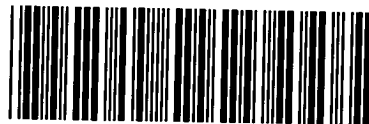


**Heidrick & Struggles (UK) Limited**

**Directors' report and financial statements  
for the year ended 31 December 2013**

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# **Heidrick & Struggles (UK) Limited**

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# Heidrick & Struggles (UK) Limited

## Strategic report for the year ended 31 December 2013

### 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, which remains the most visible indicator of the company's performance remained stable increasing by £0.3m (1.1%).

### 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) Reputational 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 our reputation in the market remains high.

On 27 January 2010, HM Revenue & Customs ("HMRC") notified the company that it was challenging the tax treatment of certain contributions to an Employee Benefits Trust made between 2002 and 2008. The company has appealed the proposed adjustment. At this time the company believes that the likelihood of an unfavourable outcome with respect to the proposed adjustment is not probable and no provision has been made in these financial statements. Note 21 Contingent liabilities provides additional details.

### 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.

This report was approved by the board on 22<sup>nd</sup> December 2014 and signed on its behalf.



S Beard  
Director

# **Heidrick & Struggles (UK) Limited**

## **Directors' report for the year ended 31 December 2013**

The directors present their report and the audited financial statements for the year ended 31 December 2013.

### **Principal activities**

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 profit for the financial year, after taxation, amounted to £2,527,956 (2012: £173,212).

### **Directors**

The directors who served during the year were as follows:

C Baderman  
S Beard

### **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.

### **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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

# Heidrick & Struggles (UK) Limited

## Directors' report for the year ended 31 December 2013

### Statement of directors' responsibilities (continued)

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 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.

### Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

This report was approved by the board on <sup>22<sup>nd</sup></sup> December 2014 and signed on its behalf.



S Beard  
Director

## **Heidrick & Struggles (UK) Limited**

### **Independent auditors' report to the members of Heidrick & Struggles (UK) Limited**

We have audited the financial statements of Heidrick & Struggles (UK) Limited for the year ended 31 December 2013, set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the statement of directors' responsibilities, set out on pages 2-3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Heidrick & Struggles (UK) Limited

### Independent auditors' report to the members of Heidrick & Struggles (UK) Limited

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Shaun Kirby (Senior Statutory Auditor)  
for and on behalf of

**KPMG LLP**

Chartered Accountants

15 Canada Square

London

E14 5GL

22 December 2014

# Heidrick & Struggles (UK) Limited

## Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	27,786,924	27,484,253
Cost of sales		(10,409,938)	(11,998,147)
<b>Gross profit</b>		<b>17,376,986</b>	<b>15,486,106</b>
Administrative expenses		(14,385,679)	(15,046,059)
<b>Operating profit</b>		<b>2,991,307</b>	<b>440,047</b>
Interest receivable and similar income	6	4,286	4,779
Interest payable and similar charges	7	(361,580)	(271,614)
<b>Profit on ordinary activities before taxation</b>		<b>2,634,013</b>	<b>173,212</b>
Tax on profit on ordinary activities	8	(106,057)	-
<b>Profit for the financial year</b>	15	<b>2,527,956</b>	<b>173,212</b>

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

The company has no recognised gains and losses for 2013 or 2012 other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.



# Heidrick & Struggles (UK) Limited

Registered number: 6240880

## Balance sheet at 31 December 2013

	Note	£	2013 £	£	2012 £
<b>Fixed assets</b>					
Tangible assets	9		1,963,643		2,496,824
<b>Current assets</b>					
Debtors	10	15,319,335		15,421,635	
Cash at bank and in hand		3,138,473		2,899,030	
		<u>18,457,808</u>		<u>18,320,665</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(24,047,965)</u>		<u>(26,846,496)</u>	
<b>Net current liabilities</b>			<u>(5,590,157)</u>		<u>(8,525,831)</u>
<b>Total assets less current liabilities</b>			<u>(3,626,514)</u>		<u>(6,029,007)</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(970,089)</u>		<u>(1,017,593)</u>
<b>Provisions for liabilities and charges</b>					
Other provisions	13		<u>(2,043,927)</u>		<u>(2,135,863)</u>
<b>Net liabilities</b>			<u><u>(6,640,530)</u></u>		<u><u>(9,182,463)</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		100		100
Capital reserve	15		4,293,605		4,279,628
Profit and loss account	15		<u>(10,934,235)</u>		<u>(13,462,191)</u>
<b>Total shareholders' deficit</b>	16		<u><u>(6,640,530)</u></u>		<u><u>(9,182,463)</u></u>

The financial statements on pages 6 to 18 were approved by the board of directors on <sup>22<sup>nd</sup></sup> December 2014 and were signed on its behalf by:

  
S Beard  
Director

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Principal accounting policies

#### 1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The principal accounting policies, which have been applied consistently, are set out below.

#### 1.2 Cash flow statement

The company, being a wholly owned subsidiary undertaking of Heidrick & Struggles International, Inc., whose consolidated financial statements are publicly available, is exempt from the requirement to prepare a cash flow statement in accordance with FRS 1, "Cash Flow Statements".

#### 1.3 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 £5,590,157, 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 net 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.

#### 1.4 Tangible fixed assets and depreciation

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

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Principal accounting policies (continued)

#### 1.5 Turnover

Revenue before reimbursements of out-of-pocket expenses ("net revenue") consists of retainers and indirect expenses 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. Typically, the company is paid a retainer for its executive search services equal to approximately one-third of the estimated first year compensation for the position to be filled. In addition, if the actual compensation of a placed candidate exceeds the estimated compensation, the company often will be authorised to bill the client for one-third of the excess. Indirect expenses are calculated as a percentage of the retainer with certain limits per search. The company generally bills its clients for its retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client's acceptance of the contract.

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.

#### 1.6 Operating leases

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

#### 1.7 Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax".

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 1. Principal accounting policies (continued)

#### 1.8 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### 1.9 Pensions

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.

#### 1.10 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 2013

### 2. 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.

### 3. Operating profit

The operating profit is stated after charging:

	2013 £	2012 £
Depreciation of tangible fixed assets - owned	535,345	532,694
Operating lease rentals:		
- land and buildings	1,161,746	1,161,746
- other	140	16,406
Auditors' remuneration - audit of these financial statements	44,491	33,554

### 4. Directors' emoluments

The directors did not receive or waive any emoluments in respect of their services for the year ended 31 December 2013 (2012: £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 (2012: None).

None of the directors have been granted or have exercised share options during the year (2012: None).

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 5. Employee information

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

	2013 Number	2012 Number
Search Consultants	54	50
Search Support	56	55
Other Corporate Staff	21	23
	<u>131</u>	<u>128</u>

The aggregate employee payroll costs were as follows:

	2013 £	2012 £
Wages and salaries	14,351,265	13,150,657
Social security costs	1,312,515	1,267,253
Other pension costs	756,918	769,227
Share based payments (see note 19)	14,113	70,245
	<u>16,434,811</u>	<u>15,257,382</u>

### 6. Interest receivable and similar income

	2013 £	2012 £
Bank and other interest receivable	<u>4,286</u>	<u>4,779</u>

### 7. Interest payable and similar charges

	2013 £	2012 £
On amounts owed to group undertakings	252,850	74,088
Net exchange losses	108,730	197,526
	<u>361,580</u>	<u>271,614</u>

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 8. Taxation

	2013 £	2012 £
UK corporation tax charge on profit for the year	<u>106,057</u>	<u>-</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<u>2,634,013</u>	<u>173,212</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	612,318	42,437

#### Effects of:

Expenses not deductible for tax purposes (primarily non qualifying depreciation)	134,595	95,482
Capital allowances in excess of depreciation	(6,914)	(23,090)
Other short term timing differences	(93,816)	(7,976)
Group relief claimed for no payment	-	(1,171)
Losses brought forward utilised	(540,126)	(105,682)

#### Current tax charge for the year (see note above)

<u>106,057</u>	<u>-</u>
----------------	----------

#### Factors affecting future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

As at 31 December 2013, the company had underlying tax losses of £Nil (2012: £2,407,000). No deferred tax asset has been recognised due to uncertainty over the timing of the utilisation of these tax losses. In addition, the company has provisions, trade intangibles and capital allowances totalling £15,382,000 (2012: £15,817,000). No deferred tax asset has been recognised due to uncertainty over the timing of a tax deduction for these items.

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 9. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>			
At 1 January 2013	2,859,542	1,137,848	3,997,390
Additions	-	4,218	4,218
Disposals	-	(6,885)	(6,885)
At 31 December 2013	2,859,542	1,135,181	3,994,723
<b>Depreciation</b>			
At 1 January 2013	804,063	696,503	1,500,566
Charge for the year	320,599	214,746	535,345
Disposals	-	(4,831)	(4,831)
At 31 December 2013	1,124,662	906,418	2,031,080
<b>Net book value</b>			
At 31 December 2013	1,734,880	228,763	1,963,643
At 31 December 2012	2,055,479	441,345	2,496,824

### 10. Debtors

	2013 £	2012 £
Trade debtors	4,664,432	4,496,530
Amounts owed by group undertakings	8,586,364	9,339,821
Other debtors	564,936	203,410
Prepayments and accrued income	1,503,603	1,381,874
	<u>15,319,335</u>	<u>15,421,635</u>

### 11. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	532,502	530,625
Amounts owed to group undertakings	15,621,501	18,849,766
Corporation tax	106,057	-
Taxation and social security	967,307	903,321
Accruals and deferred income	6,820,598	6,562,784
	<u>24,047,965</u>	<u>26,846,496</u>



# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 12. Creditors: amounts falling due after more than one year

	2013 £	2012 £
Accruals and deferred income	<u>970,089</u>	<u>1,017,593</u>

### 13. Provisions for liabilities and charges

	2013 £	2012 £
At 1 January	2,135,863	2,198,242
Utilised in the year	(91,936)	(62,379)
At 31 December	<u>2,043,927</u>	<u>2,135,863</u>

Provisions include an onerous lease obligation of £385,507 (2012: £477,443) relating to 2nd floor, Fleet Place House, Fleet Place, London. This provision represents the excess cost of the lease over the anticipated income through to the first lease break in 2016.

Provisions include dilapidations of £276,420 (2012: £276,420) relating to Iona House, Argyll Street, London and an obligation to repay the lease incentive received of £1,382,000 (2012: £1,382,000) on a break in the lease up to the lease break in 2019.

### 14. Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 15. Reserves

	Capital reserve £	Profit and loss account £
At 1 January 2013	4,279,628	(13,462,191)
Profit for the financial year	-	2,527,956
Adjustment of market value of RSU's	(136)	-
Amortisation of fair value of RSU's	14,113	-
At 31 December 2013	<u>4,293,605</u>	<u>(10,934,235)</u>

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 16. Reconciliation of movements in shareholders' deficit

	2013 £	2012 £
Opening shareholders' deficit	(9,182,463)	(9,298,794)
Profit for the financial year	2,527,956	173,212
Capital contribution in relation to share based payments	13,977	(56,881)
	<hr/>	<hr/>
Closing shareholders' deficit	(6,640,530)	(9,182,463)
	<hr/>	<hr/>

### 17. 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 £756,918 (2012: £769,227) and there were £Nil (2012: £Nil) contributions outstanding at 31 December 2013.

### 18. Financial commitments

At 31 December 2013, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2013 £	2012 £
Operating leases which expire:		
After more than five years	1,382,000	1,382,000
	<hr/>	<hr/>

### 19. 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.

# Heidrick & Struggles (UK) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 19. Share based payments (continued)

The company's RSU's activity was as follows:

	Weighted average grant date fair value 2013 £	Number of restricted share units 2013	Weighted average grant date fair value 2012 £	Number of restricted share units 2012
Outstanding at 1 January	13.66	1,503	11.65	5,982
Vested during the year	9.48	(1,503)	10.52	(4,479)
Outstanding at 31 December	-	-	13.66	1,503

The total expenses recognised for the year arising from share based payments are as follows:

	2013 £	2012 £
Equity settled share based payments	14,113	70,245
Total carrying amount of liabilities	-	14,113

### 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 8 "Related Party Transactions" and has therefore not disclosed transactions or balances with entities which form part of the group.

### 21. Contingent liabilities

The company has a contingent liability in respect of payments made to an Employee Benefits Trust. On 27 January 2010, HM Revenue & Customs ("HMRC") notified the company that it was challenging the tax treatment of certain contributions made to the Employee Benefits Trust between 2002 and 2008. HMRC alleges that these contributions should have been subject to Pay As You Earn tax and Class 1 National Insurance Contributions in the UK, and HMRC is proposing an adjustment to the company's payroll tax liability for the affected years. The aggregate amount of HMRC's proposed adjustment is approximately £3,900,000. The company has appealed the proposed adjustment. At this time, the directors believe that the likelihood of an unfavorable outcome with respect to the proposed adjustment is not probable and the potential amount of any loss, if any, cannot be reasonably estimated.

## **Heidrick & Struggles (UK) Limited**

### **Notes to the financial statements for the year ended 31 December 2013**

#### **22. Immediate parent company and ultimate parent company**

The company's immediate parent company is Heidrick & Struggles B.V.

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 4200, Chicago, Illinois, USA.