

PA Consulting Services Ltd

Report and Financial Statements

Year Ended

31 December 2001



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Five-Year Financial Summary

Extracts from the audited profit and loss account for each of the five years ended 31 December are set out below:

	Year ended 31 December				
	1997	1998	1999	2000	2001
	£000	£000	£000	£000	£000
Turnover	156,667	183,997	189,491	190,736	198,579
Personnel and direct costs	(100,930)	(117,010)	(124,740)	(123,156)	(115,458)
Gross profit	55,737	66,987	64,751	67,580	83,121
Administrative expenses	(36,651)	(37,642)	(31,701)	(30,422)	(37,965)
Operating profit	19,086	29,345	33,050	37,158	45,156
Profit on sale of Sundridge Park					
Management Centre	—	—	—	—	6,231
Net interest receivable and similar charges	1,357	4,108	2,154	438	400
Profit on ordinary activities					
before taxation	20,443	33,453	35,204	37,596	51,787
Taxation	(6,813)	(10,271)	(10,120)	(11,453)	(13,868)
Profit on ordinary activities after taxation	13,630	23,182	25,084	26,143	37,919
Dividend	(7,202)	(38,200)	—	—	—
Retained profit/(loss) for the year	6,428	(15,018)	25,084	26,143	37,919

Directors, Officers and Advisers

Directors

The present Directors of the Company are:

Maxine Drabble

Simon Herrick

Jon Moynihan OBE

Bruce Tindale

Company Secretary

Maxine Drabble

Advisers

Auditors and Tax Advisers **BDO Stoy Hayward**
8 Baker Street, London W1U 3LL

Bankers **The Royal Bank of Scotland plc**
3 Upper Street, Islington, London N1 0PH

Solicitors **Speechly Bircham**
Bouverie House, 154 Fleet Street, London EC4A 2HX

Company Number 414220

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2001.

Principal Activities

The principal activity of the Company continues to be the provision of a range of consultancy services on a worldwide basis.

A review of the business and likely future developments of the Group are given in the Directors' report in the financial statements of PA Holdings Limited.

Results and Dividends

The results are set out in the attached financial statements. The profit and loss account for the year ended 31 December 2001 is set out on page 8. The profit for the year on ordinary activities after deducting taxation amounted to £37,919,000. The Directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company who served during the year are:

Nicholas Hayes (Resigned 7 December 2001)

Jon Moynihan OBE

Maxine Drabble (Appointed 24 January 2001)

Simon Herrick (Appointed 7 December 2001)

Bruce Tindale (Appointed 7 December 2001)

Directors' Interests in Contracts

None of the Directors had a material interest in any significant contract with the Company or any subsidiary undertaking at any time during the financial year.

Directors' Interests in Shares of the Company

None of the Directors have any interest in the share capital of this Company. The interests of the Directors in the shares of the ultimate parent company, PA Holdings Limited, are shown in the table below:

	At 31 December 2001 ordinary shares of 10p each	At 1 January 2001(or date of appointment if later) ordinary shares of 10p each
JP Moynihan	2,494,663	2,348,606
Maxine Drabble	38,902	30,406
S Herrick	—	—
Bruce Tindale	888,282	982,132

Directors' Report (continued. . .)

Directors' Responsibilities for the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which 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 those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

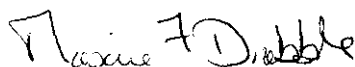
Employees

The Company has no employees as all staff are employed by PA Holdings Limited.

Auditors

BDO Stoy Hayward are the auditors of the company. In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint Auditors annually.

By order of the Board



Maxine Drabble

Secretary

1 March 2002

Report of the Independent Auditors

To the Members of PA Consulting Services Limited

We have audited the financial statements of PA Consulting Services Limited for the year ended 31 December 2001 on pages 8 to 19 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the Independent Auditors (continued)

To the Members of PA Consulting Services Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
London
1 March 2002

BDO Stoy Hayward

Profit and Loss Account

For the year ended 31 December 2001

	Note	2001 £000	2000 £000
Turnover	2	198,579	190,736
Personnel and direct costs		(115,458)	(123,156)
Gross profit		83,121	67,580
Administrative expenses		(37,965)	(30,422)
Operating profit	6	45,156	37,158
Profit on sale of Sundridge Park Management Centre	3	6,231	–
Income from investments	7	–	345
Interest receivable		432	98
Interest payable and similar charges	8	(32)	(5)
Profit on ordinary activities before taxation		51,787	37,596
Taxation	9	(13,868)	(11,453)
Retained profit		37,919	26,143

All amounts relate to continuing activities of the company.

The notes on pages 11 to 19 form part of these financial statements.

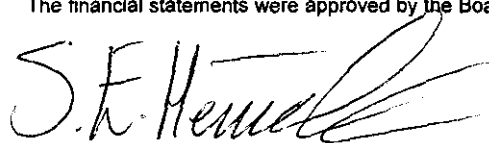
Balance Sheet

As at 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	10	16,841	17,525
Investments	11	265	21
		<u>17,106</u>	<u>17,546</u>
Current assets			
Debtors: due within one year	12	194,682	215,618
due after more than one year	12	4,661	912
Cash at bank and in hand		1,395	955
		<u>200,738</u>	<u>217,485</u>
Creditors			
Amounts falling due within one year	13	(102,740)	(154,303)
Net current assets		<u>97,998</u>	<u>63,182</u>
Total assets less current liabilities		<u>115,104</u>	<u>80,728</u>
Creditors			
Amounts falling due after more than one year	14	(7,113)	(10,437)
Provision for liabilities and charges	15	(494)	(647)
		<u>107,497</u>	<u>69,644</u>
Capital and reserves			
Share capital	17	200	200
Other reserves	18	(1)	65
Profit and loss account	19	107,298	69,379
Shareholders' funds – Equity	20	<u>107,497</u>	<u>69,644</u>

All items under capital and reserves are equity except where shown.

The financial statements were approved by the Board of Directors on 1 March 2002.



S Herrick Director

The notes on pages 11 to 19 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2001

	Note	2001 £000	2000 £000
Profit for financial year		37,919	26,143
Exchange differences on foreign currency net investments	18	(66)	9
Total recognised gains and losses for the year		<u>37,853</u>	<u>26,152</u>

The notes on pages 11 to 19 form part of these financial statements.

Notes to the Financial Statements

31 December 2001

1. Accounting policies

a Accounting Convention

The financial statements are prepared under the historical cost convention, and are in accordance with applicable accounting standards.

The financial statements are in compliance with the Companies Act 1985.

b Foreign Currencies

Foreign currency transactions are translated at the rates ruling when they occurred.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account with the exception of exchange differences arising due to translation of the net assets of the Irish branch, which are taken to reserves.

c Turnover

Turnover represents the invoiceable value of work carried out and normal rechargeable materials expenditure and excludes sales taxes. Billing of work is based on time worked, or on a stage of completion of an assignment agreed previously with clients.

d Bonus Scheme

Bonuses are provided for at the maximum payment level. Where it is not possible to define the exact amount payable, the provision held in the financial statements will be sufficient to extinguish fully the Company's liability in respect of bonus scheme payments.

e Tangible Fixed Assets

Depreciation is provided on all tangible fixed assets other than freehold land to write off the cost less estimated residual value over their expected useful lives.

The depreciation rates are as follows:

- Freehold buildings: 2% – 10% on cost
- Property held on short lease: equal instalments over remaining period of lease unless the economic life of the asset is determined to be less than that of the lease
- Office furniture, machinery and equipment: 10% – 33% on cost
- Computer equipment: 50% on cost
- Motor vehicles: 25% on cost.

f Fixed Asset Investments

Investments are included as fixed assets and are shown at cost or valuation less provision for any diminution in value considered permanent.

g Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor.

Depreciation on the relevant assets is charged to the profit and loss account.

Notes to the Financial Statements

31 December 2001 continued. . .

1. Accounting policies (continued. . .)

g Leased Assets (continued. . .)

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding.

The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

h Deferred Taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

i Property

Provision is made for the difference between rents payable and rents receivable on all vacant and sub-let space up to the end of the lease on a discounted basis.

2. Segmental information

All turnover and profit before taxation arise from the principal activities of the Company.

Turnover	2001	2000
	£000	£000
Geographic analysis		
UK	177,647	165,868
Europe (excluding UK and Scandinavia)	10,273	12,861
Scandinavia	7,714	6,300
North America	5,955	3,975
Asia Pacific	(3,010)	1,732
	<u>198,579</u>	<u>190,736</u>

An analysis of profit before tax and net assets by geographic region is not provided because in the opinion of the Directors such analysis does not reflect the nature of the Company's activities.

Notes to the Financial Statements

31 December 2001 (continued. . .)

3. Exceptional items

Exceptional items are analysed as follows:

	2001	2000
	£000	£000
Profit on sale of Sundridge Park Management Centre	6,231	—

In July 2001 the Company sold Sundridge Park Management Centre to a specialist hotel and residential conference centre operator. The book value of the building and the related fixed assets disposed of was £8.3m. The total consideration for the sale was £15.0m, with £11.5m paid as cash and a £3.5m loan note giving a profit on disposal of £6.2m after disposal costs of £0.5m.

4. Emoluments of Directors

	2001	2000
	£000	£000
Executive Directors' remuneration	—	—

All emoluments are paid by PA Holdings Ltd and represent the total remuneration of the Directors for their work relating to the group as a whole. The Directors do not feel it is possible to identify the proportion of remuneration relating to PA Consulting Services Limited, however it is felt unlikely that this will be a significant proportion of their work which is primarily on a group basis.

5. Staff costs

The Company did not incur staff costs during the year (2000: £nil) as contracts of employment between the Company and its staff were transferred to the Company's ultimate parent company, PA Holdings Limited, at the end of 1998.

Notes to the Financial Statements

31 December 2001 (continued. . .)

6. Operating profit is stated after charging/(crediting)

	2001	2000
	£000	£000
Auditors' remuneration	60	184
Payments to Auditors for other services	371	575
Depreciation of tangible fixed assets	2,886	4,464
Hire of plant and equipment	608	316
Other operating lease charges	9,386	10,147
Rent receivable	(4,754)	(4,016)
Exchange differences	(552)	186
Release of property provisions (note 15)	(153)	(3,624)

7. Income from investments

	2001	2000
	£000	£000
Unlisted investment income	–	345

8. Interest payable and similar charges

	2001	2000
	£000	£000
On other loans	32	5

9. Taxation

	2001	2000
	£000	£000
Taxation based on profit for the year comprises:		
Corporation tax	14,135	11,357
Deferred taxation	(268)	166
UK Corporation tax over provided in prior years	(18)	(70)
UK deferred tax under provided in prior years	19	–
	13,868	11,453

Notes to the Financial Statements

31 December 2001 (continued. . .)

10. Tangible fixed assets

	Freehold land and buildings	Property held on short lease	Office furniture, machinery & equipment	Computer equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000
Cost at 1 January 2001	20,770	7505	7,854	17,500	4	53,633
Additions	2,081	5,165	1,446	1,760	—	10,452
Disposals	(14,537)	—	(676)	(89)	(4)	(15,306)
Cost at 31st December 2001	8,314	12,670	8,624	19,171	—	48,779
Depreciation at 1 January 2001	9,720	5,000	5,633	15,753	2	36,108
Charge for the year	346	578	390	1,572	—	2,886
Disposals	(6,627)	—	(338)	(89)	(2)	(7,056)
Depreciation at 31 December 2001	3,439	5,578	5,685	17,236	—	31,938
Net book value at 31 December 2001	4,875	7,092	2,939	1,935	—	16,841
Net book value at 31 December 2000	11,050	2,505	2,221	1,747	2	17,525

11. Fixed Asset investments

	Unlisted investments
	£000
Cost	
At 1 January 2001	21
Disposals	—
Additions	244
At 31 December 2001	265

12. Debtors

	2001 £000	2000 £000
Due within one year:		
Trade debtors	15,818	19,869
Accrued income	6,956	5,972
Amounts due from group undertakings	166,498	187,286
Other debtors	1,463	742
Prepayments	3,947	1,749
	194,682	215,618
Due after more than one year:		
Loan notes	3,500	—
Deferred tax (note 16)	1,161	912
	4,661	912

The £3.5m loan notes bear interest at 6% p.a., are redeemable in June 2004 and were received as part consideration for the sale of Sundridge Park Management Centre.

Notes to the Financial Statements

31 December 2001 (continued. . .)

13. Creditors – amounts falling due within one year

	2001	2000
	£000	£000
Trade creditors	4,408	3,621
Payments on account	6,736	4,633
Amounts due to group undertakings	44,453	113,283
Taxation	6,732	893
Social security and other taxes	4,551	4,675
Other creditors and accruals	35,860	27,198
	<u>102,740</u>	<u>154,303</u>

14. Creditors – amounts falling due after more than one year

	2001	2000
	£000	£000
Bonuses	7,074	10,398
Other	39	39
	<u>7,113</u>	<u>10,437</u>

15. Provision for liabilities and charges

	2001	2000
	£000	£000
Property provisions	494	647

Property provision movements:

	£000
Balance at 1 January 2001	647
Released to profit and loss account	(160)
New provisions in the year	7
Balance at 31 December 2001	<u>494</u>

Notes to the Financial Statements

31 December 2001 (continued. . .)

16. Deferred tax

Unprovided and provided deferred taxation is as follows:

	2001 £000	2001 £000	2000 £000	2000 £000
	Unprovided	Provided	Unprovided	Provided
Fixed assets	-	(656)	-	(323)
Other	-	(505)	-	(589)
	-	(1,161)	-	(912)

Deferred taxation movements:

	2001 £000	2000 £000
Balance at 1 January	(912)	(1,078)
Transfer from profit and loss account:	(249)	166
Balance at 31 December	(1,161)	(912)
Deferred tax assets (note 12)	(1,161)	(912)

17. Share capital

	2001 Number	2001 £	2000 Number	2000 £
Authorised:				
Ordinary shares of £1 each	250,000	250,000	250,000	250,000
Allotted, called up and fully paid:				
Ordinary shares of £1 cash	200,000	200,000	200,000	200,000

18. Other reserves

	£000
Balance at 1 January 2001	65
Exchange difference	(66)
Balance at 31 December 2001	(1)

Notes to the Financial Statements

31 December 2001 (continued. . .)

19. Profit and Loss Account

	£000
Balance at 1 January 2001	69,379
Retained profit for the year	37,919
Balance at 31 December 2001	<u>107,298</u>

20. Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Profit for the financial year	37,919	26,143
Other recognised gains and losses relating to the year	(66)	9
	<u>37,853</u>	<u>26,152</u>
Opening shareholders' funds	69,644	43,492
Closing shareholders' funds	<u>107,497</u>	<u>69,644</u>

21. Contingent liabilities

Guarantees

The Company has guaranteed overdraft facilities of group undertakings amounting to £5 million of which none were utilised as at 31 December 2001. The Company has also guaranteed a £60 million loan for a group undertaking which is secured on the assets of the Company.

22. Operating lease commitments

The Company has commitments to pay operating lease rentals in the year following the balance sheet date, in respect of leases expiring within the period shown below as follows:

	2001 £000	2000 £000
Land and buildings:		
Within one year	54	427
Between one and two years	88	217
Between two and five years	48	7,232
Beyond five years	9,675	531
	<u>9,865</u>	<u>8,407</u>
Other operating leases:		
Within one year	1,464	804
Between one and two years	639	1,033
Between two and five years	550	915
Beyond five years	-	-
	<u>2,653</u>	<u>2,752</u>

Notes to the Financial Statements

31 December 2001 (Continued. . .)

23. Capital commitments

The Company has capital commitments contracted and approved by the board as at 31 December 2001 of £1.3m (2000: £nil).

24. Parent undertakings

PA International Consulting Group Limited is the parent undertaking of PA Consulting Services Limited. The Directors consider that the ultimate parent undertaking is PA Holdings Limited, registered in England. The Company and its subsidiaries have been included in the consolidated financial statements of the ultimate parent undertaking: copies of which can be obtained from the registered office at 123 Buckingham Palace Road, London SW1W 9SR.

In the opinion of the directors, the ultimate controlling party of the Company (and of PA Holdings Limited) during the current and prior year was the Batten Trust.

25. Group financial statements

The financial statements contain information about PA Consulting Services Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company has taken advantage of the exemption permitted by section 228 of the Companies Act 1985 and has not prepared consolidated financial statements.

The Company has also taken advantage of the exemption under Financial Reporting Standard No 8 Related Party Disclosures, not to disclose transactions with other group entities on the basis that it is a wholly owned subsidiary.

26. Cashflow statement

The Company has taken advantage of the exemption conferred by Financial Reporting Standard No 1, "Cashflow Statements", not to produce a cashflow statement as it is a wholly owned subsidiary undertaking. A Group cashflow statement is included in the financial statements of PA Holdings Limited.