



annual report

2004 - 2005



Chairman's report

Introduction

The Professional Contractors Group (PCG) was formed in May 1999 to lobby against the Government's IR35 proposals. We have since evolved from operating as a single-issue lobby group to being a fully fledged not-for-profit trade association.

Our aim is to work for proper recognition of freelance consultants and contractors as a valuable sector of the economy, generating wealth and employment and providing industry with a flexible workforce.

I am pleased to report on some of our activities and achievements in the 12 months to 30 April 2005. A few of the notable successes include:

- Strong growth in membership and improvement in membership retention rates
- Improved and increased media coverage
- Increased representation by policy team at government, department and select committee level
- An expanded sphere of influence with complementary organisations
- Introduction of the PCG (QS) ISO9001 certification scheme for members
- Launch of a PCG Approved Contract scheme
- Introduction of *PCGPlus*, a new level of membership incorporating additional insurance and other valuable benefits
- Continued support of members' cases

Governance

In line with the establishment of PCG as a fully fledged trade association, we have implemented a number of internal changes, culminating in the appointment of John Thomas as our first ever chief executive. Having worked with PCG for over two years and served as chief operations officer, John now manages the executive team responsible for the day-to-day running of the business and delivery of our objectives, allowing the board to focus on governance, policy, objectives and strategy.

Objectives

In my second year as chairman of PCG, I can confirm that our key objective remains unchanged, that is, to be the voice of freelancers at local, European and national levels, to represent our members in our dealings with both UK and European governments and to work with our members at all stages of their business life cycles.

Any profits that we make each year are used to fund our future activities, which are driven by our stated objectives for the coming year:

- Continually improve PCG's standards of professionalism and quality, maintaining UKAS-accredited ISO9001:2000 certification and working towards Investors in People
- Maintain constant dialogue with membership, remaining member-led
- Increase membership year on year
- Facilitate members' commercial development
- Be recognised as the representative voice of, and fount of all wisdom concerning, independent workers in the UK, and promote the positive benefits of independent workers to business, government and society
- Provide full lifecycle support, information and protection to members, developing the range of value-added products and services relevant to members
- Ensure that PCG maintains its long term financial viability

More details of our specific campaigns, activities and achievements appear on the following pages.



Chairman's report

Financial management

Over the past year, the board has worked as a team to introduce a rigorous system of budgets, controls and financial reporting. I am delighted to report that, as shown in the accounts, we are showing a surplus of £226,991 for the year.

Current accounting rules on income recognition dictate that, where a member pays in advance for a service which they will receive over a period of time, the fees received must be apportioned over that period. If a member pays PCG £120 in March 2005, we bring into the 2005 accounts only part of the payment — the balance is carried forward to be included in the 2006 accounts and appears in the 2005 balance sheet as accrued income i.e. as if it were a PCG liability.

Under the terms of our Articles of Association, were PCG to cease trading, no fees are refundable to either members or Affiliates which means that we are having to carry in our balance sheet a notional liability which, in fact, will never crystallise and in turn this has the effect of making our balance sheet show an insolvent position when, I am happy to report, that is simply not the case.

During the year to 30 April 2005, our pattern of renewals changed as demand for our new *PCGPlus* product grew and this meant not only increased income but also more renewals weighted towards the latter part of the year. This, in turn, has meant that we have had to transfer £127,321 of our profits to the balance sheet to increase further what was already a purely notional liability.

Had we not been obliged to show the accrued income figure of £849,558 at 30 April 2005, our balance sheet would have shown our true reserves of £339,203, as opposed to the apparent deficit of £510,355.

The board believes that PCG can have a long term future only if it is operating from a strong financial base and this means that we need to clear the accumulated deficit on our reserve account. However, this must never take precedence over our primary duty, which is to spend our members' money wisely on activities that we believe will be of direct benefit to them.

Looking forward

We have an exciting and challenging year ahead of us. Our plans include establishing a much greater presence in the regions, expanding and strengthening our links with complementary organisations, introducing new member services and continuing to find innovative ways of supporting our members' commercial endeavours. Taxation and other financial issues remain fundamental to our members' continuing growth and our role is to be there for them whenever they need us.

I am very proud to be associated with an organisation that is committed to the freelance consulting and contracting community and champions the rights of those who choose to work for themselves.

It is a pleasure to be working with the same team of directors in my second year as chairman, and I would like to thank them for all their hard work. I look forward to continuing my work with the board and the consultative council for the rest of this financial year and am confident that we will have more good news to report to our members at the end of the year.



Simon Juden
Chairman



The board and executive management team, from left: chairman Simon Juden, deputy chairman Chris Woollacott, finance director Neil Graham, directors Richard Robson, Simon Griffiths, Julie Stewart and Ian Durrant, chief executive John Thomas and operations manager Mark Wharton.

Campaigns, activities, achievements

Taxation

Our regular member surveys indicate that taxation is still the biggest issue for our members, with IR35 in particular remaining a key problem for many of them. We have heard a number of suggestions that HM Revenue & Customs (HMRC) is planning a root and branch review of small company taxation and we will ensure that PCG plays a pivotal role in any such discussions.

Whilst IR35 remains in its present format, we continue to offer a number of services to our members, including tax investigation insurance and detailed contract reviews.

For those freelancers who are fortunate enough not to be concerned about IR35, HMRC's increasing use of Section 660A to impose additional tax on dividends drawn remains a problem.

Our key test case in this area has been that of Arctic Systems Ltd which, so far, we have funded in order to take the case not only to the Special Commissioners but also to the High Court. To date, both actions have failed but we have sought and obtained clearance to take this important test case to the Court of Appeal.

The Arctic Systems case has wide ramifications not only for our members but also for other small family businesses, and I am grateful to those members and affiliates who have continued to support our efforts financially.

We will continue to campaign for clarity, consistency and common sense in regulation and legislation. Where this means resorting to litigation, that is what we will do.

To date, tax investigation cases completed by PCG's approved suppliers have resulted in 877 wins for PCG members, and just three for HMRC.

Policy

We have continued to widen our lobbying reach, working with ministers and their shadows, key civil servants, MPs and MEPs. [smallbusiness|europe](#) helps us leverage representation at a European level too.

We have engaged more than ever before with Government, responding to a record number of consultations and working proactively in the corridors of power in the UK and Europe to protect and promote our members and their marketplaces.

We have submitted responses to the Government in respect of several consultation papers, such as:

- Office of Government Commerce (OGC) consultation on Supply Chain Management
- Department of Constitutional Affairs on proposals to change the Tribunals system (replacing the General and Special Commissioners of Income Tax)
- HM Treasury on the Hampton Review of government regulation

Our lobbying campaign against the directive on computer-implemented inventions, which would have made software patentable, came to fruition in July 2005, when the European Parliament rejected the directive.

Member benefits

A core component of standard membership is PCG's Professional Expenses Insurance policy, which covers all members and pays up to £75,000 per member per membership year to cover professional fees relating to any tax investigation, including those on IR35, S660A, PAYE, VAT and other matters. Other benefits include:

- Access to draft contracts vetted by experts
- Expert guides on IR35 and S660A
- Tax and legal helplines
- Forums for sharing ideas and expertise, seeking help
- ISO9001 certification scheme
- Discounts on PI and other insurance products
- Discounted online credit checking, hotels, travel etc



Campaigns, activities, achievements

Member benefits (continued)

In December, we launched a premium level of membership called *PCGPlus*. This has proved to be extremely popular, and over 2,000 members have already upgraded. In addition to all the benefits of standard membership, *PCGPlus* offers PAYE Audit Cover, Creditsafe Fee Recovery Service and access to the Ashridge Virtual Learning Resource Centre (VLRC).

Promoting members' interests

In seeking to promote members commercially and support their development, PCG actively develops tools, services and relationships that will assist them. Our objective is to help members improve and enhance their business prospects and to improve the professionalism and perception of freelance consultants and contractors.

Towards the end of 2004, for example, we introduced our Quality Systems scheme, PCG (QS), to help members achieve UKAS-accredited ISO9001:2000 certification, so that they can compete on a level playing field for public sector and corporate projects. Far less expensive and bureaucratic than most routes to certification, PCG (QS) opens public sector markets previously closed to freelancers and has already resulted in major project wins for certified members. Over the coming year, we will be adding to this portfolio of products designed to help PCG members with their commercial development.

We are passionate about promoting the benefits of engaging freelancers, and have advertised in and/or provided editorial for a range of august publications, including the Institute of Directors' *Growing Business*, *IEE Computing & Control Engineering*, *ITNOW* and the *ATSCo Staffing Handbook*. We have also produced flyers for client organisations, giving them valuable advice about engaging freelancers, and are contributing to a Chartered Institute of Personnel and Development (CIPD) book about freelancing.

Working with agencies

We recognise that recruitment agencies perform a vital role for many freelance businesses, and work closely with their representative bodies, the Recruitment & Employment Confederation (REC) and the Association of Technology Staffing Companies (ATSCo), as well as the many agencies that are also PCG Affiliate members.

During the past year, we introduced an Approved Contract scheme for the benefit of PCG members, agencies and the freelance consulting and contracting community, to make available standard, commercially sound, business-to-business contracts suitable for freelance businesses operating outside IR35.

Affiliate members and PCG friends

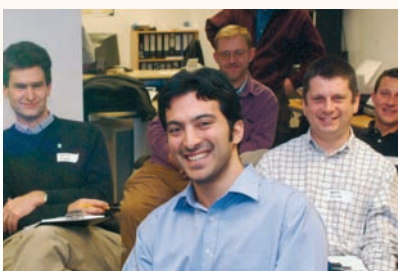
Affiliate membership is intended for businesses that are able to offer services or products to our members, possibly on preferential terms, and includes a broad range of organisations with small business offerings.

During the past year, we have introduced a vetting procedure to ensure that any organisations wishing to join as Affiliate members have policies and aims that are broadly consistent with our own and whose financial standing does not give us cause for concern at the outset.

Our Affiliate membership has continued to grow, and we have some innovative ideas about how we can work with them in the future.

PCG also works with a large number of complementary organisations to support their freelance members and clients, and promote the benefits of freelancing. Some of our friends include the British Computer Society, the Institute of Directors, the Institution of Electrical Engineers and Top Consultant, to name just a few.

From left: Geoff and Diana Jones of Arctic Systems outside the High Court with Simon Juden in March. Access to the Ashridge VLRC for *PCGPlus* members. Freelancing Matters issues 4 and 5. PCG (QS) training session. Stuart Mealing of Transsol, first to achieve ISO9001 certification through PCG (QS). *PCGPlus* combined guide. Advertisements in the IoD's *Growing Business* and ATSCo's *Staffing Handbook*.



Financials

Overview

The introduction of a rigorous system of budgets, controls and financial reporting is reflected in PCG's financial performance for the year. Key statistics extracted from the audited financial statements include:

- Income for the year increased 23% to **£1,798,428**
- Expenditure decreased 20% to **£1,665,522**
- From a deficit of £448,873 in 2004, the accounts for 2005 show a surplus of **£226,991**

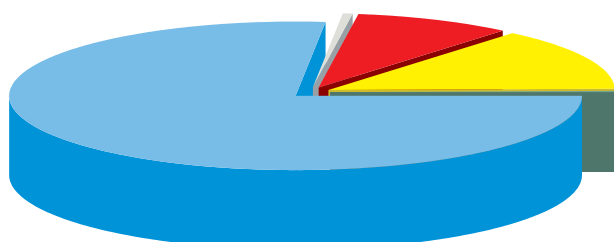
Balance sheet

	2005 £	2004 £
FIXED ASSETS		
Tangible assets	18,381	1,544
CURRENT ASSETS		
Debtors	300,389	294,826
Cash at bank	511,192	274,349
	811,581	569,175
CURRENT LIABILITIES		
CREDITORS: amounts falling due within one year	1,324,979	1,242,249
NET CURRENT LIABILITIES	(513,398)	(673,074)
TOTAL ASSETS LESS CURRENT LIABILITIES	(495,017)	(671,530)
RESERVES		
Legal fund reserve	15,338	65,816
Income and expenditure account	(510,355)	(737,346)
DEFICIENCY	(495,017)	(671,530)

Income and expenditure

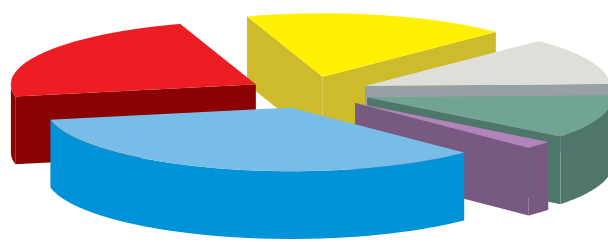
	2005 £	2004 £
INCOME		
Subscriptions income:		
Members	1,377,644	1,183,765
Affiliates	12,504	2,908
PCG (QS)	157,704	0
	1,547,852	1,186,673
Bank interest receivable	3,757	707
Other income	246,819	275,304
	1,798,428	1,462,684
OVERHEADS		
Operating costs		
Lobbying and representation	(183,067)	(243,142)
Membership support and services	(575,772)	(610,424)
Marketing and client/agency education	(32,301)	(99,296)
Support contracts	(291,601)	(414,615)
Corporate governance	(199,215)	(318,465)
Corporate, finance and other	(383,566)	(411,927)
	(1,665,522)	(2,097,869)
Net surplus/(deficit) before legal fund contributions	132,906	(635,185)
Release of legal fund contributions	94,085	186,312
NET SURPLUS/(DEFICIT)	226,991	(448,873)
Balance brought forward	(737,346)	(288,473)
Balance carried forward	(510,355)	(737,346)

INCOME



- Member subscriptions
- Affiliate subscriptions
- PCG (QS) subscriptions
- Other income
- Bank interest receivable

EXPENDITURE



- Membership support and services
- Corporate, finance and other costs
- Support contracts
- Corporate governance
- Lobbying and representation
- Marketing and client/agency education

PCG member survey

Background

PCG's latest annual membership survey elicited 1,307 responses, 79 per cent more than the previous year. Representing over 10 per cent of the membership, this delivers a robust sample for meaningful analysis.

Member feedback is extremely valuable for PCG's management team in setting objectives and developing strategies.

Who are PCG's members?

Long term freelancers

- 35% have been freelancing for 5-10 years
- 38% have been freelancing for 10 years or more

Well qualified

- 62% have a degree
- 22% have a masters degree or doctorate
- 26% have a technical qualification
- 33% have a professional qualification

Experienced

- 37% 35-44 years
- 33% 45-54 years
- 19% over 54 years

Prospects for 2005

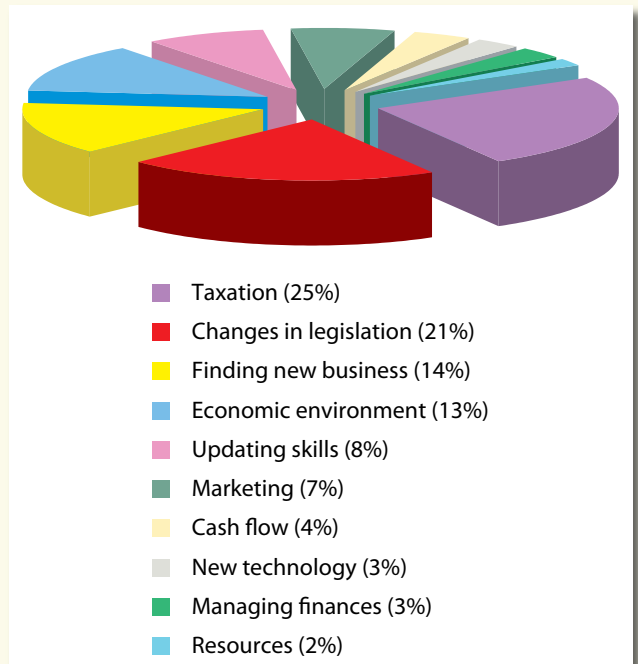
- 87% in contract June 2005 (81% 2004, 77% 2003)
- 79% expect turnover to increase in the next year
- 81% expect new business opportunities to increase
- 38%, however, expect profit to decrease

Satisfaction with PCG's activities

Working model

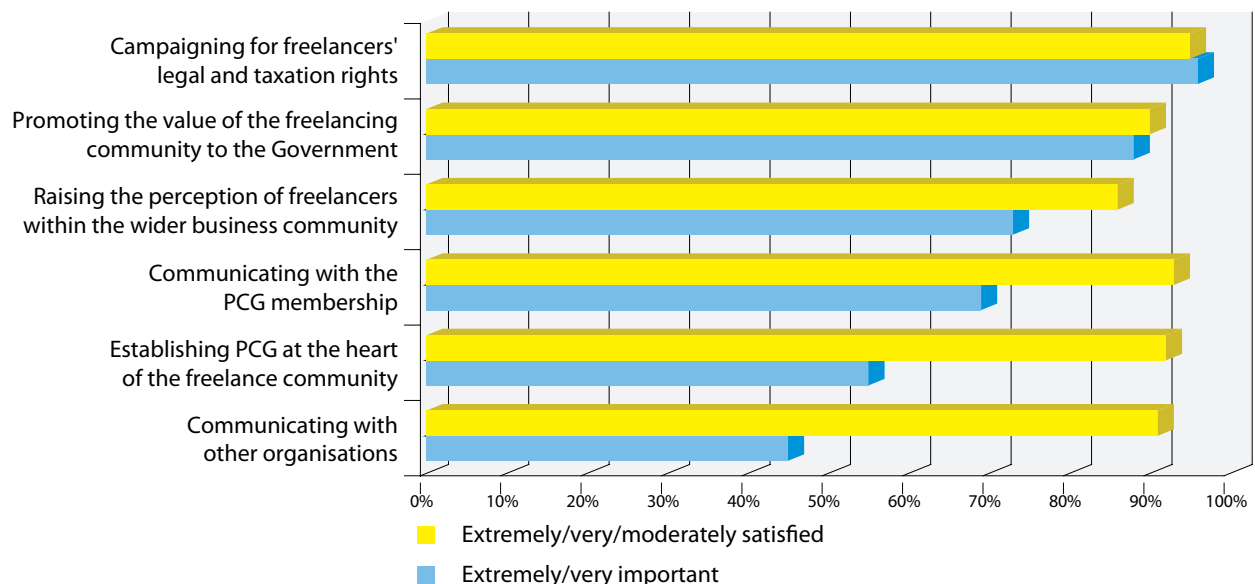
- 88% work through a 1-2 person limited company
- 46% belong to other organisations
- Top three sources of work are agencies, existing client renewals and referrals

Areas of major concern



Seeking advice

- 89% seek advice from their accountant
- 63% seek advice from fellow freelancers
- 39% seek advice on the PCG forums



The Professional Contractors Group (PCG) is a not-for-profit trade association that represents the interests of freelance consultants and contractors. It has evolved to become their champion, campaigning on issues that matter to freelance consultants and contractors, irrespective of industry focus.

Professional Contractors Group Limited
Sovereign Court
635 Sipson Road
West Drayton
UB7 0JE

t: 0845 125 9899

f: 0845 644 4105

e: admin@pcg.org.uk

w: www.pcg.org.uk

