past service credit*	-	(33,338)
Charge/(credit) shown under staff and related costs	<u>9,934</u>	<u>(17,469)</u>
Interest on obligations	11,535	12,056
Expected return on plan assets	(12,933)	(9,625)
(Credit)/charge shown under net financing costs	<u>(1,398)</u>	<u>2,431</u>
Net charge/(credit) to income statement	<u>8,536</u>	<u>(15,038)</u>

\* With effect from April 2006, the Scheme rules were changed to cap future increases in pensionable salary to inflation. This resulted in a past service credit of £33.3 million in the year ended 30 April 2006.



# Clifford Chance London Limited

## Notes to the accounts

### Year ended 30 April 2007

#### 7 Retirement benefit obligation (Cont)

The liability included in the balance sheet arising from the obligation in respect of the Scheme is as follows

	2007 £'000	2006 £'000
Present value of defined benefit obligation	225,747	218,872
Fair value of plan assets	(186,059)	(168,282)
Present value of net obligation	39,688	50,590
Unrecognised actuarial losses	(36,158)	(45,786)
Liability for defined benefit	3,530	4,804

Movements in the net liability recognised in the balance sheet were as follows

	2007 £'000	2006 £'000
Adjusted net liability at start of year	4,804	30,612
Contributions made	(9,810)	(10,770)
Charge/(credit) recognised in the income statement	8,536	(15,038)
Net liability at end of year	3,530	4,804

Movements in the present value of defined benefit obligation in the current year were as follows

	2007 £'000	2006 £'000
At the beginning of the year	218,872	222,752
Interest on obligation	11,535	12,056
Service cost	7,418	11,269
Actuarial (gains)/losses	(10,576)	7,944
Benefits paid	(1,502)	(1,811)
Past service credit	-	(33,338)
At the end of the year	225,747	218,872

# Clifford Chance London Limited

## Notes to the accounts Year ended 30 April 2007

### 7 Retirement benefit obligation (Cont)

Movements in the fair value of Scheme assets were as follows

	2007 £'000	2006 £'000
At the beginning of the year	168,282	123,860
Expected return on Scheme assets	12,933	9,625
Actuarial gains and losses	(3,465)	25,838
Contributions made	9,810	10,770
Benefits paid	(1,502)	(1,811)
At the end of the year	186,058	168,282

The fair value of Scheme assets and the expected rate of return were as follows

	30 April 2007			30 April 2006		
	Expected rate of return %	Value £'000	% of total value	Expected rate of return %	Value £'000	% of total value
Equities	7.8%	140,860	76%	8.0%	131,923	78%
Bonds	5.6%	29,939	16%	5.2%	28,012	17%
Other assets	5.3%	15,260	8%	7.5%	8,347	5%
	7.4%	186,059		7.5%	168,282	

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on index-linked gilts and bonds and interest rates.

The following table summarises the history of experience gains and losses

	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of defined benefit obligations	225,747	218,872	222,752	182,934
Fair value of Scheme assets	(186,059)	(168,282)	(123,860)	(104,803)
Present value of net obligations	39,688	50,590	98,892	78,131
Experience adjustment on Scheme liabilities Increase in Scheme liabilities (£000's)	(10,576)	7,944	17,844	17,920
Fair value of Scheme liabilities (%)	(5%)	4%	8%	10%
Experience adjustment on Scheme assets Increase in Scheme assets (£000's)	(3,464)	25,838	889	13,628
Fair value of Scheme assets (%)	2%	15%	1%	13%

The estimated amount of contribution expected to be paid to the Scheme during the financial year ending 30 April 2008 is £9.3 million (2007: £10.4 million).

# Clifford Chance London Limited

## Notes to the accounts Year ended 30 April 2007

### 8 Share capital

	2007 £'000	2006 £'000
<b>Authorised share capital</b>		
1 100 000 shares of £1 each	1 100	1,100
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
1 100 000 shares of £1 each	1,100	1,100
	<hr/>	<hr/>

### 9 Statement of movements in equity

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2005	-	(30,623)	(30 623)
Capital introduced	1 100	-	1,100
Retained profit	-	25 808	25,808
	<hr/>	<hr/>	<hr/>
Balance at 30 April 2006	1,100	(4,815)	(3,715)
	<hr/>	<hr/>	<hr/>
	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 May 2006	1,100	(4,815)	(3 715)
Retained profit	-	1,274	1,274
	<hr/>	<hr/>	<hr/>
Balance at 30 April 2007	1,100	(3,541)	(2,441)
	<hr/>	<hr/>	<hr/>

### 10 Reconciliation of (loss)/profit from operations to net cash from operating activities

	2007 £'000	2006 £'000
(Loss)/profit from operations	(124)	28,239
Increase in receivables	(15,231)	(945)
Increase in trade and other payables	9,985	5 224
Adjustment for pension funding	124	(28,239)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(5 246)	4,279
	<hr/>	<hr/>

## Clifford Chance London Limited

### Notes to the accounts Year ended 30 April 2007

#### 11 Reconciliation of net cash flow to movement in net funds

	2007 £'000	2006 £'000
Net funds at start of year	5,429	50
(Decrease)/increase in cash in the year	(5,246)	5,379
Net funds at end of year	183	5,429

#### 12 Interest in group undertakings

Clifford Chance London Limited holds all of the issued ordinary £1 share capital of Clifford-Turner Limited, a dormant company registered in England and Wales. Group accounts have not been prepared as the activities of the subsidiary are immaterial.

#### 13 Ultimate parent undertaking

The company is beneficially owned by Clifford Chance LLP, a Limited Liability Partnership registered in England and Wales. Clifford Chance London Limited provided employees to Clifford Chance LLP in accordance with a service contract made between the two parties. All the company's material transactions derive from this relationship. At 30 April 2007 the amount due from Clifford Chance LLP to Clifford Chance London Limited was £35.1 million (2006: £20.4 million).