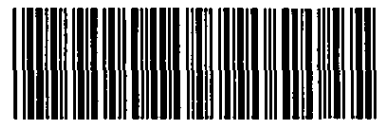


PA Consulting Services Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2006

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PA Consulting Services Limited

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PA Consulting Services Limited
Officers and Advisers

Directors	J P Moynihan
	B E Tindale
	A D Spreadbury
	S G M Hirtzel
	K Januah (appointed 31 January 2006)
	M F Drabble (resigned 31 January 2006)
	C J Potter (appointed 30 November 2006)
Secretary	R Yeoman (appointed 31 January 2006)
Registered office	123 Buckingham Palace Road, London SW1W 9SR
Auditors	Ernst & Young LLP, Registered Auditor 1 More London Place London SE1 2AF

PA Consulting Services Limited
Directors' Report for the Year Ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity and business review

The principal activity of the company is the provision of a range of consultancy services to government and industry

The directors consider that the results for the year and the financial position at the end of the year were satisfactory

Post balance sheet events

No events have occurred since the year end which require reporting or disclosing in the financial statements

Results and dividend

The results for the company are set out in the financial statements

The loss for the year after taxation amounted to £712,000 (2005 profit of £21,364,000)

The directors do not recommend the payment of a dividend

Fixed assets

In the opinion of the directors no fixed assets have a significant difference in value between the book value reported and the market value

Directors and their interests

The directors who held office during the year were as follows

- J P Moynihan
- B E Tindale
- A D Spreadbury
- S G M Hirtzel
- K Januah (appointed 31 January 2006)
- M F Drabble (resigned 31 January 2006)
- C J Potter (appointed 30 November 2006)

None of the directors had an interest in the shares of the Company at any time during the year

The interests of the directors in the shares of the ultimate parent company, PA Holdings Limited, are shown in the table below

	Ordinary shares of 10p each	
	At 31 December 2006	At 1 January 2006*
S G M Hirtzel	28,486	21,996
A D Spreadbury	17,119	7,119
K Januah	28,769	18,421
C J Potter	53,984	53,584

* or date of appointment to the Board

PA Consulting Services Limited
Directors' Report for the Year Ended 31 December 2006

continued

Share options

The movement of the aggregate values of the unexercised options over the ordinary shares of 10p each in the ultimate parent company during the year was as follows

	At 1/1/06*	Granted	Exercised	At 31/12/06	Exercise price	Date from which exercisable	Expiry date
S G M Hirtzel	400	-	400	-	378p	18/9/2006	18/3/2007
A D Spreadbury	400	-	-	400	378p	18/9/2006	18/3/2007
A D Spreadbury	1,683	-	-	1,683	430p	8/9/2008	29/3/2015
A D Spreadbury	-	1,000	-	1,000	500p	7/9/2009	27/3/2016
K Januah	400	-	400	-	378p	18/9/2006	18/3/2007
K Januah	1,809	-	-	1,809	430p	8/9/2008	29/3/2015
K Januah	-	758	-	758	500p	7/9/2009	27/3/2016
C J Potter	400	-	400	-	378p	18/9/2006	18/3/2007

* or date of appointment to the Board

The shares and share options in the ultimate parent company for those directors who are also directors of the ultimate parent company are disclosed in the financial statements of PA Holdings Limited, which are publicly available

Principal risks and uncertainties

Risk monitoring and management within the company is addressed in a number of ways, primarily through functional responsibilities and individual governance and operational committees. The principal risks and uncertainties facing the company are broadly grouped into the following

Assignment delivery risks - relate to the companies ability to meet client's expectations within the confines of negotiated contracts. A principal uncertainty in this area relates to complex and long-running assignments where expectations of clients and the company may evolve over time, or the remit of the assignments change without formal acknowledgement on both sides

Operational risk - the companies continuing success depends on its ability to attract and retain high-calibre staff, it operates in a competitive marketplace for talent and is able to attract high performers through a merit-based compensation model. The company is reliant on sustained cash flows from its operation, and these are monitored closely at the business unit and assignment level by way of sophisticated management information systems

Regulatory compliance risks - the company operates in a number of geographies through operating assignments internationally. The evolving legislative environment in many countries potentially exposes the company to unplanned compliance costs and/or to penalties arising from non-compliance

Financial instrument risks - the Group has established a risk and financial management framework whose primary objectives are to protect the Group, within which the company operates, from events that hinder the achievement of its performance objectives. The primary aims are to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level. The company uses forward currency contracts to reduce exposure to the variability of foreign exchange rates

PA Consulting Services Limited
Directors' Report for the Year Ended 31 December 2006

continued

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period ending on that date. In preparing those financial statements the directors are required to

- select suitable accounting policies and apply them consistently;
- make judgements 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,
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

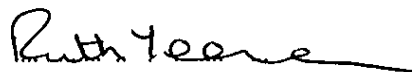
Retirement of directors

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis.

Election to dispense laying accounts

In accordance with s 252, Companies Act 1985, the Company has elected to dispense with laying accounts before the members in a general meeting. Members, however, may by notice in writing to the Company at its registered office require that accounts are laid before the members in general meeting.

Approved by the Board on 09/08/07 and signed on its behalf by



R Yeoman
Company Secretary

Independent Auditors' Report to the Members of PA Consulting Services Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP, Registered Auditor, London

9 August 2007

PA Consulting Services Limited
Profit and Loss Account for the Year Ended 31 December 2006

	Note	2006 £ 000	2005 £ 000
Turnover	2	232,541	209,828
Administrative expenses		(229,998)	(182,143)
Operating profit	3	<u>2,543</u>	<u>27,685</u>
Interest receivable from group companies		747	1,413
Other interest receivable and similar income		160	33
Interest payable and similar charges	5	(3,007)	(68)
Profit on ordinary activities before taxation		<u>443</u>	<u>29,063</u>
Tax on profit on ordinary activities	6	(1,155)	(7,699)
(Loss)/profit for the financial year		<u>(712)</u>	<u>21,364</u>
Profit and loss reserve brought forward		5,598	24,313
Other profit and loss reserve movements		(47)	(79)
Dividends	7	-	(40,000)
Profit and loss reserve carried forward		<u>4,839</u>	<u>5,598</u>

Turnover and operating profit derive wholly from continuing operations

There is no material difference between the result reported above and the result on an unmodified historical cost basis

The notes on pages 9 to 18 form an integral part of these financial statements

PA Consulting Services Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2006

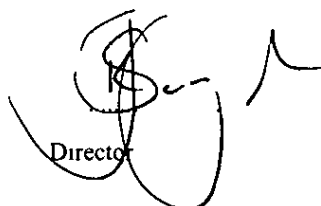
	2006 £ 000	2005 £ 000
Net (loss)/profit for the year	(712)	21,364
Foreign currency translation differences	(47)	(79)
Total (losses) and gains for the year	<u>(759)</u>	<u>21,285</u>

The notes on pages 9 to 18 form an integral part of these financial statements

PA Consulting Services Limited
Balance Sheet as at 31 December 2006

		2006	2005
	Note	£ 000	£ 000
Fixed assets			
Intangible assets	8	46,634	51,865
Tangible assets	9	22,404	17,395
		<u>69,038</u>	<u>69,260</u>
Current assets			
Debtors under one year	11	111,020	92,943
Debtors over one year	11	10,994	10,028
Cash at bank and in hand		6,234	2,683
		<u>128,248</u>	<u>105,654</u>
Creditors: Amounts falling due within one year	12	(158,709)	(143,605)
Net current liabilities		<u>(30,461)</u>	<u>(37,951)</u>
Total assets less current liabilities		38,577	31,309
Creditors: Amounts falling due after more than one year	13	(33,085)	(25,001)
Provisions for liabilities	14	(453)	(510)
Net assets		<u>5,039</u>	<u>5,798</u>
Capital and reserves			
Called up share capital	15	200	200
Profit and loss reserve	16	4,839	5,598
Equity shareholders' funds	17	<u>5,039</u>	<u>5,798</u>

Approved by the Board on 09/08/07 and signed on its behalf by


Director

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

Going concern

These financial statements have been prepared on a going concern basis because PA Holdings Limited has committed to provide continued financial support so as to enable the company to meet its liabilities as they fall due

Turnover

Turnover is stated net of value added tax and similar taxes. Revenue is recognised on a time and materials basis, or on a percentage of completion basis, depending on the contract, as services are provided by employees and sub-contractors. Revenue from time and materials service contracts is recognised as the services are provided. Revenue from fixed-price long-term contracts is recognised over the contract term based on the percentage of services provided during the period compared to the total estimated services to be provided over the entire contract.

Losses on contracts are recognised during the period in which the loss first becomes probable and can reasonably be estimated. Contract losses are determined to be the amount by which the estimated direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract.

Revenue recognised in excess of billings is recorded as accrued income. Billings in excess of revenue recognised are recorded as payments on account until the above revenue recognition criteria are met. Reimbursements, including those relating to travel and other out-of-pocket expenses, and other similar third-party costs, such as the cost of hardware and software resales, are included in revenue, and an equivalent amount of reimbursable expenses are included in direct costs.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Licences	Amortised over a period of 10 years being the length of the licence granted
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Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost less any estimated residual value, over their expected useful economic life as follows:

Freehold land and buildings	2 - 10 per cent on cost
Office furniture, machinery and equipment	10 - 33 per cent on cost
Computer equipment	20 - 50 per cent on cost
Property held on lease excluding investment property	Equal instalments over remaining period of lease unless the economic life of the asset is determined to be less than that of the lease

Fixed asset investments

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

Contract provisions and long-term contracts

Full provision is made for any estimated losses to completion of contracts having regard to the overall substance of the arrangements, including, if appropriate, related commitments and undertakings given by clients. Provided that the outcome of long-term contracts can be assessed with reasonable certainty, such contracts are valued at cost plus attributable profit earned to date.

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

Dividends

In accordance with FRS 21 'Events after the Balance Sheet Date', dividends declared by the Company are only recognised in the profit and loss account when payment has taken place rather than in the year in relation to which they were declared. Similarly, dividends receivable are only recognised in the profit and loss account when receipt is considered to have been made rather than when the dividend is declared.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that at the balance sheet date there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

The results of foreign subsidiary undertakings are translated into sterling at the average rate of exchange during the year. Their assets and liabilities are translated into sterling at rates of exchange ruling on the balance sheet date. Exchange differences that arise from translation of the opening net investment in foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, which are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises, provided they are used to finance or hedge against foreign equity investments.

Foreign currency transactions are translated at rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date, any differences are taken to the profit and loss account.

Hire purchase and finance lease contracts

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they have 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. 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.

Operating leases

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

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Research and development expenditure

Research and development expenditure is written off in the year in which it is incurred.

2 Turnover

All turnover arises from the principle activity of the company, which is the provision of a range of consultancy services to government and industry. All turnover has been stated net of value added tax and similar taxes.

8.97% of the company's turnover related to exports (2005 - 5.88%)

An analysis of turnover by geographical market is given below.

	2006 £ 000	2005 £ 000
UK	211,688	197,499
Europe	8,936	8,386
Scandinavia	767	591
Americas	5,241	2,652
Asia Pacific	5,909	700
	<u>232,541</u>	<u>209,828</u>

An analysis of the profit before tax and net assets by geographic region is not provided because there is no suitable basis of allocating the profit before tax, assets and related liabilities to geographical segments because the Company's resources are utilised flexibly over all geographical segments.

3 Operating profit

Operating profit is stated after charging/(crediting)

	2006 £ 000	2005 £ 000
Hire of plant and machinery	536	518
Hire of other assets (Operating leases)	10,512	10,471
Auditors' remuneration - audit services	291	323
Auditors' remuneration - non audit services	(10)	4
Foreign currency (gains)/losses	(322)	112
Loss on sale of tangible fixed assets	1	-
Profit on sale of intangible fixed assets	-	(4)
Depreciation of owned tangible fixed assets	3,005	2,737
Depreciation of leased tangible fixed assets	406	801
Amortisation of intangible fixed assets	5,231	436
Net movement on property provisions	(57)	(93)
Rent receivable	<u>(5,538)</u>	<u>(6,468)</u>

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

4 Staff costs

No emoluments were paid to the directors during the year (2005 - £nil)

All emoluments are paid by PA Holdings Limited and represent the total remuneration of the directors for their work relating to the group as a whole. The directors are of the opinion that it is impractical to determine 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.

The company had no employees during the current and prior year.

5 Interest payable and similar charges

	2006 £ 000	2005 £ 000
Interest payable to group undertakings	<u>3,007</u>	<u>68</u>

6 Taxation

Analysis of current period tax charge

	2006 £ 000	2005 £ 000
Current tax		
Corporation tax charge	2,822	10,566
Under provision in previous year	5,048	-
Double taxation relief	<u>-</u>	<u>(618)</u>
UK Corporation tax	<u>7,870</u>	<u>9,948</u>
Foreign tax	<u>-</u>	<u>618</u>
Total current tax	<u>7,870</u>	<u>10,566</u>
Deferred tax		
Origination and reversal of timing differences	(1,519)	(2,867)
Deferred tax adjustment relating to previous years	<u>(5,196)</u>	<u>-</u>
Total deferred tax	<u>(6,715)</u>	<u>(2,867)</u>
Total tax on profit on ordinary activities	<u>1,155</u>	<u>7,699</u>

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

Factors affecting current period tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2005 - higher than) the standard rate of corporation tax in the UK of 30.00% (2005 - 30.00%)

The differences are reconciled below

	2006 £ 000	2005 £ 000
Profit on ordinary activities before taxation	443	29,063
Standard rate corporation tax charge	133	8,719
Expenses not deductible for tax purposes	2,442	318
Increased deduction for qualifying R&D expenditure	(568)	(300)
Payment of group relief at less than UK tax rate	(704)	(1,038)
Origination and reversal of timing differences	1,519	2,867
Under provision in previous year	5,048	-
Total current tax for the year	7,870	10,566

Factors which may affect future tax charges

The current tax charges in future periods are likely to be affected by the reversal of the timing differences shown in note 11. However, the directors anticipate that similar timing differences will arise such that the net effect is not as significant.

The current tax charges in future periods will continue to be reduced because of group relief from losses surrendered by other group companies for payment at less than the UK tax rate.

7 Dividends

	2006 £ 000	2005 £ 000
Equity dividends		
Ordinary dividend paid	-	40,000

In the prior year, the Directors declared and paid a final dividend of £50 per share, in addition to the interim dividends of £10 per share and £140 per share paid in January and April 2005 respectively.

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

8 Intangible fixed assets

	Licence £ 000
Cost	
As at 1 January 2006 and 31 December 2006	<u>52,300</u>
Amortisation	
As at 1 January 2006	435
Charge for the year	<u>5,231</u>
As at 31 December 2006	<u>5,666</u>
Net book value	
As at 31 December 2006	<u>46,634</u>
As at 31 December 2005	<u>51,865</u>

The intangible fixed asset represents a ten year licence for the use of UK trademarks. The intangible fixed asset is amortised on a straight line basis over this period of ten years.

9 Tangible fixed assets

	Freehold land and buildings £ 000	Property held on short lease £ 000	Office furniture, machinery and equipment £ 000	Computer equipment £ 000	Total £ 000
Cost					
As at 1 January 2006	13,857	13,527	9,480	24,944	61,808
Exchange adjustments	-	-	(3)	(1)	(4)
Additions	5,602	1,040	432	1,348	8,422
Disposals	-	-	-	(13,491)	(13,491)
As at 31 December 2006	<u>19,459</u>	<u>14,567</u>	<u>9,909</u>	<u>12,800</u>	<u>56,735</u>
Depreciation					
As at 1 January 2006	4,826	9,052	7,282	23,253	44,413
Exchange adjustments	-	-	(3)	-	(3)
Eliminated on disposals	-	-	-	(13,490)	(13,490)
Charge for the year	1,024	406	563	1,418	3,411
As at 31 December 2006	<u>5,850</u>	<u>9,458</u>	<u>7,842</u>	<u>11,181</u>	<u>34,331</u>
Net book value					
As at 31 December 2006	<u>13,609</u>	<u>5,109</u>	<u>2,067</u>	<u>1,619</u>	<u>22,404</u>
As at 31 December 2005	<u>9,031</u>	<u>4,475</u>	<u>2,198</u>	<u>1,691</u>	<u>17,395</u>

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

10 Investments held as fixed assets

The company holds more than 20% of the share capital of the following company

	Country of incorporation	Principal activity	Class	%	Year end
Subsidiary undertakings					
PA Shared Services Limited	England	Consulting	Ordinary	100	31 December 2006

In 2005, the company purchased 100 units of ordinary shares of £1 00 each in PA Shared Services Limited for a consideration of £100

11 Debtors

	2006 £ 000	2005 £ 000
Trade debtors	37,493	31,324
Amounts owed by group undertakings	63,110	50,662
Other debtors	133	2,494
Corporation tax	1,760	-
Deferred tax	10,994	10,028
Prepayments and accrued income	2,753	3,026
Withholding tax	5,771	5,437
	<u>122,014</u>	<u>102,971</u>

Debtors includes £10,994 (2005 - £10,028) receivable after more than one year

This can be analysed as follows

	2006 £ 000	2005 £ 000
Deferred tax	<u>10,994</u>	<u>10,028</u>

Deferred tax

Deferred tax is provided at 30 00% (2005 - 30 00%)

	2006 £ 000	2005 £ 000
Fixed asset timing differences	(376)	442
Bonus	11,147	8,849
Other	223	737
	<u>10,994</u>	<u>10,028</u>

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

12 Creditors. Amounts falling due within one year

	2006	2005
	£ 000	£ 000
Payments received on account	8,568	8,878
Trade creditors	3,818	1,789
Amounts owed to group undertakings	80,260	59,477
Corporation tax	-	22,509
Social security and other taxes	15,836	11,987
Other creditors	7,374	5,512
Accruals and deferred income	6,510	6,775
Bonuses	36,343	26,678
	<u>158,709</u>	<u>143,605</u>

13 Creditors. Amounts falling due after more than one year

	2006	2005
	£ 000	£ 000
Bonuses	<u>33,085</u>	<u>25,001</u>

14 Provisions for liabilities

	Property provisions
	£ 000
As at 1 January 2006	510
Provisions no longer required released to profit and loss account	<u>(57)</u>
As at 31 December 2006	<u>453</u>

Property provisions relate to the difference between rents payable and rents receivable on all vacant and sub-let space, and leasehold dilapidation costs arising on lease termination which are assessed on lease-by-lease basis throughout the year

15 Share capital

	2006	2005
	£	£
Authorised		
Equity		
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
Equity		
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

16 Reserves

	Profit and loss reserve £ 000
Balance at 1 January 2006	5,598
Transfer from profit and loss account for the year	(712)
Foreign currency translation differences	(47)
Balance at 31 December 2006	<u>4,839</u>

17 Reconciliation of movements in shareholders' funds

	2006 £ 000	2005 £ 000
(Loss)/profit attributable to members of the company	(712)	21,364
Dividends	-	(40,000)
	<u>(712)</u>	<u>(18,636)</u>
Other recognised losses for the year	(47)	(79)
Net reduction to shareholders' funds	<u>(759)</u>	<u>(18,715)</u>
Opening equity shareholders' funds	5,798	24,532
Closing equity shareholders' funds	<u>5,039</u>	<u>5,798</u>

18 Operating lease commitments

As at 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings		Other	
	2006 £ 000	2005 £ 000	2006 £ 000	2005 £ 000
Within one year	-	2	-	89
Between two and five years	352	327	343	343
Over five years	149	153	-	-
	<u>501</u>	<u>482</u>	<u>343</u>	<u>432</u>

19 Other financial commitments

Guarantees

The Company has guaranteed overdraft facilities of group undertakings amounting to £5m of which none were utilised as at 31 December 2006 (2005 £5m)

20 Cash flow statement

The Company has taken advantage of the exemption conferred by Financial Reporting Standard No 1, 'Cash Flow Statements', not to produce a cash flow statement, as it is a wholly owned subsidiary undertaking. A group cash flow statement is included in the financial statements of PA Holdings Limited.

PA Consulting Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2006

21 Group financial statements

The Company has taken advantage of the exemption conferred by s228 of the Companies Act not to produce group financial statements on the grounds that the ultimate parent company, PA Holdings Limited, produces consolidated financial statements, which are publicly available

22 Related parties

Controlling entity

The Company is a wholly owned subsidiary undertaking of PA Holdings Limited

The ultimate parent company is PA Holdings Limited, a company registered in England. The Company's results have been included in the consolidated financial statements of the ultimate parent company, copies of which can be obtained from the registered office at 123 Buckingham Palace Road, London, SW1W 9SR

Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard No 8, 'Related Party Transactions', not to disclose details of transactions with other group companies as 100% of the voting rights are controlled within the group and consolidated financial statements are publicly available