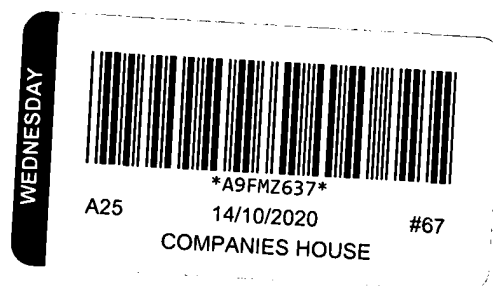


Registered number: 6240880

Heidrick & Struggles (UK) Limited

Directors' report and financial statements for the year ended 31 December 2019



Heidrick & Struggles (UK) Limited

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Heidrick & Struggles (UK) Limited

Strategic report for the year ended 31 December 2019

Business review

The principal activity of the company is to provide executive search and leadership consulting services to clients throughout the UK and overseas.

Revenue of £41.2m (2018: £37.4m) remains the most visible indicator of the company's performance. The revenue year on year is a reflection of stable market conditions increasing by £3.8m (10 %).

On 1 January 2019, the company acquired the trade and assets (net of liabilities) of JCA Group Limited by way of a distribution in specie amounting to £744,648. As a result, the carrying value of the investment was written down to the aggregate net assets of JCA Group Limited amounting to £1,000.

For further detail on the company's business review please see the publicly available strategic report of the ultimate parent company Heidrick & Struggles International, Inc. which include the company and can be obtained online at www.heidrick.com/About/Investor-Relations or from 233 South Wacker Drive, Suite 4900, Chicago, Illinois, USA.

Principal risks and uncertainties

The principal risks to the company are considered to be:

- a) The departure of significant clients or consultants. This risk is managed and mitigated however in that no one consultant is responsible for more than 5% of the company's revenue, and no single client is responsible for more than 5% of the company's revenue. Additionally clients are serviced by more than one employee allowing for continuity in the case of employee departures;
- b) The macro economic environment both in the UK and globally, which can result in our clients' hiring budgets being cut at short notice; and
- c) Reputation risk also exists and has impacted other search firms. The risk can arise from any of Heidrick & Struggles International, Inc., offices worldwide and impact the company in the UK. The company's quality Control Council and Ethics Training are at the forefront of ensuring its reputation in the market remains high.

Key performance indicators

The directors manage the company's performance through various means, with the primary financial and operational measures including net revenue growth, operating income, operating margin, consultant headcount, new search confirmation trends, consultant productivity and average fee per executive search.

Heidrick & Struggles (UK) Limited

Strategic report (continued) for the year ended 31 December 2019

Section 172 statement

The company provides executive search and leadership consulting services to clients throughout the UK and overseas.

Heidrick & Struggles International, Inc., ("Group") seeks to put the quality and integrity of its services first to satisfy the needs of its customers, invest in its employees, and support the communities where it operates, whilst it strives to make a sustainable profit for its shareholders. The key relationships with suppliers, customers, and other external stakeholders are overseen by the directors to ensure that all relationships are maintained in the most appropriate manner to promote the interests of the company and its stakeholders. The communication with staff is maintained through regular dialogue between the directors and the staff at a local level through the use of face to face and video conferencing. The board issues periodic email communications keeping staff aware of the progress within the Group. This extends to updates on financial progress and also community activities that staff and the Group engage in. The Board encourages openness amongst employees, actively invites direct employee feedback and takes pride in genuinely seeking to invest in its people through development and training.

The directors have acted in accordance with their duties codified in law, which includes their duty to act in a way in which they consider, in good faith, would most likely promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Section 172 considerations are embedded in the decision making at board level, of Group issues and when discharging the duties of the directors as covered by this report. The board has several external advisors who also review the directors' activities and decisions to provide an independent oversight of the decisions, with the ability to report directly to the shareholder.

This report was approved by the board on 29 September 2020 | 08:30 CDT 2020 and signed on its behalf.



K Coar
Director

Heidrick & Struggles (UK) Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the company is to provide executive search and leadership consulting services to clients throughout the UK and overseas.

Results and dividends

The loss for the year, after taxation, amounted to £13,979,995 (2018: profit of £4,913,960).

The directors do not recommend the payment of a dividend (2018: £Nil).

Directors

The directors who held office during the year and to the date of signing the audited financial statements were:

C Baderman
K Coar

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors and the company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy has been maintained by the Heidrick & Struggles International, Inc., group throughout the financial year.

Brexit risk

The UK left the EU on 31 January 2020 and is now in a transition period until the end of 2020 while the UK and EU negotiate additional arrangements. The exact nature and terms of the UK's exit and ongoing trade relationship remain far from certain. Furthermore, while a 'hard Brexit' may result in some regulatory liberalisation and fiscal incentives to stimulate the economy, it also risks a period of economic uncertainty and turbulence. The directors are continuing to consider the impact on the company and will continue to monitor developments closely to ensure that the company is in a position to respond to change and uncertainty.

Subsequent events

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. The UK government has imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events.

The directors have assessed the impact of COVID-19 on the company, including a review of its customer base, customer contract terms and cash collection; procurement and supply chain; operations; staff working arrangements and capacity. At present, the directors believe that the company is well placed to continue without significant adverse operational or financial impact.

Heidrick & Struggles (UK) Limited

Directors' report (continued) for the year ended 31 December 2019

Subsequent events (continued)

Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic. The financial statements have been prepared based upon the conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December for the impacts of COVID-19.

Taking into account the assessment of the impact on the company above, the directors are of the view, to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Heidrick & Struggles (UK) Limited

Directors' report (continued) for the year ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, RSM UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 September 2020 | 08:30 CDT 2020 and signed on its behalf.



**K Coar
Director**

Independent auditor's report to the members of Heidrick & Struggles (UK) Limited

Opinion

We have audited the financial statements of Heidrick & Struggles (UK) Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Heidrick & Struggles (UK) Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Heidrick & Struggles (UK) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Use of our report

This report is made solely to the company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 company and the company's members for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Hywel Pegler (Senior Statutory Auditor)
for and on behalf of
RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Statutory Auditors
Hartwell House
55 - 61 Victoria Street
Bristol
BS1 6AD

30 September 2020

Heidrick & Struggles (UK) Limited

Profit and loss account for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	5	41,215,353	37,372,650
Cost of sales		(29,285,339)	(23,977,510)
Gross profit		11,930,014	13,395,140
Administrative expenses		(9,352,735)	(8,178,886)
Operating profit	6	2,577,279	5,216,254
Write down in carrying value of investments	9	(15,104,352)	-
Interest receivable and similar income	10	1,537,611	282,904
Interest payable and similar expenses	11	(2,371,227)	(405,735)
(Loss) / profit before tax		(13,360,689)	5,093,423
Tax on (loss) / profit	12	(619,306)	(179,463)
(Loss) / profit for the financial year		(13,979,995)	4,913,960

All of the company's results relate to continuing operations.

The company has no other comprehensive income for 2019 or 2018 other than those stated above and therefore no separate other comprehensive income has been presented.

The notes on pages 12 to 29 form part of these financial statements.

Heidrick & Struggles (UK) Limited

Registered number: 6240880

**Balance sheet
at 31 December 2019**

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	1,073,674	1,243,464
Investments	14	11,489,511	27,338,511
		<u>12,563,185</u>	<u>28,581,975</u>
Current assets			
Debtors: amounts falling due within one year	15	25,480,482	28,079,119
Cash at bank and in hand	16	18,429,944	8,757,229
		<u>43,910,426</u>	<u>36,836,348</u>
Creditors: amounts falling due within one year	17	(52,492,318)	(47,390,300)
Net current liabilities		<u>(8,581,892)</u>	<u>(10,553,952)</u>
Total assets less current liabilities		<u>3,981,293</u>	<u>18,028,023</u>
Creditors: amounts falling due after more than one year	18	(1,705,994)	(390,729)
Provisions for liabilities			
Other provisions	20	(608,080)	(1,990,080)
		<u>(608,080)</u>	<u>(1,990,080)</u>
Net assets		<u>1,667,219</u>	<u>15,647,214</u>
Capital and reserves			
Called up share capital	21	100	100
Capital contribution reserve	22	13,200,000	13,200,000
Other reserves	22	4,293,605	4,293,605
Profit and loss account		(15,826,486)	(1,846,491)
Total equity		<u>1,667,219</u>	<u>15,647,214</u>

The financial statements on pages 9 to 29 were approved by the board of directors on 29 September 2020 | 08030 CDT
and were signed on its behalf by:



K Coar
Director

The notes on pages 12 to 29 form part of these financial statements.

Heidrick & Struggles (UK) Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Capital contribution reserve	Capital reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	100	13,200,000	4,293,605	(1,846,491)	15,647,214
Loss for the financial year	-	-	-	(13,979,995)	(13,979,995)
At 31 December 2019	100	13,200,000	4,293,605	(15,826,486)	1,667,219

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Capital contribution reserve	Capital reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	100	13,200,000	4,293,605	(6,760,451)	10,733,254
Profit for the financial year	-	-	-	4,913,960	4,913,960
At 31 December 2018	100	13,200,000	4,293,605	(1,846,491)	15,647,214

The notes on pages 12 to 29 form part of these financial statements.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

1. General information

The company provides executive search and leadership consulting services to clients throughout the UK and overseas.

The company is a private company, limited by shares, incorporated and domiciled in England and Wales and its registered office is 40 Argyll Street, London, W1F 7EB.

2. Statement of compliance

The company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including "Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

3.1 Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of the ultimate parent Heidrick & Struggles International, Inc., as at 31 December 2019 and these financial statements may be obtained from 233 South Wacker Drive, Suite 4900, Chicago, Illinois, USA.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.3 Going concern

The financial statements have been prepared on a going concern basis. In light of the company's financial position, including its net current liabilities of £8,581,892 (2018: £10,553,952), it is dependent on continuing finance being made available by its ultimate parent company, Heidrick & Struggles International, Inc., to enable it to continue operating and to meet its liabilities as they fall due. The ultimate parent company has agreed to provide sufficient funds to the company for these purposes. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

3.4 Consolidated financial statements

The company is a wholly owned subsidiary of Heidrick & Struggles International Inc.. It is included in the consolidated financial statements of Heidrick & Struggles International Inc. which are publicly available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

3.5 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	life of lease
Fixtures, fittings and equipment	-	20% - 33% per annum

3.6 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

3.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.10 Financial instruments (continued)

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

3.11 Share capital

Ordinary shares are classified as equity and recorded at the value of consideration received.

3.12 Revenue recognition

Revenue before reimbursements of out of pocket expenses ("net revenue") consists of retainers billed to clients. For each assignment, the company and its client enter into a contract that outlines the general terms and conditions of the assignment. Revenue is recognised when a client obtains the benefits of the service.

Net revenue is recognised when earned and realisable and therefore when the following criteria have been met:

- (a) persuasive evidence of an arrangement exists;
- (b) services have been rendered;
- (c) the fee to our client is fixed or determinable; and
- (d) collectability is reasonably assured.

Net revenue from executive search engagements is recognised over the expected average period of performance, in proportion to the estimated personnel time incurred to fulfill obligations under the arrangements. Net revenue in excess of the retainer, resulting from actual compensation of the placed candidate exceeding the estimated compensation, is recognised upon completion of the executive search when the amount of the additional fee is known.

3.13 Operating leases

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

3.15 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3.16 Employee benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme by the company in respect of the accounting period.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

3.17 Interest receivable and similar income

Interest income is recognised in the profit and loss account using the effective interest method.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.19 Provisions and contingent liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when:

- (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or
- (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control.

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

3. Summary of significant accounting policies (continued)

3.20 Related party transactions

As the company is a wholly owned subsidiary undertaking of Heidrick & Struggles B.V., a subsidiary undertaking of Heidrick & Struggles International, Inc., the company has taken advantage of the exemption available under FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group.

3.21 Share based payments

Selected employees receive as part of their remuneration restricted share units ("RSU's") and / or share options in the ultimate parent company Heidrick & Struggles International, Inc.. The total number of RSU's and share options and the ultimate parent company's underlying shares that may be issued is determined by the Human Resources and Compensation Committee on an annual basis.

The fair value of RSU's and options granted is recognised as an employee compensation expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the RSU's or options. The fair value of the RSU's and options granted is measured using an option pricing model, taking into account the terms and conditions upon which they were granted. The amount recognised as an expense is adjusted to reflect the actual number of RSU's and share options that vest except in the case of share options where forfeiture is only due to share prices not achieving the threshold for vesting.

The restricted share units are generally subject to rateable vesting over a three year period. Compensation expense related to service based restricted share units is recognised on a straight line basis over the vesting period. For awards requiring satisfaction of service and performance conditions, employee compensation expense is recognised using a graded vesting attribution method.

Share options granted have a fair value equal to the fair value of the parent undertakings shares on the grant date. Options are generally subject to rateable vesting over a three year period and compensation expense is recognised on a straight line basis over the vesting period.

The cost to the parent company of granting these rights is recharged to the company on an annual basis upon vesting, the amount recharged being equal to the fair value of the RSU's or options on the date of vesting. Amounts recharged are accounted for separately from the share based payment but as an adjustment of the capital contribution recognised in respect of the share based payment by analogy to the requirements of cash settled share based payment transactions. The liability is revalued at each balance sheet date and settlement date with any changes to fair value being recognised directly in equity.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

4. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the company.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

The company's size and diverse spread of contracts, together with a prudent assessment of the final value of each contract, minimises the potential for any one contract to materially impact the overall business performance.

(b) Carrying value of trade debtors and amounts owed by group undertakings

The company makes an estimate of the recoverable value of trade debtors and amounts owed by group undertakings.

5. Turnover

The whole of the turnover is attributable to the provision of executive search and leadership consulting services.

The significant majority of the company's turnover arose within the United Kingdom.

6. Operating profit

Operating profit is stated after charging:

	2019	2018
	£	£
Depreciation of tangible fixed assets	563,974	521,604
Auditor's remuneration - audit of these financial statements	48,361	36,500
Other operating lease rentals	1,135,355	848,353

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

7. Employee information

On 1 January 2019, the company acquired the trade and assets of JCA Group Limited, which includes the transfer of the employee contracts and collective agreements.

The aggregate employee payroll costs were as follows:

	2019 £	2018 £
Wages and salaries	26,429,505	21,458,637
Social security costs	1,846,207	1,763,131
Other pension costs	1,009,627	755,742
	<u>29,285,339</u>	<u>23,977,510</u>

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	2019 Number	2018 Number
Search Consultants	40	37
Search Support	91	63
Other Corporate Staff	21	25
	<u>152</u>	<u>125</u>

8. Directors' remuneration

The directors did not receive or waive any emoluments in respect of their services for the year ended 31 December 2019 (2018: £Nil).

All directors of the company receive emoluments, including Restricted Share Units (RSU's) in Heidrick and Struggles International, Inc., under the long term incentive scheme. These emoluments are received from other companies within the Heidrick & Struggles International, Inc., group. The emoluments of the directors who are also officers of Heidrick & Struggles International, Inc., are disclosed in those financial statements.

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was none (2018: None).

None of the directors have been granted or have exercised share options during the year (2018: None).

9. Write down in carrying value of investments

On 1 January 2019, the company acquired the trade and assets (net of liabilities) of its subsidiary undertaking, JCA Group Limited by way of a distribution in specie amounting to £744,648.

As a result, the company reduced the value of the investment by £15,104,352 to its carrying value.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

10. Interest receivable and similar income

	2019 £	2018 £
On amounts owed by group undertakings	-	111,340
Bank and other interest receivable	62,963	18,712
Net exchange gains	1,474,648	152,852
	<u>1,537,611</u>	<u>282,904</u>

11. Interest payable and similar expenses

	2019 £	2018 £
On amounts owed to group undertakings	2,371,227	405,526
Bank charges	-	209
	<u>2,371,227</u>	<u>405,735</u>

12. Taxation

	2019 £	2018 £
Corporation tax		
UK corporation tax charge on profit for the year	874,302	1,014,352
Adjustments in respect of prior periods	71,009	(374,171)
Total current tax	<u>945,311</u>	<u>640,181</u>
Deferred tax		
Origination and reversal of timing differences	(419,558)	(514,921)
Adjustments in respect of prior periods	49,389	-
Effect of changes in tax rates	44,164	54,203
Total deferred tax	<u>(326,005)</u>	<u>(460,718)</u>
Tax on profit	<u>619,306</u>	<u>179,463</u>

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
(Loss) / profit before tax	(13,363,376)	5,093,423
(Loss) / profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(2,539,041)	967,750
Effects of:		
Expenses not deductible for tax purposes (primarily non qualifying depreciation)	2,993,785	77,899
Income not taxable	-	(202,427)
Deferred tax not provided	-	(343,791)
Adjustments in respect of prior periods	120,398	(374,171)
Effect of changes in tax rates	44,164	54,203
Total tax charge for the year	619,306	179,463

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

13. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2019	3,954,210	1,167,651	5,121,861
Additions	38,010	81,456	119,466
Transfers intra group	213,409	398,890	612,299
Disposals	(6,000)	(101,050)	(107,050)
At 31 December 2019	<u>4,199,629</u>	<u>1,546,947</u>	<u>5,746,576</u>
Depreciation			
At 1 January 2019	2,905,927	972,470	3,878,397
Charge for the year on owned assets	469,998	93,976	563,974
Transfers intra group	13,065	267,069	280,134
Disposals	(5,625)	(43,978)	(49,603)
At 31 December 2019	<u>3,383,365</u>	<u>1,289,537</u>	<u>4,672,902</u>
Net book value			
At 31 December 2019	<u>816,264</u>	<u>257,410</u>	<u>1,073,674</u>
At 31 December 2018	<u>1,048,283</u>	<u>195,181</u>	<u>1,243,464</u>

On 1 January 2019, the company acquired the trade and assets (net of liabilities) of JCA Group Limited which included tangible fixed assets with a net carrying value of £332,165.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2019	27,338,511
Dividend in specie	(744,648)
Write down in value	(15,104,352)
	<hr/>
At 31 December 2019	11,489,511
	<hr/>
Net book value	
At 31 December 2019	11,489,511
	<hr/> <hr/>
At 31 December 2018	27,338,511
	<hr/> <hr/>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
JCA Group Limited	40 Argyll Street, London, W1F 7EB	Ordinary	100%
JCA Board Practice Limited	40 Argyll Street, London, W1F 7EB	Ordinary	100%
JCA Search Limited	40 Argyll Street, London, W1F 7EB	Ordinary	100%
Heidrick & Struggles Leadership Consulting, Ltd	40 Argyll Street, London, W1F 7EB	Ordinary	100%

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

14. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The company owns 100% of the issued share capital of JCA Group Limited and its subsidiaries (JCA Board Practice Limited and JCA Search Limited), which are registered in the United Kingdom. The registered office for these companies and the partnership is 40 Argyll Street, London, W1F 7EB.

The principal activity of JCA Group was to provide research, executive coaching, board members and the supply of general office management services. On 1 January 2019, the company acquired the trade and assets (net of liabilities) of JCA Group Limited by way of a distribution in specie amounting to £744,648. Following the transfer of the trade to the company, it has ceased trading.

As a result, the carrying value of the investment was written down to the aggregate net assets of JCA Group Limited amounting to £1,000.

The company owns 100% of the issued share capital of Heidrick & Struggles Leadership Consulting, Ltd, which is registered in the United Kingdom and a wholly owned subsidiary. The registered office is 40 Argyll Street, London, W1F 7EB.

Name	Aggregate of share capital and reserves £	Profit/(Loss) £	Carrying value of investment £
JCA Group Limited	1,000	-	1,000
JCA Board Practice Limited	1	-	1
JCA Search Limited	1	-	1
Heidrick & Struggles Leadership Consulting, Ltd	(1,096,121)	(1,187,093)	11,488,511

15. Debtors

	2019 £	2018 £
Trade debtors	6,714,423	4,932,071
Amounts owed by group undertakings	14,517,576	17,662,471
Deferred tax asset (see note 19)	796,174	460,718
Other debtors	2,673,920	3,528,989
Prepayments and accrued income	778,389	1,494,870
	25,480,482	28,079,119

The amounts owed by group undertakings are unsecured and repayable on demand.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

16. Cash at bank and in hand

	2019 £	2018 £
Cash at bank and in hand	18,429,944	8,757,229

17. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	208,317	377,280
Amounts owed to group undertakings	32,023,253	30,439,303
Corporation tax	1,739,673	1,397,134
Other taxation and social security	1,222,100	751,698
Accruals and deferred income	17,298,975	14,424,885
	52,492,318	47,390,300

The amounts owed to group undertakings are unsecured and repayable on demand.

18. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Accruals and deferred income	1,705,994	390,729

19. Deferred taxation

	£
At 1 January 2019	460,718
Charged to the profit and loss account	326,005
Transfer from subsidiary undertaking	9,451
At 31 December 2019	796,174

On 1 January 2019, the company acquired the trade and assets (net of liabilities) of JCA Group Limited which included a deferred tax asset of £9,451.

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

19. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2019 £	2018 £
Fixed asset timing differences	91,399	104,410
Short term timing differences	704,775	356,308
	<u>796,174</u>	<u>460,718</u>

A potential deferred tax asset relating to timing differences of £1,535,832 has not been recognised on the ground that there is insufficient evidence that the asset will be recoverable. The asset would be recoverable if there are sufficient and suitable taxable profits in the future.

The deferred tax asset expected to reverse in the next 12 months is £Nil.

20. Provisions

	Property provision £
At 1 January 2019	1,990,080
Utilised in year	(1,382,000)
At 31 December 2019	<u>608,080</u>

The property provision comprises of dilapidations of £608,080 (2018: £608,080) relating to Iona House, Argyll Street, London and an obligation to repay the lease incentive of £Nil (2018: £1,382,000) on a break in the lease.

21. Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 (2018: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

22. Reserves

a) Capital contribution reserve

In 2018, the company received a capital contribution of £2,000,000, which was used to fund the continued investment in subsidiaries and operational expenses.

b) Other reserve

The other reserve relates to a share based payment reserve.

23. Pension commitments

The company operates a defined contribution pension scheme for all employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The total pension cost for the company was £1,009,627 (2018: £755,742) and there were £127,658 (2018: £112,149) contributions outstanding at 31 December 2019.

24. Financial commitments

At 31 December 2019, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Operating leases when payments are due:		
Not later than 1 year	3,215,530	1,382,000
Later than 1 year and not later than 5 years	12,862,120	-
Later than 5 years	-	-
	<u>16,077,650</u>	<u>1,382,000</u>

25. Share based payments

Restricted share units

Selected employees receive as part of their remuneration restricted share units ("RSU's") in the ultimate parent company Heidrick & Struggles International, Inc. The total number of RSU's is determined by the Human Resources and Compensation Committee on an annual basis.

The RSU's are generally subject to rateable vesting over a three year period. Employee compensation expense related to service based RSU's is recognised on a straight line basis over the vesting period. For awards requiring satisfaction of service and performance conditions, employee compensation expense is recognised using a graded vesting attribution method.

During the year, no RSU's were granted (2018: None) and at 31 December 2019 there were none outstanding RSU's (2018: None).

Heidrick & Struggles (UK) Limited

Notes to the financial statements for the year ended 31 December 2019

26. Acquisitions

On 1 January 2019, the company acquired the UK trade and assets of its subsidiary undertaking, JCA Group Limited for a consideration of £744,648 by way of a dividend in specie.

There were no fair value adjustments on acquisition. The book values of the assets and liabilities on the acquisition amounted to £6,715,525 and £5,970,877 respectively.

27. Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Heidrick & Struggles International, Inc., group.

28. Events after the end of the reporting period

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. The UK government has imposed restrictions to reduce the risk of further spread of the disease - closing borders, ordering home quarantine and cancelling public events.

The directors have assessed the impact of COVID-19 on the company, including a review of its customer base, customer contract terms and cash collection; procurement and supply chain; operations; staff working arrangements and capacity. At present, the directors believe that the company is well placed to continue without significant adverse operational or financial impact.

Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, the directors continue to monitor the situation closely and will regularly update their assessment of the impact of the pandemic. The financial statements have been prepared based upon the conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December for the impacts of COVID-19.

Taking into account the assessment of the impact on the company above, the directors are of the view, to the best of their current knowledge, that COVID-19 will not have a material adverse impact on the company's ability to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

29. Immediate parent company and ultimate parent company

The company's immediate parent company is Heidrick & Struggles B.V., a company incorporated in the Netherlands.

The company's ultimate parent company is Heidrick & Struggles International, Inc., which is incorporated in the USA. Copies of the consolidated financial statements of Heidrick & Struggles International, Inc., which include the company, can be obtained from 233 South Wacker Drive, Suite 4900, Chicago, Illinois, USA.