CLIFFORD CHANCE

september 2007

summary funding statement

clifford chance pension scheme

inside

why are you sending me this statement?

The Trustee of the Clifford Chance Pension Scheme looks after the Scheme on behalf of its members. As part of a Government initiative to ensure that pension members are kept more informed you will be sent a statement each year to let you know about the Scheme's financial position. The financial position of the Scheme could ultimately affect the benefits you will receive, so we recommend you take some time to read through this statement.

This is the second issue of the Trustee's statement, which outlines the latest known funding position of the final salary section of the Clifford Chance Pension Scheme. The remainder of this statement relates to members of the final salary section of the Scheme. For information only, this statement is also being provided to members of the money purchase section.

For information it should be known that the Pensions Regulator has powers to intervene in matters affecting the funding of the Scheme in certain circumstances. Please note that no such powers have been exercised or are expected in relation to this Scheme.

how is my pension funded?

If you are an active member of the final salary section of the Scheme then each year you are earning benefits in the Scheme, linked to your Pensionable Salary (capped at the lower of inflation and 5% pa), which are payable at retirement. If you have left the Scheme, you will have earned benefits during your Scheme membership which similarly will be payable at retirement. If you have already retired then you should already be receiving a pension from the Scheme. The estimated costs of these benefits are referred to as the Scheme's liabilities.

Regular contributions are paid by Clifford Chance London Limited and invested to help provide the benefits as they become due. These form part of the Scheme's assets and are held in a collective fund, not in separate funds for each member. The amount of money invested is referred to as the Scheme's assets. If you have chosen to pay Additional Voluntary Contributions, these are separately identifiable for each member.

To check the Scheme's financial position we compare the value of the liabilities to the amount of the assets built up. If the Scheme has fewer assets than liabilities, it is said to have a "deficit". If the assets are worth more than the liabilities there is said to be a "surplus".

An in-depth review of the Scheme's financial position is performed at least every three years. This is called an actuarial valuation and is prepared by a qualified, independent professional, known as an Actuary. In practice the financial position of the Scheme is considered more regularly.

Using this information, the Actuary advises what contributions should be paid into the Scheme and the Trustee agrees with Clifford Chance London Limited the amount of contributions to be paid in order to keep the Scheme on track to meet the objective of continuing to pay pensions and other benefits as they become due. This agreement is recorded in a document called the Schedule of Contributions. This Schedule is reviewed and updated at least each time the Scheme has an actuarial valuation.

what were the results of the last valuation?

Work is currently being undertaken on an actuarial valuation as at 30 April 2007. The last formal valuation of the Scheme prior to this was as at 30 April 2004 and this showed that the funding position on an ongoing basis was:

Assets	£118m
Amount assessed as needed to provide benefits ('Liabilities')	£142m
Deficit	£24m
Funding level	83%

In view of the expected results from the 2004 actuarial valuation Clifford Chance London Limited had already increased its level of contribution payments from 8% to 9% of Pensionable Salaries. Following the finalisation of the actuarial valuation results the contribution payments were further increased from 9% to 10.1% of Pensionable Salaries together with additional annual payments of £3m increasing annually in line with inflation in order to help address the deficit.

Clifford Chance London Limited also pays the expenses of operating the Scheme (other than Scheme investment expenses) in addition to its contribution payments.

is there more recent information available on the Scheme's financial position?

Since 30 April 2004 the funding position of the Scheme has improved as a result of strong investment performance on the assets held by the Scheme and the deficit contributions paid by Clifford Chance London Limited. This has continued to be the case since the previous Summary Funding Statement issued last year.

At 30 April 2007 the assets of the Scheme had grown to £186m and the estimated funding position at this date, if measured using the approach agreed for the 30 April 2004 valuation, would have shown the Scheme to be over 100% funded. However, to calculate the funding position, assumptions have to be made about what might happen in the future, for example, the rate at which the Scheme's assets will grow and how long Scheme members will live. These assumptions are being formally reviewed and updated by the Trustee as part of the 30 April 2007 valuation of the Scheme. It is expected that this valuation will show a revised funding deficit due to recent evidence on increased life expectancy and changes in other assumptions that will be used in the calculation of the Scheme's benefit liabilities.

The valuation will be completed by 31 July 2008 at the latest and following this a revised Summary Funding Statement will be sent to members with the results of the valuation.

As required by law, the Trustee can confirm that no Scheme funds have been paid to Clifford Chance London Limited during the past 12 months (or at any earlier date).

does the Trustee always calculate the Scheme's liabilities in the same way?

Each time the Actuary is asked to calculate the Scheme's liabilities, the approach taken previously is reviewed. This is to ensure that the calculation made takes into account the most up to date information available.

The Government has recently introduced new rules for calculating the Scheme's liabilities. Under these rules, a funding plan will need to be prepared, referred to as a Statement of Funding Principles. This statement will set out how the Trustee will manage the Scheme with the objective of targeting that it has enough money to pay members' benefits as they become due under the Scheme.

If the Scheme has fewer assets than liabilities (a funding deficit), a document will be prepared which shows more detail about how the deficit will be paid off. This would be called a Recovery Plan.

what is the Scheme invested in?

The Trustee invests in a broad range of assets to get the best return possible while taking account of the liabilities of the Scheme. It also considers the risks associated with having too much money in any one type of investment. As at 30 June 2007 the Trustee invests in the following:

Shares in UK companies	44%
Shares in overseas companies	33%
Commercial property	7%
Bonds issued by companies	16%

is my pension guaranteed?

The Trustee's primary objective is to have enough money in the Scheme to pay pensions now and in the future, as they become due, but this depends partly on Clifford Chance London Limited continuing in business and supporting the Scheme because:

- The value of assets can go down as well as up, and when there is a deficit, more money will usually be required to be put in.
- The cost of benefits (liabilities) may increase, which may also result in having to contribute more money.
- Clifford Chance London Limited will be paying the future expenses of running the Scheme on an annual basis.

The sponsoring employer of the Scheme is Clifford Chance London Limited. If Clifford Chance London Limited were to cease operating it would be required, if sufficient funds were available, to pay enough money into the Scheme to enable the Trustee to secure all of the benefits built up by members with annuity policies bought from an insurance company. This is referred to as the Scheme being "wound-up".

The comparison of the Scheme's assets to the cost of fully securing the benefits with an insurance company is referred to as the Scheme's "solvency position".

where can I get further information?

If you have any other questions on this statement, or would like any more information about the Scheme, please use the contact details on the Scheme's website at:

http://www.ccpensionsinfocus.co.uk

You will need to use the following username and password to access the site:

User name = ccpensions

Password = Clifford2

The document library pages on the site provide a full list of documents for the Scheme, including the Statement of Investment Principles, the Schedule of Contributions, the Scheme's Annual Report and Accounts, the last Actuarial Valuation report (as at 30 April 2004) and the Scheme Explanatory Booklet. Further documentation will be available after completion of the 2007 actuarial valuation.

Alternatively you can get further information regarding the Scheme by writing to:
Andrew Darlison
Pensions & Benefits Manager
Clifford Chance
10 Upper Bank Street
London E14 5JJ

If, for any reason you are considering leaving the Scheme or transferring your pension benefits you should carefully consider consulting an independent financial adviser or other professional adviser before taking any action. The Trustee is not able to provide you with any financial advice. Please do also remember to let us know if you change address or if there are any other changes to your personal details that may be relevant to your benefits under the Scheme (by writing to the Trustee at the address set out above).

is there enough money in the Scheme to provide my full benefits if the Scheme was wound-up?

If the Scheme were to wind-up you may not receive the full amount of pension you have earned, even if the Scheme is fully funded on its ongoing funding level. Whilst the Scheme remains ongoing however, even though funding may temporarily fall below that target, pensions will continue to be paid in full.

If the Scheme were to wind-up, Clifford Chance London Limited would be required to pay enough money into the Scheme to enable the full amount of your benefits to be secured with an insurance company. At 30 April 2004, the estimated amount that the insurance company would require was £315m. This position is different from the ongoing financial position because the basis uses different and very cautious assumptions about the future, and insurance companies build in a profit margin and make an allowance for their expenses. The effect of the insurer's approach is very significantly to increase the value that is attributed to the Scheme's benefit liabilities, as compared to the approach that is used by the Trustee and Clifford Chance London Limited, for determining the contributions needed to enable the benefits to be paid from the Scheme as they become due.

Please note that this information is designed to be informative and does not imply that winding-up the Scheme is being considered or is considered likely. In the event of a wind-up, however it may be the case that Clifford Chance London Limited would have insufficient available resources to pay the full amount required by the insurance company. If this were the case the Pension Protection Fund (PPF) might be able to take over the Scheme and pay a prescribed level of compensation to members (see below).

why does the Trustee's funding plan not call for full solvency at all times?

The full solvency position assumes that members' benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that Clifford Chance London Limited will continue in business and support the Scheme.

what happens if the Scheme is wound-up and there is not enough money to pay for all my benefits?

The Government has set up a Pension Protection Fund (PPF) to pay benefits to members if a scheme is wound-up when the scheme and its sponsoring company do not have enough money to cover the cost of buying members' benefits (up to a limited level, which is prescribed in legislation) with an insurer.

The PPF has been set up by the Government to help protect members' pensions where a company becomes insolvent. It does not, however, pay the full amount of scheme members' benefits and the statutory PPF compensation levels are limited in certain respects.

Further information and guidance is available on the PPF's website at **www.pensionprotectionfund.org.uk**. Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR.