

Annual Review 2014



C L I F F O R D
C H A N C E

Clifford Chance LLP
Annual Review 2014

Introduction from Matthew Layton

Our ambition is to provide our clients with the best service and advice wherever and whenever they need it. This ambition is at the heart of our firm; it compels us to strive for constant improvement in everything we do and to invest today for the world of tomorrow.

Our strong financial performance last year across all of our regions and practice areas therefore reflects not only a rebound in the transactional markets but is also a demonstration that clients value what we have created: a deep well of expertise and experience and the ability to work as one team to provide the most effective solutions.

Last year we launched our new joint local/Saudi partnership in Riyadh, the first time a major international law firm had been established in this way in the Kingdom. Client response has been very positive, just as it has to our new alliance – also announced last year – in Jakarta. Both are markets where clients are increasingly seeking the type of expertise that Clifford Chance is built to deliver.

We also made strides in our programme of market-leading initiatives to improve the efficiency of our working practices. Over 25 of our offices have now been involved in delivering 100 Continuous Improvement projects and more than 500 of our lawyers have been trained in how to integrate these concepts into their client work.

There is no room for complacency. Like all global businesses, we face a barrage of geopolitical and economic challenges. We believe our focus on clients and our commitment to the long-term will best equip us to remain at the forefront of our industry.

Matthew Layton
Managing Partner



ABOUT CLIFFORD CHANCE

Clifford Chance is one of the world's pre-eminent law firms, with a significant depth and range of resources across five continents. As a single, fully integrated, global partnership, we pride ourselves on our approachable, collegiate and team based way of working. We always strive to exceed the expectations of our clients, which include corporates from all the commercial and industrial sectors, governments, regulators, trade bodies and not for profit organisations. We provide them with the highest quality advice and legal insight, which combines the Firm's global standards with in-depth local expertise.

OUR PRINCIPLES

- Exceeding clients' expectations
- Local excellence, global standards
- An ambition for success
- Investing in talent
- An adaptable and approachable team
- Thinking ahead
- Strength through diversity
- Community

AT A GLANCE

Highlights 2013/14

Ranked as the number one law firm in Chambers Global Top 30:

"Clifford Chance has claimed the top spot, merited by its geographic reach, depth of expertise, and client service."

Building the leading international law firm

- Established a joint Saudi and foreign owned law firm, the first of its kind
- Entered an association with Indonesian law firm Linda Widyati and Partners
- We now have 36 offices across 26 countries
- Awarded more Band 1 rankings than any other law firm in Chambers Global
- Our largest 25 clients each worked with us across all six of our practice areas and across more than 20 countries

Delivering the breadth and depth of our expertise to clients

- We advised:
 - Eight of the top 10 companies in the Fortune 500
 - On the creation of the world's leading pure-play coffee company, Jacobs Douwe Egberts
 - Raytheon on its case against the Home Office relating to the unlawful termination of its e-Borders contract
- China's Dongfeng Motor Group Co. on its investment in PSA Peugeot Citroën Group, helping Europe's second largest car maker expand in China
- On the IPO of the Empire State Realty Trust, owner of the iconic Empire State Building
- Dangote Industries on financing for the largest industrial project in the history of Nigeria

Investing in world class client service

- Ran over 100 Continuous Improvement projects, involving more than 25 of our offices
- Trained 800 of our people in Continuous Improvement, including 500 lawyers from 12 offices
- Our centre in India that provides transaction and case support worked on 1,500 matters for 31 of our offices
- Delivered 1,000 courses in legal skills and 700 in business skills to our people
- Launched the Clifford Chance Africa Academy, providing high-quality training to the African lawyers we partner with on client matters

How we manage our firm

We are a single global profit-pool, lockstep partnership. Our ambition is to work collaboratively across geographies, practices, product areas and sectors to deliver the best advice and support to our clients and to create a dynamic, rewarding, collegial environment for our people. Our governance aims to support this ambition.

The Executive Leadership Group, chaired by the firm's Managing Partner, sets the firm's strategy and oversees its implementation. The effectiveness of the Executive Leadership Group is reviewed by the Partnership Council, led by the firm's Senior Partner.

The firm's constitution is governed by our Partnership Agreement. This requires that certain issues are subject to a vote of partners, including the election of the Managing Partner, the Senior Partner and the Partnership Council. Partners also vote on the admission of new partners, mergers or acquisitions and other major investments, and changes to the Partnership Agreement itself. Each partner has a single vote, although on certain matters (such as the arrangements for remuneration of equity partners) only equity partners are entitled to vote.

Governance and managing risk

The Executive Leadership Group, which replaced our Senior Management Committee on 1 September 2014, is chaired by the Managing Partner and its members represent the breadth of the firm's services across geographies, as well as senior representatives leading on legal issues, risk, talent, finances and operational execution.

The Executive Leadership Group meets regularly in person and is responsible for our strategy, the development of our competitive position, our relationship with clients, mid- and long-term business planning, the performance of the various parts of the firm, and its financial management.

Partnership Council

The Partnership Council is an elected body, chaired by the Senior Partner and currently comprising six other elected members.

The Partnership Council meets regularly in person to review the effectiveness of the firm's leadership and management. The Council also ensures that appointments to leadership roles are handled effectively and with due regard to the interests of the partnership.

Risk management and compliance

This is the responsibility of the firm's General Counsel, who reports to the Managing Partner and Executive Leadership Group. The General Counsel's remit covers conflict management, client acceptance, risk management, compliance, insurance and regulatory or legal issues facing the firm.

We take a sophisticated approach to risk management and compliance, often setting the standard for our industry. The central team coordinates closely with the managing partners of the firm's offices globally, and others with compliance responsibility around the firm.

Experts in our clearance centres assess all new clients and matters. We have robust conflict management processes. Conflict laws and regulations vary from country to country; our approach is to apply the rules of the country where the work is to be done. On multijurisdictional work, we apply the rules of the country where they are most restrictive.

We seek to manage risk proactively: a full annual review of the key risks facing the firm seeks to ensure that appropriate mitigation is in place. Our risk approach is reviewed annually by the Audit and Risk Committee.

Financial management

Clifford Chance is a UK Limited Liability Partnership. Every year, we publish on our website summary financial information based on the audited statutory consolidated financial statements of Clifford Chance LLP, prepared in accordance with International Financial Reporting Standards.

Monthly updates on the firm's finances at an office and practice area level are made available to all partners, complemented by a series of conference calls where budgets and financial performance are discussed in detail.

The firm's finances are subject to review by the Audit and Risk Committee.

Audit and Risk Committee

The Audit and Risk Committee has six members, including one from outside the firm to provide an independent perspective.

The Committee reviews and approves the firm's accounts and recommends which firm should be appointed as auditors. It also monitors the firm's risk management processes. It reports to the Partnership Council.

Partner promotions, recruitment, performance management and remuneration

The processes around partner promotion and recruitment are robust and transparent to the partnership. The Partner Selection Group assesses the personal qualities of all candidates to ensure they meet the high professional standards we expect of our partners. The Partner Selection Group reports to the Partnership Council.

The firm has an annual Partner Appraisal process, where each partner has an opportunity to review their contribution, the strategy of their practice and their team, and their wider roles within the firm. The process includes discussion of client reviews and feedback, peer feedback and upward feedback and contribution is assessed against a range of criteria relevant to the firm's mid- to long-term ambitions. The firm has express processes for partners who need to improve their performance or practice, including appeal to the Partnership Council if there are any concerns about how performance is being managed.

Partner remuneration is transparent to the partnership. Equity partners are paid a proportion of the firm's global profits according to their position on the lockstep. As our equity partners are the owners of the firm as well as executives, their compensation reflects their shareholder dividend as well as pay. Equity partners do not receive options or incentives of any sort and no equity partner has any guaranteed earnings.

Executive Leadership Group members

Managing Partner	Matthew Layton
Executive Partner and General Counsel	Chris Perrin
Global Head of People and Talent	Laura King
Chief Financial Officer	Stephen Purse
Chief Operating Officer	Amanda Burton
Global Business Unit (GBU) leader:	Rob Lee
Financial Markets	
GBU leader: M&A and Corporate Transactions/Advisory	Guy Norman
GBU leader: Risk Management, Litigation & Dispute Resolution	Jeremy Sandelson
Regional Managing Partner: Americas	Evan Cohen
Regional Managing Partner: Asia Pacific	Peter Charlton
Regional Managing Partner: Continental Europe	Yves Wehri
Regional Managing Partner: Germany	Peter Dieners

Partnership Council members

Katherine Coates
 Simon Davis
 Giuseppe De Palma
 Barbara Mayer-Trautmann
 Kate McCarthy
 Malcolm Sweeting, Senior Partner
 Tim Wang

How we performed

Financial information

The summary financial information below is based upon the audited statutory consolidated financial statements of Clifford Chance LLP, which are prepared in accordance with International Financial Reporting Standards (IFRS). Further information regarding the financial performance of the firm can be found in the related [press release](#).

Revenue by region was as follows:

	2014 £m	2013 £m
Americas	152	144
Asia Pacific	195	179
Continental Europe	503	467
Middle East	40	38
United Kingdom	469	443
	1,359	1,271

Consolidated income statement

Year ended 30 April	2014 £m	Restated* 2013 £m
Revenue	1,359	1,271
Expenditure		
Staff and related costs	(588)	(558)
Other operating costs	(359)	(320)
	(947)	(878)
Profit from operations	412	393
Investment income	-	1
Financing costs	(12)	(13)
Profit before tax for the financial year before members' remuneration and profit shares	400	381
Members' remuneration charged as an expense	(13)	(52)
Profit before tax for the financial year available for profit share among members	387	329
Taxation	(10)	(13)
Profit for the financial year available for profit share among members	377	316

Consolidated balance sheet

As at 30 April	2014 £m	2013 £m
Assets		
Property, plant and equipment	39	45
Intangible assets	7	12
Total non-current assets	46	57
Accrued income	227	224
Receivables	430	426
Amounts due from members	70	60
Cash at bank and in hand	110	103
Total current assets	837	813
Total assets	883	870
Liabilities		
Payables	279	273
Provisions	22	20
Total current liabilities	301	293
Long-term payables	43	43
Provisions	365	315
Total non-current liabilities	408	358
Total liabilities excluding members' interests classified as liabilities	709	651
Net assets attributable to members	174	219
Represented by:		
Loans and other debts due to members:		
Provisions for annuities due to current members	112	121
Members' capital and reserves		
Members' capital	168	173
Reserves	(106)	(75)
	62	98
	174	219

* The comparative amounts have been restated as a result of IAS 19 (revised): Employee Benefits.

Consolidated cash flow statement

Year ended 30 April	2014 £m	2013 £m
Net cash from operating activities	423	375
Investing activities		
Investment income received	-	1
Purchase of tangible fixed assets	(11)	(19)
Net cash used in investing activities	(11)	(18)
Transactions with members		
Drawings, distributions and remuneration of members	(394)	(381)
Capital net (repayments to)/contributions by members	(5)	4
Net cash paid to members	(399)	(377)
Net increase/(decrease) in cash and cash equivalents	13	(20)
Cash and cash equivalents at beginning of year	103	120
Effects of foreign exchange rate changes	(6)	3
Cash and cash equivalents at end of year	110	103

Profit attributable to equity partners

Year ended 30 April	2014 £m	Restated* 2013 £m
Profit before tax for the financial year before members' remuneration and profit shares on the basis of IFRS	400	381
Adjustments for partnership structure and accounting policies	59	23
Amounts payable to equity partners and annuitants before tax	459	404

The profit on the basis of IFRS is attributable to those partners of the firm who are members of Clifford Chance LLP. However, certain members of Clifford Chance LLP are not equity partners in the firm and certain equity partners of Clifford Chance LLP are not members of it.

* The comparative amounts have been restated as a result of IAS 19 (revised): Employee Benefits.

In addition, the profit on the basis of IFRS is determined in accordance with accounting policies which differ from those applicable under the partnership agreement. The principal differences relate to the accounting treatment of annuities, pension schemes and property leases.

Accordingly, in order to arrive at the amounts payable to equity partners and annuitants before tax, adjustments are made to the IFRS profit to reflect the equity partnership structure instead of the membership structure and to reflect the differences between the accounting policies applicable under the partnership agreement and IFRS.

The average number of equity partners during the year was 401 (2013: 411). The average profit per equity partner based on the profit before tax for the financial year attributable to equity partners and annuitants amounts to £1.1 million (2013: £1.0 million).

Statutory accounts

The financial information included in this statement does not constitute the statutory accounts of Clifford Chance LLP within the meaning of the Companies Act 2006. Statutory accounts for the financial year ended 30 April 2013 have been delivered to the Registrar of Companies. Statutory accounts for the financial year ended 30 April 2014 have not yet been delivered to the Registrar of Companies House. The auditors have reported on the accounts for both such financial years; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 (2) or (3) Companies Act 2006, as applicable to limited liability partnerships.

Our global office network



Visit www.cliffordchance.com for all our office contact details

Australia Perth Sydney	Hong Kong SAR Hong Kong	Poland Warsaw	Spain Barcelona Madrid
Belgium Brussels	Indonesia Jakarta*	Qatar Doha	Thailand Bangkok
Brazil São Paulo	Italy Milan Rome	Republic of Korea Seoul	Turkey Istanbul
Czech Republic Prague	Japan Tokyo	Romania Bucharest	Ukraine Kyiv
France Paris	Morocco Casablanca	Russia Moscow	United Arab Emirates Abu Dhabi Dubai
Germany Düsseldorf Frankfurt Munich	The Netherlands Amsterdam	Kingdom of Saudi Arabia Riyadh	United Kingdom London
Grand-Duche de Luxembourg Luxembourg	People's Republic of China Beijing Shanghai	Singapore Singapore	US New York Washington, D.C.

* Linda Widyati & Partners in association with Clifford Chance.