

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



ANNUAL REVIEW 2019

We will be the global law firm of choice for the world's leading businesses of today and tomorrow.

We always strive to exceed the expectations of our clients, whether from business government or the not-for-profit sector, and provide the highest quality service and legal insight.

We pride ourselves on our approachable, collegial and team-based culture, and the commitments we make to our people and the wider world.

A STRONG AND WELL-BALANCED PERFORMANCE

**AN UPDATE FROM OUR
MANAGING PARTNER,
MATTHEW LAYTON**

Our vision and strategy provides us with clarity in the decisions we make across the firm in terms of how we manage our business and deliver to our clients.

Last year, the firm delivered a fourth consecutive year of growth under our strategy and our best financial results to date. The growth in revenue and profit in this period came from all regions and all practice areas, with particularly strong progress against key strategic priorities including the Americas, Asia Pacific and our Corporate practice.

One particularly notable trend has been the continued growing importance of financial investors. With total assets under management having more than doubled to over USD 80 trillion since the financial crisis, financial investors are increasingly active and influential players in the global economy. As a result, their need for sophisticated, world-class legal advice is also increasing. Given our long history of

working with these dynamic and diverse organisations we are ideally placed to support their continued strategic development and success. Our work with leading financial investor clients saw sector revenues grow by more than 20% over the year.

The last financial year saw our results continue their upward trajectory despite some widely reported headwinds from the third quarter on, including rising tensions in the US-China trade dispute, a further slowdown in China and the Eurozone, ongoing emerging markets volatility, and continued uncertainty about Brexit. While these developments dampened business confidence, investment, and activity levels, they also created opportunities as clients have turned to us to help them navigate the turbulence.

“We consider it more important than ever to invest in the people, skills, systems and ways of working that will be fundamental to our future success in a rapidly changing market.”



**A STRONG AND
WELL-BALANCED PERFORMANCE**
AN UPDATE FROM OUR
MANAGING PARTNER,
MATTHEW LAYTON
CONTINUED

We consider it more important than ever to invest in the people, skills, systems and ways of working that will be fundamental to our future success in a rapidly changing market.

We continue to recruit and develop the best legal and other professional talent in the market as we build out our capabilities, particularly in the Americas, in our growing Tech Group, and in our Innovation and Best Delivery expertise. At the same time, we are investing to take our core operational capabilities, including our

IT systems and cyber defences, to the next level to ensure that they are fit for the future needs of our clients and our global business.

These investments are aligned with our commitment to reinforce our strong culture, uniting everyone in the firm behind a shared set of values and ambitions. Over the last twelve months, inclusion in all its forms has been a particular focus, and we have made important progress. But there is more for us to do. A shared priority for me and our Senior Partner, Jeroen

Ouwehand, over the coming years will be to ensure that our culture continues to evolve to remain relevant, compelling, and a positive differentiator.

There are certainly challenges for all businesses in the year ahead. However, I am confident that by staying true to our clear and established strategy and by working shoulder to shoulder with our clients, we will continue towards our vision of being the global law firm of choice.

OPERATIONAL AND STRATEGIC HIGHLIGHTS

Reinforcing our team and our culture

- *Investing in talent and skills* – promoted 30 new partners and added 13 laterals, with a further three announced since May; continued strong focus on key markets in the US, in Europe, such as Luxembourg and Germany, and in Greater China; invested in talent in increasingly important areas including data science and data analysis, legal project management, legal tech, resource management and robotic process automation
- *Clifford Chance Choice* – launched a new framework to support a flexible approach to work for lawyers, including pilot programmes with the firm’s current associates and alumni
- *Lawyer evaluation pilot* – launched a year-long trial across the firm’s offices in the Middle East to understand the impact of removing utilisation from the assessment of lawyer contribution and performance
- *Global Head of Inclusion and Diversity* – hired leading equalities campaigner, Tiernan Brady, who drove the successful marriage equality campaigns in Ireland and Australia, to accelerate progress across the full spectrum of inclusion and diversity issues
- *Reverse mentoring* – launched a new diversity and inclusion programme where senior leaders are mentored by a more junior colleague

- *Accelerate>>* – created a global gender parity group, committed to taking bold actions to accelerate the pace of change towards gender parity and drive forward an inclusive and diverse culture across the firm

Advancing our Innovation and Best Delivery strategy

- *Clifford Chance Applied Solutions* – established as a separate business entity with a specialist team of product developers, product managers and SaaS sales and marketing specialists, led by newly-hired CEO, Jeroen Plink; launched SMCR Manager to help financial institutions prepare for and comply with the newly extended Senior Managers and Certification Regime
- *Clifford Chance Create* – launched the firm’s first legaltech innovation lab, Create+65 in Singapore supported by Singapore’s Economic Development Board and the Academy of Law’s Future Law Innovation Programme; made the firm’s first third-party investment with a significant funds injection into legaltech services automation platform, Reynen Court
- *Best Delivery* – continued the roll-out and development of the firm’s Best Delivery Hubs, now located in Dubai, Frankfurt, New York, Paris, London (three practice-focused hubs) and Singapore; accelerated deployment of our alternative legal resource centres in Newcastle and Delhi, doubling their number of billable hours

Investing in the resilience and sustainability of our business

- *Information security and cyber defence* – invested in people and systems to protect the firm from cyber threats, to mitigate the impact of incidents, and to support our ability to continue to service our clients
- *Upgrading business-critical IT systems to optimise efficiency and risk management* – including the firm’s systems for document management, conflict and clearance processes, core HR services, financial management, billing and management information
- *Enhancing infrastructure to support mobile and agile working* – including videoconferencing, mobile voice and data services
- *Compliance* – expanding our compliance teams internationally, in light of a more complex and demanding global regulatory environment and continued evolution in client expectations
- *Enterprise risk* – developing a sector-leading programme to allow us to better identify, manage and treat strategic risks, with regular reporting of Key Risk Indicators and other management information to the firm’s most senior leadership

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 for the year ended 30 April 2019 can be found in the related press release and fact sheet.

REVENUE BY REGION

	2019	2018
	£m	£m
Americas	226	215
Asia Pacific	307	281
Continental Europe	551	538
Middle East	53	54
United Kingdom	556	535
	1,693	1,623

CONSOLIDATED INCOME STATEMENT

	2019	2018
	£m	£m
Year ended 30 April 2019		
Revenue	1,693	1,623
Other operating income	24	23
Operating costs		
Staff and related costs	(766)	(707)
Other operating costs	(323)	(313)
	(1,089)	(1,020)
Operating profit	628	626
Financing costs	(10)	(11)
Profit before tax before members' remuneration and profit shares	618	615
Members' remuneration charged as an expense	(18)	(16)
Profit before tax available for profit share among members	600	599
Taxation	(21)	(17)
Profit for the financial year available for profit share among members	579	582

CONSOLIDATED BALANCE SHEET

	2019	2018
	£m	£m
As at 30 April 2019		
Assets		
Property, plant and equipment	83	85
Deferred tax assets	48	48
Total non-current assets	131	133
Accrued income	305	300
Trade and other receivables	561	550
Amounts due from members	69	23
Cash at bank and in hand	220	214
Total current assets	1,155	1,087
Total assets	1,286	1,220
Liabilities excluding members' interests classified as liabilities		
Trade and other payables	428	399
Short term provisions	25	28
Total current liabilities	453	427
Long term payables	42	46
Deferred tax liability	0	1
Provisions, liabilities and charges	483	500
Total non-current liabilities	525	547
Total liabilities excluding members' interests classified as liabilities	978	974
Net assets attributable to members	308	246
Represented by:		
Provisions for annuities and other amounts due to current members	99	101
Members' capital	138	159
Members' interests classified as liabilities	237	260
Reserves	71	(14)
	308	246

CONSOLIDATED CASH FLOW STATEMENT

	2019	2018
Year ended 30 April 2019	£m	£m
Net cash generated from operating activities	561	534
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18)	(20)
Proceeds from sale of property, plant and equipment	1	0
Net cash used in investing activities	(17)	(20)
Cash flows from financing activities:		
Drawings and distributions to members	(539)	(544)
Capital net repayments to members	(2)	(3)
Net cash used in financing activities	(541)	(547)
Net increase / (decrease) in cash and cash equivalents	3	(33)
Cash and cash equivalents at beginning of year	214	249
Effects of foreign exchange rate changes	3	(2)
Cash and cash equivalents at end of year	220	214

PROFIT ATTRIBUTABLE TO EQUITY PARTNERS

	2019	2018
Year ended 30 April 2019	£m	£m
Profit before tax for the financial year before members' remuneration and profit shares on the basis of IFRS	618	615
Adjustments for partnership structure and accounting policies	19	11
Amounts payable to equity partners and annuitants before tax	637	626

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. 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 395 (2018: 393). The average profit per equity partner based on the profit before tax for the financial year attributable to equity partners excluding annuities amounts to £1.62 million (2018: £1.60 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 2018 have been delivered to the Registrar of Companies. Statutory accounts for the financial year ended 30 April 2019 have not yet been delivered to the Registrar of Companies. 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.

WORKING ALONGSIDE CLIENTS ON THEIR MOST COMPLEX AND BUSINESS CRITICAL MATTERS

DURING THE 2018/19 FINANCIAL YEAR, CLIFFORD CHANCE ADVISED:

- Huatai Securities as English, US and Hong Kong counsel on its London stock market listing – the first ever under the new Shanghai-London Stock Connect programme
- Samarco Mineração (Vale/BHP joint-venture) on its USD 3.8bn debt restructuring
- On multiple representations in connection with the Mueller investigation
- Autonomy founder Mike Lynch in connection with the largest civil fraud trial in UK history and related US criminal charges and investigations arising out of HPs 2011 acquisition of Autonomy
- Canary Wharf Group on its victory against the European Medicines agency in a GBP 500m lease dispute. Commentators speculated that, had the case been lost, it could have opened the door to many similar claims of ‘legal frustration’ resulting from the impact of Brexit
- The UK’s official receiver on the insolvency of British Steel
- Network Rail on the sale of its commercial real estate portfolio to Telereal Trillium and Blackstone Property Partners for GBP 1.46 billion
- Dassault Systèmes in relation to the USD 5.8bn acquisition of healthcare software maker Medidata
- Pfizer on a consumer healthcare joint venture with GlaxoSmithKline to create a premier global consumer healthcare company with combined sales of almost GBP 10bn
- Fairsearch as the main complainant in the European Commission investigation into Google’s anticompetitive practices relating to Android, leading to a EUR 4.34bn fine
- Deutsche Post DHL Group on the RMB 5.5bn transfer of its supply chain operations in Mainland China, Hong Kong and Macau to S.F. Holding
- Global payment platform Adyen, considered the only Dutch Fintech unicorn, on its IPO and listing of shares on Euronext Amsterdam, valuing the business at approximately EUR 7.1bn
- Public Investment Fund, in co-operation with AS&H, on its USD 69.1bn sale of a 70% stake in SABIC to Saudi Aramco
- Leading private equity firms, MBK Partners and TPG on the merger of telecommunications businesses WTT and Hong Kong Broadband Network Limited, which valued WTT at HK\$ 10.5bn
- The joint sponsors and underwriters on China Tower’s USD 6.9 billion IPO
- Carlyle on investments into Ant Financial and Baidu FSG.

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This publication does not necessarily deal with every important topic nor cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

Clifford Chance
10 Upper Bank Street Canary Wharf E14
5JJ United Kingdom

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