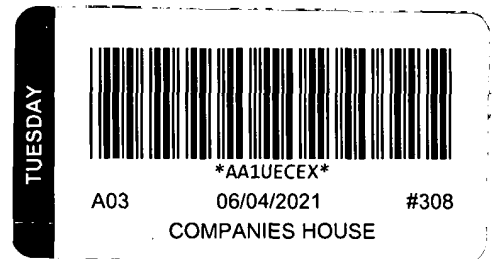


L.E.K. Consulting LLP

Annual Report and financial statements for the year ended 30 April 2020

Register no. OC300277



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Members' Report

The members present their annual report, together with audited financial statements, for the year ended 30 April 2020. L.E.K. Consulting LLP is registered in England and Wales and is incorporated as a Limited Liability Partnership under the Limited Liability Partnerships Act 2000.

Review of the business

L.E.K. Consulting LLP (L.E.K./the Partnership) is part of L.E.K. Consulting Group Ltd (the Group), a global strategy consulting group with presence in the Americas, Europe and Asia-Pacific. The Partnership is directly owned by L.E.K. Consulting UK Limited, a company incorporated in the United Kingdom of Great Britain and Northern Ireland and registered in England and Wales.

Future developments

The members regard the financial position at the end of the year to be satisfactory and expect the Partnership to continue trading at similar levels of income for the foreseeable future.

Designated members

The designated members, as defined in the Limited Liabilities Partnership Act 2000, who served throughout the year, except where noted, and up to the date of this report, were:

L.E.K. Consulting UK Limited

JC Heskett (appointed 10 August 2020)

MM Gordon (appointed 6 January 2020)

LM Verge (resigned 10 August 2020)

JNE Sparey (resigned 10 August 2020)

Financial risk management objectives and policies

L.E.K.'s activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

L.E.K.'s activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. L.E.K. does not use foreign exchange forward contracts or interest rate swap contracts to hedge these exposures but will consider them if market conditions change.

Credit risk

L.E.K.'s principal financial assets are bank balances and cash, trade and other receivables. L.E.K. has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, L.E.K. uses a mixture of long-term and short-term debt finance.

Key performance indicators

The Group employs many key performance indicators at an individual project level and for the firm as a whole. The Members of the Group are of the view that performance on all key measures over the financial year was satisfactory. The firm measures performance against an annual budget set at the end of the previous financial year.

L.E.K.'s performance is reviewed in the wider context of the Group and employs many key performance indicators at an individual project level and for the company as a whole. It also uses some non-financial measures to determine staff utilisation and productivity.

During the year, L.E.K.'s:

- revenues increased by 6% from £82.2m to £86.8m
- net cash overdrafts fell by £8.2m to £0.6m
- trade debtors decreased by £4.7m to £13.8m

Principal risks and uncertainties

The management consultancy business is very competitive. L.E.K. aims to have strong relationships with its clients and offers a wide selection of services and this, the members believe, puts the group in a strong position to meet the needs of the market. The group has a diversified client base in terms of sector and geography and relatively low concentration of revenues in large clients. L.E.K.'s 10 largest clients accounted for 28% (2019 – 33%) of revenues in the year.

Members' Report (continued)

Policy with respect to members' drawings and members' capital

The members' policy on drawings is dependent on L.E.K.'s working capital requirements. A conservative level of monthly drawings is set and further distributions are made from time to time as prudent working capital requirements allow. Members' drawings in 2020 were £19.7m (2019: £18.5m).

Streamlined energy and carbon reporting

As of 2019-20, UK law requires the LLP to report certain greenhouse gas emissions from UK operations under the SECR

In January 2008, the L.E.K. Group became the first management consulting firm to achieve carbon-neutral status across its global operations. The Group's environmental policy is to measure, reduce and offset carbon emissions. In the year to 31 December 2019, the group offset 22,000 tonnes of carbon dioxide (2018 – 20,000 tonnes).

In determining UK energy use, the LLP calculated CO₂e emissions through the application of Conversion Factors 2019 and 2020 published by the UK Government's Department for Business, Energy & Industrial Strategy.

		2020 tCO ₂ e
Scope 1	Direct emissions	-
Scope 2	Indirect emissions - electricity usage	-
Scope 3	Other indirect - business travel	1,610
	- other business activities	139
		<u>1,749</u>
Total emissions		<u>1,749</u>
Intensity ratio: tonnes CO ₂ e per £m revenue		<u>20.2</u>

The LLP is based in an office building in central London. The building is supplied with certified 100% renewable electricity resulting in zero emissions.

Travel guidelines issued to staff promote the use of public transport where practical and with due regard for personal safety.

Going concern

The Members have considered the impact of the Covid-19 pandemic on the Partnership's and the Group's business. The members have prepared forecasts and projections taking account of declines in revenue and scenarios of a return to pre-pandemic levels of between 12 and 24 months from the start of the UK Governments travel restrictions. Consideration has been taken of the Partnership's and the Group's cash flows, including the cost mitigation actions implemented. These show that the Partnership and the Group would be able to operate with sufficient cash reserves, within its banking covenants and be able to meet its liabilities as they fall due. The Members therefore have a reasonable expectation that the Partnership and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements and are confident the Partnership and the Group will be well-placed when market conditions improve.

The potential impact of Brexit has been considered and is not deemed to have a significant effect on this assessment of going concern. The share of Group revenue arising in the UK is less than 20% of the total and the Group directors consider that any loss of income experienced in the UK would be more than compensated by opportunities for cross-border collaboration with offices in other locations, particularly in Europe and the USA.

Members' Report (continued)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved and signed on behalf of the members.

A handwritten signature in black ink, appearing to be 'M.M. Gordon', with a long horizontal flourish extending to the right.

M.M.Gordon
Designated Member
160 Victoria Street
London
SW1E 5LB

23 March 2021

Members' Responsibilities Statement

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the firm for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the Board on behalf of the members.

Independent Auditor's Report to the Members of L.E.K. Consulting LLP for the year ended 30 April 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of L.E.K. Consulting LLP (the 'limited liability partnership'):

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in member's equity; and
- the related notes 1 to 16.

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).

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 UK, including the Financial Reporting Council's (the 'FRC'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 are required by ISAs (UK) to report in respect of the following matters where:

- the members' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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.

We have nothing to report in respect of these matters.

Other information

The members 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.

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 respect of these matters.

Independent Auditor's Report to the Members of L.E.K. Consulting LLP for the year ended 30 April 2020 (continued)

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions 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 members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the members' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the members' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnership we are required to report in respect of the following matters 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 members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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 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 as a body, for our audit work, for this report, or for the opinions we have formed.



Jeremy Black ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

24 March 2021

Profit and Loss Account
For the year ended 30 April 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	86,784	82,218
Gross profit		86,784	82,218
Administrative expenses		(53,171)	(56,426)
Operating profit		33,613	25,792
Bank interest receivable		37	16
Bank interest payable		(1)	(8)
Share based payments	12	(1,984)	(2,913)
Profit for the financial year before members' remuneration and profit shares	4	31,665	22,887
Members' remuneration charged as an expense		(7,128)	(6,581)
Profit for the financial year available for discretionary distribution among members		24,537	16,306

All above results were from continuing activities.

There are no items of comprehensive income in the current or preceding year other than those disclosed in the profit and loss account. Accordingly, no statement of comprehensive income is presented in these financial statements.

Balance Sheet
As at 30 April 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	7	<u>3,547</u>	<u>4,286</u>
Current assets			
Debtors	8	44,583	41,380
Cash at bank and in hand		<u>10,094</u>	<u>1,292</u>
		54,677	42,672
Creditors: amounts falling due within one year	9	(35,457)	(38,142)
Net current assets		<u>19,220</u>	<u>4,530</u>
Total assets less current liabilities		22,767	8,816
Provisions for liabilities	10	(768)	(768)
Net assets attributable to members		<u>21,999</u>	<u>8,048</u>
REPRESENTED BY:			
Members' other interests classified as liability		<u>21,999</u>	<u>8,048</u>
TOTAL MEMBERS' INTERESTS			
Amounts due from members in debtors		(235)	(231)
Members' other interests		<u>21,999</u>	<u>8,048</u>
		<u>21,764</u>	<u>7,817</u>

The financial statements of L.E.K. Consulting LLP, registered number OC300277, were approved and authorised for issue by the members on 23 March 2021.



M.M. Gordon
Designated Member

Statement of Changes in Members' Interests
For the year ended 30 April 2020

	Loans and other debts due from members within one year £'000	Members' other interests classified as a liability £'000	Total £'000
Members' interests at 1 May 2018	(234)	(1,597)	(1,831)
Members' remuneration charged as an expense	6,581	-	6,581
Share based payments (note 12)	-	2,913	2,913
Profit for the financial year available for discretionary division among members	-	16,306	16,306
Division of profits	9,574	(9,574)	-
Introduced by members	2,380	-	2,380
Drawings	(18,532)	-	(18,532)
Members' interests at 30 April 2019	(231)	8,048	7,817
Members' remuneration charged as an expense	7,128	-	7,128
Share based payments (note 12)	-	1,984	1,984
Profit for the financial year available for discretionary division among members	-	24,537	24,537
Division of profits	12,570	(12,570)	-
Introduced by members	-	-	-
Drawings	(19,702)	-	(19,702)
Members' interests at 30 April 2020	(235)	21,999	21,764

Members' other interests rank after unsecured creditors. Loans and other debts due to members rank pari passu with unsecured creditors in the event of a winding up.

Notes to the financial statements

1 Significant accounting policies

General information

L.E.K. Consulting LLP (L.E.K.) is incorporated in the United Kingdom under the Limited Liability Partnership Act 2000 and registered in England and Wales. The address of the registered office and the nature of L.E.K.'s operations and its principal activities are set out in the members' report on pages 1 and 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued July 2014). The entity has applied the amendments to FRS 102 issued by the FRC in December 2017 with effect from 1 January 2019. The transitional provisions relating to the triennial review amendments have not resulted in any restatements of comparative information by the entity.

L.E.K. meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement and share based payments.

Going concern

The financial statements have been prepared under the going concern basis. See the Members' Report for further details.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of L.E.K. after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs) and subsequently measured at amortised costs using the effective interest method, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and L.E.K. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current or prior years.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) L.E.K. transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) L.E.K., despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Members' interests

Following a reorganisation on 4 August 2017, the LLP became part of a new group structure with the new holding company being L.E.K. Consulting Group Limited, a company incorporated in the United Kingdom of Great Britain and Northern Ireland and registered in England and Wales. As part of the transaction, all members' capital was repaid and a new bank facility was taken out by the group.

SORP para.64 states that the capital (whether classified as a liability or equity) of an LLP maybe be reduced by agreement of the members either by repayment or by the conversion of equity capital into liability capital or other debt. In the absence of agreement to the contrary, unsecured debt due to members will rank equally with debts due to other unsecured creditors in a winding up.

Divisible profits and members' remuneration

The LLP SORP recognises that the basis of calculating profits for allocation may differ from the profits reflected through the financial statements prepared in compliance with recommended practice, given the established need to seek to focus profit allocation on ensuring equity between different generations and populations of members.

The remainder of profit shares, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within other reserves.

Taxation

The taxation payable on the partnership profits is the personal liability of the members, although payment of such liabilities is administered by L.E.K. on behalf of the members. Consequently, neither partnership taxation nor related deferred taxation are accounted for in the financial statements. Sums set aside in respect of members' tax obligations are included in the balance sheet within loans and other debts due to members or set against amounts due from members as appropriate.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life, using the straight line method, as follows:

- | | |
|--------------------------|-----------------------|
| • Leasehold improvements | the term of the lease |
| • Office equipment | 5-8 years |
| • Computer equipment | 3 years |

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where this effect is deemed material.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss within operating expenses in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received as an incentive to sign have been spread on a straight-line basis over the lease term.

Turnover

Turnover represents the right to consideration earned in respect of services performed during the period net of value added tax to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. All turnover comprises professional services income generated within United Kingdom.

Accrued income

Accrued income represents the amounts recognised as turnover during the period in excess of the bills rendered, net of value added tax.

Deferred income

Deferred income represents the excess of amounts billed where the related revenue has not yet been recognised.

Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

Provisions are recognised when L.E.K. has a present obligation (legal or constructive) as a result of a past event, it is probable that L.E.K. will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dilapidations

Provisions are made for dilapidations in respect of property leases which contain requirements for the premises to be returned to their original state prior to the conclusion of the lease term.

Notes to the financial statements (continued)

1 Significant accounting policies (continued)

Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 12.

The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Equity-settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of L.E.K.'s accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Partnership's accounting policies

The following are the critical judgements that the members have made in the process of applying the Partnership's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- *Revenue recognition and accrued income*

Revenue represents the right to consideration earned in respect of services performed during the period net of tax to the extent that there is a right to consideration and it is recorded at the value of the consideration due. The value of accrued income is derived on the basis of judgements and assumptions regarding the fair value of unbilled time at the year end, in accordance with the Partnership's accounting policy for turnover.

- *Share based payments*

The ultimate parent company has issued shares to the shareholders which have conditions attached to them requiring that if the shareholders cease to work within the business they can be required to sell their shares back. The price that they receive will depend on the length of time elapsed since the shares were issued and whether they are classified as good or bad leavers. Therefore this arrangement has been identified as a share based payment arrangement.

From the perspective of the Partnership, this is an equity settled share based payment arrangement. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The charge recognised in the year is dependent on assumptions made over the non-market based vesting conditions. There is a key source of estimation uncertainty around the percentage of shareholders expected to leave the business as bad leavers.

The members do not believe there are any key sources of estimation uncertainty.

3 Segment information

All turnover, operating profit and net assets arise from trade in the United Kingdom.

Notes to the financial statements (continued)

4 Profit for the financial year available for discretionary distribution among members, is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of tangible fixed assets (note 7)	1,097	877
Operating lease rentals: property	1,615	2,518
Members' remuneration charged as an expense	7,128	6,581
Foreign exchange differences	(40)	(92)
Fees payable to the company's auditor:		
- audit of the LLP's annual financial statements	50	45
- non-audit fees - tax compliance services	10	9
- non-audit fees - corporate services	-	3
- total	60	57

5 Staff costs

Employee costs (excluding members) during the year amounted to:

	2019 £'000	2019 £'000
Wages and salaries	23,537	21,373
Social security costs	3,239	2,988
Other pension costs	526	417
	27,302	24,778

Other pension costs includes only those items included within operating costs.

The average number of persons employed during the year was:

	Number	Number
Members	35	32
Employees	284	260
	319	292

6 Members' share of profits

	2019	2019
Average number of members	35	32
Average profit per member (£'000)	911	710
Profit of the highest paid member (£'000)	1,315	1,388

Notes to the financial statements (continued)

7 Tangible fixed assets

		Leasehold improve- ments £'000	Office equipment £'000	Computer equipment £'000	Total £'000
Cost	At 1 May 2019	2,489	968	4,926	8,383
	Additions	34	16	308	358
	Disposals	-	-	(2,724)	(2,724)
	At 30 April 2020	2,523	984	2,510	6,017
Depreciation	At 1 May 2019	153	101	3,843	4,097
	Charge for year	263	208	626	1,097
	Disposals	-	-	(2,724)	(2,724)
	At 30 April 2020	416	309	1,745	2,470
Net book value	At 30 April 2020	2,107	675	765	3,547
	At 30 April 2019	2,336	867	1,083	4,286

8 Debtors

	2020 £'000	2019 £'000
Trade debtors	13,790	18,525
Amounts due from members	235	231
Inter-company balances	24,221	14,272
Prepayments and accrued income	6,337	8,352
	<u>44,583</u>	<u>41,380</u>

Inter-company balances are unsecured, non-interest bearing and are repayable on demand.

9 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank overdrafts	10,718	10,124
Trade creditors	2,789	3,017
Inter-company balances	13,958	13,949
Other creditors:		
- VAT payable	1,383	410
- payroll tax and social security	709	856
Accruals and deferred income	5,900	9,786
	<u>35,457</u>	<u>38,142</u>

Inter-company balances are unsecured, non-interest bearing and are repayable on demand.

Notes to the financial statements (continued)

10 Provision for liabilities and charges

	2020 £'000	2019 £'000
Dilapidations provision b/f	768	908
Provision created	-	801
Provision utilised	-	(941)
Dilapidations provision c/f	<u>768</u>	<u>768</u>

The dilapidations reserve is a provision towards the costs on the expiry of a property lease in March 2028.

11 Financial instruments

	2020 £'000	2019 £'000
Financial assets:		
Financial assets that are debt instruments measured at amortised cost	<u>50,984</u>	<u>39,588</u>
Financial liabilities:		
Financial liabilities measured at amortised cost	<u>35,243</u>	<u>33,543</u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors, inter-company balances, prepayments (but not accrued income) and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, inter-company balances, accruals (but not deferred income) and other creditors.

12 Share based payments

The ultimate parent company, L.E.K. Consulting Group Limited grants share capital to its members with conditions attached to them requiring that if the shareholders cease to work within the business, they can be required to sell their shares back. The price members receive will depend on the length of time elapsed since the shares were issued, and whether they are considered good or bad leavers. The members of L.E.K. Consulting LLP provide services in exchange for the initial share capital and the scheme is treated as equity settled. In the year ended 30 April 2020, 1,878,451 shares were so granted (2019 - 1,401,505).

The fair value of the shares was based on the unrestricted market value of the assigned shares at grant date which was \$1.81 per share (2019 - \$1.32).

In future periods, further share based payment charges / credits will arise due to:

- (i) New equity offered to members as part of an annual incentive scheme
- (ii) Existing equity cancelled on members' departures

L.E.K. recognised total expenses of £1.984m (2019: £2.913m) related to equity-settled share based payment transactions.

13 Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2020		2019	
	Property leases £'000	Other leases £'000	Property leases £'000	Other leases £'000
- within one year	2,019	57	168	57
- between one and five years	8,077	33	8,077	90
- after five years	5,889	-	7,909	-
	<u>15,985</u>	<u>90</u>	<u>16,154</u>	<u>147</u>

Notes to the financial statements (continued)

14 Employee benefits

Defined contribution schemes - The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 30 April 2020 was £526,000 (2019: £417,000).

15 Related party transactions

During the year, £442,000 (2019 - £425,500) was reimbursed to members of the LLP in respect of expenses incurred in the course of business.

Included within creditors in the balance sheet is £nil (2019 - £12,000) owing to members of the LLP in respect of these expenses.

The total remuneration for key management personnel in the period was £2,588,000 (2019 - £2,706,000).

16 Controlling party

In the opinion of the members, the Company's ultimate parent Company and ultimate controlling party is L.E.K. Consulting Group Limited, a Company incorporated in Great Britain. The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is L.E.K. Consulting Group Limited, a Company incorporated in Great Britain at 160 Victoria Street, London, SW1E 5LB. The parent undertaking of the smallest such group is L.E.K. International Group Limited, a Company incorporated in Great Britain at 160 Victoria Street, London, SW1E 5LB. Copies of the group financial statements of L.E.K. Consulting Group Limited and L.E.K. International Group Limited are available from Companies House, Crown Way, Cardiff CF14 3UZ. The Company's immediate controlling party is L.E.K. Consulting UK Limited.