

COMPANY REGISTRATION NUMBER 00414220

**PA CONSULTING SERVICES LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2007**

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# **PA CONSULTING SERVICES LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

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# **PA CONSULTING SERVICES LIMITED**

## **OFFICERS AND ADVISERS**

**The board of directors**

J P Moynihan  
A D Spreadbury  
K Januah  
A Middleton  
D Vickerstaffe

**Company secretary**

R Yeoman

**Registered office**

123 Buckingham Palace Road  
London  
SW1W 9SR

**Auditor**

Ernst & Young LLP  
Chartered Accountants  
& Registered Auditors  
1 More London Place  
London  
SE1 2AF

# **PA CONSULTING SERVICES LIMITED**

## **THE DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2007**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2007

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company continues to be 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

The company delivered excellent financial results for the year to 31 December 2007 with substantial increases in profitability and shareholders' funds. While turnover for 2007 of £236.9 million was broadly the same as the prior year (2006 £240.9 million), operating profit increased by £5.8 million or 232% year-on-year to £8.3 million. Profit before tax was £6.5 million (2006 £0.4 million) and retained profit after tax was £4.7m (2006 £0.7 million loss). The improvement in profitability compared to 2006 was due to a reduction in administrative expenses which was a result of an exercise to slow down the growth in costs to ensure that these would not grow more quickly than revenues going forward as well as some one-off costs incurred in 2006 not recurring in 2007. Consequently, shareholders' funds increased from £5.0 million to £10.0 million during the financial year mainly as a result of the retained profit for the year.

While PA Consulting Services Limited is one of the major trading subsidiaries of the PA Consulting Group group of companies ("PA"), PA is managed in sectors and groups. From the perspective of the company, business performance is integrated within the performance of PA and are not managed separately. For this reason, the company's directors believe that further analysis of business performance by key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of PA, which includes the company, are discussed on pages 3 to 45 of the PA Holdings Limited Annual Report for 2007, which are separately available.

#### **FUTURE DEVELOPMENTS**

We began 2008 with a strong balance sheet and a healthy and balanced stock of work which is expected to facilitate continued good future business performance in the new financial year. Our business is not overly reliant on any one client or business segment and turnover is expected to continue to be generated from a large number of different assignments.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £4,730,000 (2006 - loss £712,000). The directors have not recommended a dividend (2006 - £Nil).

#### **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 company's ability to meet clients' 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.

# **PA CONSULTING SERVICES LIMITED**

## **THE DIRECTORS' REPORT *(continued)***

### **YEAR ENDED 31 DECEMBER 2007**

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

#### **RESEARCH AND DEVELOPMENT**

The company will continue its policy of investment in research and development in order to retain a competitive position in the market

#### **DIRECTORS**

The directors who served the company during the year were as follows

J P Moynihan	
A D Spreadbury	
K Januah	
A Middleton	(Appointed 31 August 2007)
D J Walker	(Appointed 7 September 2007)
B E Tindale	(Resigned 31 August 2007)
S G M Hirtzel	(Resigned 7 September 2007)
C J Potter	(Resigned 19 March 2007)

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

D Vickerstaffe was appointed as a director on 30 June 2008

D J Walker resigned as a director on 30 June 2008

#### **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

#### **OVERSEAS BRANCHES**

The Company operates from a branch outside the UK, in Dubai

# **PA CONSULTING SERVICES LIMITED**

## **THE DIRECTORS' REPORT** *(continued)*

### **YEAR ENDED 31 DECEMBER 2007**

#### **DIRECTORS' INDEMNITY AND INSURANCE**

In accordance with the Articles of Association, PA Holdings Limited has provided to all the directors of the Group, an indemnity (to the extent permitted by the Companies Act 1985) in respect of liabilities incurred as a result of their office, and PA Holdings has taken out an insurance policy in respect of those liabilities for which directors may not be indemnified. Neither the indemnity nor the insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **POST BALANCE SHEET EVENT**

Following the demerger of the venture business from the main consulting business of PA Holdings Limited on 24 June 2008, the Company's ultimate parent is no longer PA Holdings Limited. Its ultimate parent is now PA Consulting Group Limited, incorporated on 4 April 2008.

**PA CONSULTING SERVICES LIMITED**

**THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2007**

**AUDITOR**

The auditors, Ernst & Young LLP, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985

Signed by order of the directors



R YEOMAN  
Company Secretary

Approved by the directors on 18/8/08

# **PA CONSULTING SERVICES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PA CONSULTING SERVICES LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

We have audited the financial statements of PA Consulting Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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 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.



**PA CONSULTING SERVICES LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PA  
CONSULTING SERVICES LIMITED *(continued)***

**YEAR ENDED 31 DECEMBER 2007**

**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 2007 and of its profit 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*  
*22 August 2008*

ERNST & YOUNG LLP  
Chartered Accountants  
& Registered Auditors  
1 More London Place  
London  
SE1 2AF

# PA CONSULTING SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

		2007	Restated 2006
	Note	£000	£000
<b>TURNOVER</b>	<b>2</b>	<b>236,869</b>	<b>240,913</b>
Administrative expenses		(228,647)	(243,965)
Other operating income		25	5,538
<b>OPERATING PROFIT</b>	<b>3</b>	<b>8,247</b>	<b>2,486</b>
Other provisions		35	57
		<u>8,282</u>	<u>2,543</u>
Interest receivable	5	126	907
Interest payable and similar charges	6	(1,942)	(3,007)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>6,466</b>	<b>443</b>
Tax on profit on ordinary activities	7	(1,736)	(1,155)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b><u>4,730</u></b>	<b><u>(712)</u></b>

All of the activities of the company are classed as continuing

The notes on pages 11 to 22 form part of these financial statements.

**PA CONSULTING SERVICES LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2007**

	2007 £000	2006 £000
Profit/(Loss) for the financial year attributable to the shareholders	4,730	(712)
Currency translation differences on foreign currency net investments	<u>222</u>	<u>(47)</u>
Total gains and losses recognised since the last annual report	<u><u>4,952</u></u>	<u><u>(759)</u></u>

The notes on pages 11 to 22 form part of these financial statements

# PA CONSULTING SERVICES LIMITED

## BALANCE SHEET

31 DECEMBER 2007

	Note	£000	2007 £000	2006 £000
<b>FIXED ASSETS</b>				
Intangible assets	8		41,404	46,634
Tangible assets	9		26,031	22,404
			<u>67,435</u>	<u>69,038</u>
<b>CURRENT ASSETS</b>				
Debtors due within one year	11		121,714	111,020
Debtors due after one year	11		12,875	10,994
Cash at bank			3,213	6,234
			<u>137,802</u>	<u>128,248</u>
<b>CREDITORS: Amounts falling due within one year</b>	13		<u>157,872</u>	<u>158,709</u>
<b>NET CURRENT LIABILITIES</b>			<u>(20,070)</u>	<u>(30,461)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>47,365</u>	<u>38,577</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14		<u>36,956</u>	<u>33,085</u>
			<u>10,409</u>	<u>5,492</u>
<b>PROVISIONS FOR LIABILITIES</b>				
Other provisions	15		418	453
			<u>9,991</u>	<u>5,039</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	18		200	200
Profit and loss account	19		9,791	4,839
<b>SHAREHOLDERS' FUNDS</b>	20		<u>9,991</u>	<u>5,039</u>

These financial statements were approved by the directors and authorised for issue on 18/5/08, and are signed on their behalf by

  
Director

The notes on pages 11 to 22 form part of these financial statements

# **PA CONSULTING SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation**

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

In preparing the financial statements for the current year, the group has amended the allocation of certain reimbursements by clients in 2006. In 2006, administrative expenses included £8,372,000 of reimbursements from clients that should have been included within turnover. Accordingly the 2006 turnover and administrative expenses have both been increased by £8,372,000. The profit for the year in 2006 was unaffected and therefore there was no impact on reserves at 31 December 2006. Without this adjustment the turnover for 2007 would have been £11,451,000 lower at £225,418,000.

#### **Going concern**

These financial statements have been prepared on a going concern basis because PA Holdings Limited, the immediate parent company and PA Consulting Group Limited the ultimate parent company from 24 June 2008 has committed to provide continued financial support to enable the company to meet its liabilities as they fall due.

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

# **PA CONSULTING SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

### **1. ACCOUNTING POLICIES *(continued)***

#### **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 employee 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.

#### **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.

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 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.

#### **Research and development expenditure**

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

#### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

##### **Licences**

amortised over a period of 10 years being the length of the licence granted.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

#### **Fixed asset investments**

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

# **PA CONSULTING SERVICES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2007**

### **1. ACCOUNTING POLICIES** *(continued)*

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold property and buildings

2% - 10% on cost

Property held on short lease

equal instalments over the remaining period of lease\*

Office furniture, machinery and equipment

10% - 33% on cost

Computer equipment

20% - 50% on cost

\*unless the useful life of the asset is determined to be less than that of the lease

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

#### **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 that 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

**PA CONSULTING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**1. ACCOUNTING POLICIES** *(continued)*

**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 the 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 differences 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.

**Financial instruments**

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 the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.



**PA CONSULTING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**2. TURNOVER**

The turnover and profit before tax are attributable to the one principal activity of the company  
An analysis of turnover is given below

	2007	Restated 2006
	£000	£000
United Kingdom	212,542	219,098
Europe	11,490	9,710
Scandinavia	942	808
Americas	6,914	5,421
Asia Pacific	4,981	5,876
	<u>236,869</u>	<u>240,913</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)

	2007	2006
	£000	£000
Amortisation	5,230	5,231
Depreciation of owned fixed assets	3,825	3,411
Loss on disposal of fixed assets	-	1
Operating lease costs		
Plant and equipment	439	536
Other	5,255	10,512
Net loss/(profit) on foreign currency translation	326	(322)
Auditor's remuneration - audit of the financial statements	154	291
Auditor's remuneration - taxation	<u>80</u>	<u>(10)</u>

**PA CONSULTING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**4. PARTICULARS OF EMPLOYEES**

The company had no employees during the current and prior year

No emoluments were paid to the directors during the year (2006 - £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

**5. INTEREST RECEIVABLE**

	2007	2006
	£000	£000
Bank interest receivable	72	160
Interest from group undertakings	54	747
	<u>126</u>	<u>907</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2007	2006
	£000	£000
Interest payable on bank borrowing	2	—
Interest on other loans	1,940	3,007
	<u>1,942</u>	<u>3,007</u>

Interest paid to group undertakings amounted to £1,940,000 (2006 - £3,007,000)

**7. TAXATION ON ORDINARY ACTIVITIES**

**(a) Analysis of charge in the year**

	2007	2006
	£000	£000
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	2,735	2,822
Over/under provision in prior year	882	5,048
Total current tax	<u>3,617</u>	<u>7,870</u>
Deferred tax		
Origination and reversal of timing differences	(1,881)	(6,715)
Tax on profit on ordinary activities	<u>1,736</u>	<u>1,155</u>

**PA CONSULTING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**7. TAXATION ON ORDINARY ACTIVITIES** *(continued)*

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £000	2006 £000
Profit on ordinary activities before taxation	<u>6,466</u>	<u>443</u>
Profit on ordinary activities by rate of tax	1,940	133
Expenses not deductible for tax purposes	1,779	2,442
Adjustments to tax charge in respect of previous periods	882	5,048
Increase/(decrease) deduction for qualifying R&D expenditure	(570)	(568)
Group relief	(1,575)	(704)
Origination and reversal of timing differences	<u>1,161</u>	<u>1,519</u>
Total current tax (note 7(a))	<u><u>3,617</u></u>	<u><u>7,870</u></u>

**(c) Factors that 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 12. 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.

**8. INTANGIBLE FIXED ASSETS**

	Licences £000
<b>COST</b>	
At 1 January 2007 and 31 December 2007	<u>52,300</u>
<b>AMORTISATION</b>	
At 1 January 2007	5,666
Charge for the year	<u>5,230</u>
At 31 December 2007	<u><u>10,896</u></u>
<b>NET BOOK VALUE</b>	
At 31 December 2007	<u><u>41,404</u></u>
At 31 December 2006	<u><u>46,634</u></u>

**PA CONSULTING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**9. TANGIBLE FIXED ASSETS**

	Freehold property and buildings £000	Property held on short lease £000	Office furniture, machinery and equipment £000	Computer equipment £000	Total £000
<b>COST</b>					
At 1 January 2007	19,459	14,567	9,909	12,800	56,735
Additions	3,572	2,535	438	905	7,450
Transfers	—	—	14	1	15
<b>At 31 December 2007</b>	<b><u>23,031</u></b>	<b><u>17,102</u></b>	<b><u>10,361</u></b>	<b><u>13,706</u></b>	<b><u>64,200</u></b>
<b>DEPRECIATION</b>					
At 1 January 2007	5,850	9,458	7,842	11,181	34,331
Charge for the year	1,586	601	502	1,136	3,825
Transfers	—	—	13	—	13
<b>At 31 December 2007</b>	<b><u>7,436</u></b>	<b><u>10,059</u></b>	<b><u>8,357</u></b>	<b><u>12,317</u></b>	<b><u>38,169</u></b>
<b>NET BOOK VALUE</b>					
<b>At 31 December 2007</b>	<b><u>15,595</u></b>	<b><u>7,043</u></b>	<b><u>2,004</u></b>	<b><u>1,389</u></b>	<b><u>26,031</u></b>
At 31 December 2006	<u>13,609</u>	<u>5,109</u>	<u>2,067</u>	<u>1,619</u>	<u>22,404</u>

**PA CONSULTING SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2007**

**10. INVESTMENTS**

**Shares in group undertakings**

The company owns 100% of the issued share capital of the companies listed below,

<b>Name of undertaking</b>	<b>Country of incorporation or registration</b>	<b>Class of shares held</b>	<b>Year end</b>
PA Real Estate Limited	England	Ordinary	31 December
PA Consulting Group Limited	England	Ordinary	31 December

During the year, the Company,

sold 100 ordinary shares of £1 each, held in PA Shared Services Limited for a consideration of £100,

purchased 1 ordinary share of £1 each, in PA Real Estate Limited for a consideration of £1, on 5 June 2008 this share was transferred to another company in the Group,

purchased 100 ordinary shares of £1 each, in PA Consulting Group Limited for a consideration of £1, on 31 March 2008 the Company changed its name to PA Consulting Sub Limited

The Company has taken advantage of the exemption conferred by section 228 of the Companies Act 1985, not to produce group financial statements on the grounds that the ultimate parent company, produces consolidated financial statements, which are publicly available

**11. DEBTORS**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>39,211</b>	37,493
Amounts owed by group undertakings	<b>66,654</b>	63,110
Corporation tax repayable	<b>6,943</b>	1,760
Other debtors	<b>6,054</b>	5,904
Prepayments and accrued income	<b>2,852</b>	2,753
Deferred taxation (note 12)	<b>12,875</b>	10,994
	<b><u>134,589</u></b>	<b><u>122,014</u></b>

The debtors above include the following amounts falling due after more than one year

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Deferred taxation	<b><u>12,875</u></b>	<b><u>10,994</u></b>

# PA CONSULTING SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

### 12. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2007	2006
	£000	£000
Included in debtors (note 11)	<u>12,875</u>	<u>10,994</u>

The movement in the deferred taxation account during the year was

	2007	2006
	£000	£000
Balance brought forward	10,994	4,279
Profit and loss account movement arising during the year	<u>1,881</u>	<u>6,715</u>
Balance carried forward	<u>12,875</u>	<u>10,994</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007	2006
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	(944)	(376)
Tax losses available	43	-
Bonus	13,396	11,147
Other timing differences	<u>380</u>	<u>223</u>
	<u>12,875</u>	<u>10,994</u>

### 13. CREDITORS: Amounts falling due within one year

	2007	2006
	£000	£000
Payments received on account	10,914	8,568
Trade creditors	2,896	3,818
Amounts owed to group undertakings	82,565	80,260
Other taxation and social security	14,224	15,836
Other creditors	5,581	7,374
Bonuses	35,957	36,343
Accruals and deferred income	<u>5,735</u>	<u>6,510</u>
	<u>157,872</u>	<u>158,709</u>

### 14. CREDITORS: Amounts falling due after more than one year

	2007	2006
	£000	£000
Bonuses	<u>36,956</u>	<u>33,085</u>

**PA CONSULTING SERVICES LIMITED**  
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**YEAR ENDED 31 DECEMBER 2007**

**15. OTHER PROVISIONS**

	<b>Property provisions £000</b>
Balance brought forward	453
Profit and Loss Account movement arising during the year	(35)
Balance carried forward	<u>418</u>

Property provisions relate to the differences 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

**16. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<b>2007</b>		<b>Restated 2006</b>	
	<b>Land &amp; Buildings £000</b>	<b>Other Items £000</b>	<b>Land &amp; Buildings £000</b>	<b>Other Items £000</b>
Operating leases which expire				
Within 2 to 5 years	378	343	352	343
After more than 5 years	<u>4,148</u>	<u>-</u>	<u>3,285</u>	<u>-</u>
	<u>4,526</u>	<u>343</u>	<u>3,637</u>	<u>343</u>

**17. 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

**18. SHARE CAPITAL**

**Authorised share capital:**

	<b>2007 £000</b>	<b>2006 £000</b>
250,000 Ordinary shares of £1 each	<u>250</u>	<u>250</u>

**Allotted, called up and fully paid:**

	<b>2007</b>		<b>2006</b>	
	<b>No</b>	<b>£000</b>	<b>No</b>	<b>£000</b>
Ordinary shares of £1 each	<u>200,000</u>	<u>200</u>	<u>200,000</u>	<u>200</u>

# PA CONSULTING SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

### 19. PROFIT AND LOSS ACCOUNT

	2007	2006
	£000	£000
Balance brought forward	4,839	5,598
Profit/(loss) for the financial year	4,730	(712)
Foreign currency retranslation	222	(47)
Balance carried forward	<u>9,791</u>	<u>4,839</u>

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£000	£000
Profit/(Loss) for the financial year	4,730	(712)
Other recognised gains/(losses) for the year	222	(47)
Net addition/(reduction) to shareholders' funds	<u>4,952</u>	<u>(759)</u>
Opening shareholders' funds	<u>5,039</u>	<u>5,798</u>
Closing shareholders' funds	<u>9,991</u>	<u>5,039</u>

### 21. POST BALANCE SHEET EVENTS

Following the demerger of the venture business from the main consulting business of PA Holdings Limited on 24 June 2008, the Company's ultimate parent is no longer PA Holdings Limited. Its ultimate parent is now PA Consulting Group Limited, incorporated on 4 April 2008.

### 22. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £1,000,000 (2006 - £Nil).

### 23. ULTIMATE PARENT COMPANY

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

The ultimate parent company at the year end was 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.

On 24 June 2008, the ultimate parent company changed to PA Consulting Group Limited, a company registered in England (incorporated on 4 April 2008).