

PA Consulting Services Limited

Annual Report and Financial Statements

**for the year ended
31 December 2014**

Registration number: 00414220

| | <i>Index</i> |
|--|--------------|
| Strategic Report | 1 |
| Directors' report | 2 |
| Independent auditor's report | 5 |
| Profit and loss account | 7 |
| Statement of total recognised gains and losses | 8 |
| Balance sheet | 9 |
| Notes to the financial statements | 10 |
| Directors and advisers | 30 |

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Contents

| | |
|---|-----------|
| Strategic Report | 1 |
| Directors' report | 2 |
| Independent auditor's report | 5 |
| Profit and loss account | 7 |
| Statement of total recognised gains and losses | 8 |
| Balance sheet | 9 |
| Notes to the financial statements | 10 |

The following do not form part of the audited financial statements:

| | |
|-------------------------------|-----------|
| Directors and advisers | 30 |
|-------------------------------|-----------|

Strategic Report


Strategic Report for the year ended 31 December 2014

Business review In what was a difficult economic climate, the Company delivered acceptable financial results for the year to 31 December 2014, with operating profit increasing by £15.1m (2013: £17.1m) due to a 12% (2013:15%) increase in turnover to £313.0m (2013: £278.7m). Retained profit after tax for the year was £24.6m (2013: £11.9m).

Principal risks and uncertainties The Company is a member of the PA Consulting Group of Companies ("the Group"), which is managed in sectors and groups. Business performance and principal risks and uncertainties of the Company are integrated with the performance and principal risks and uncertainties of the Group, and are not managed separately. For this reason, the Company's directors believe that further analysis is not necessary for an understanding of the development, performance, position or risks of the business. A detailed review of the business of the Group and a description of the principal risks and uncertainties facing it can be found in the PA Consulting Group Limited Annual Report for 2014.

Future developments In 2014 we continue to have a strong balance sheet and a healthy stock of work which gives the directors confidence that the Company can continue to deliver a good business performance in the new financial year.

Approved by the board on 29/1/15 and signed on its behalf by:


.....
M Gordon
Director

PA Consulting Services Limited

Directors' report**Directors' report for the year ended 31 December 2014**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2014. A fair review of the business of the company, during the financial year ended 31 December 2014, the principle risks and uncertainties and future developments are included in the Strategic report on page 1.

Principal activity The principal activity of the Company is the provision of a range of consultancy services to government and industry. The Company is based in the United Kingdom with branches in the Republic of Ireland, Spain, Switzerland and Dubai.

Results and dividends The Company's profit for the financial year was £24.6m (2013: profit of £11.9m). The directors consider that the result for the year and the financial position at the end of the year were satisfactory.

The directors do not recommend the payment of a dividend.

Research and development PA is committed to new knowledge creation through the provision of research and development for clients and through investing in projects internally. The Company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Branches outside the United Kingdom The Company operates branches in the Republic of Ireland, Spain, Switzerland and Dubai.

Going concern After making reasonable enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Supplier payment practice The Company does not follow any specified code or standard on payment practice. However, the Company's policy is to agree payment terms when first contracting with each supplier and pay invoices in line with those terms, subject to the other terms and conditions for the supply of goods or services being met by the supplier. PA's payment terms are specified in individual contracts agreed with the supplier.

The amount owed to trade creditors by the Company at 31 December 2014 was equivalent to 11 days purchases (2013: 20 days) as calculated with reference to the total amount invoiced by suppliers during the financial year.

Directors' report**Directors' report for the year ended 31 December 2014 (continued)**

| | |
|--|---|
| Directors | <p>The directors who held office during the year and up to the date of approving this report were as follows:</p> <p>C Barrett</p> <p>M Gordon</p> <p>K Janjuah</p> <p>A Middleton</p> <p>D Vickerstaffe</p> |
| Directors' indemnity and insurance | <p>In accordance with the Articles of Association, PA Consulting Group Limited has provided to all the directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. PA Consulting Group Limited has taken out an insurance policy in respect of those liabilities for which directors may not be indemnified. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.</p> |
| Statement of directors' responsibilities | <p>The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.</p> <p>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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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:</p> <ul style="list-style-type: none"> • select suitable accounting policies and apply them consistently; • make judgements and accounting estimates that are reasonable and prudent; • state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and • prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. <p>The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.</p> |
| Disclosure of information to the auditors | <p>Each director has taken such 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. Each director, as far as they are aware, confirms there is no relevant audit information of which the Company's auditor is unaware.</p> |

Directors' report

Directors' report for the year ended 31 December 2014 (continued)

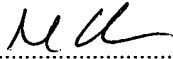
**Reappointment of
auditors**

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Laying of accounts

In accordance with the Companies Act 2006, the Company is not required to lay its 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 29/9/15 and signed on its behalf by:



.....
M Gordon
Director

PA Consulting Services Limited

Independent auditor's report 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 2014, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report

Independent auditor's report to the members of PA Consulting Services Limited (continued)

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Lloyd Brown (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Date:

29/9/2015

Profit and loss account

Profit and loss account for the year ended 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 restated |
|---|------|---------------|---------------------------|
| Turnover | 2 | 312,481 | 277,785 |
| Administrative expenses | | (282,248) | (262,734) |
| Other operating income | | 1,979 | 2,011 |
| Operating profit | 3 | 32,212 | 17,062 |
| Profit on ordinary activities before investment income and interest | | 32,212 | 17,062 |
| Interest receivable | 6 | 310 | 246 |
| Interest payable | 7 | (42) | (47) |
| Profit on ordinary activities before taxation | | 32,480 | 17,261 |
| Tax on profit on ordinary activities | 8 | (7,872) | (5,353) |
| Profit for the financial year | | 24,608 | 11,908 |

All amounts above relate to continuing operations and are generated in the UK.

Statement of total recognised gains and losses

Statement of total recognised gains and losses for the year ended 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|--|------|---------------|---------------|
| Profit for the financial year | | 24,608 | 11,908 |
| Foreign currency translation differences | | (170) | 37 |
| Total recognised gains and losses relating to the year | | <u>24,438</u> | <u>11,945</u> |
| Total recognised gains and losses since last annual report | | <u>24,438</u> | <u>11,945</u> |

Balance sheet

Balance sheet at 31 December 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Intangible fixed assets | 9 | 4,794 | 10,024 |
| Tangible fixed assets | 10 | 12,900 | 14,572 |
| Investments | 11 | 1 | 1 |
| | | <u>17,695</u> | <u>24,597</u> |
| Current assets | | | |
| Debtors | 12 | 177,175 | 119,369 |
| Cash at bank and in hand | | 1,432 | 1,391 |
| | | <u>178,607</u> | <u>120,760</u> |
| Creditors: Amounts falling due within one year | 13 | (84,042) | (63,076) |
| Net current assets | | <u>94,565</u> | <u>57,684</u> |
| Total assets less current liabilities | | 112,260 | 82,281 |
| Creditors: Amounts falling due after more than one year | 14 | (26,024) | (19,486) |
| Provisions for liabilities | 15 | (2,119) | (3,116) |
| Net assets | | <u>84,117</u> | <u>59,679</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 200 | 200 |
| Profit and loss account | 18 | 83,917 | 59,479 |
| Equity shareholders' funds | 17 | <u>84,117</u> | <u>59,679</u> |

The financial statements were approved by the Board on 29/9/15 and signed on its behalf by:



M Gordon
Director

PA Consulting Services Limited
Registration number: 00414220

Notes to the financial statements

Principal accounting policies 1

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The preparation of the financial statements requires the development of estimates and judgements that affect the reported amount of assets and liabilities, revenues and costs and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Basis of preparation The financial statements have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The financial statements have been prepared on the accruals basis of accounting under the going concern basis and the historic cost convention.

The financial statements contain information about PA Consulting Services Limited as an individual company and do not contain consolidated financial information. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, PA Consulting Group Limited, which are publicly available.

Turnover Turnover represents the fair value of the consideration received or receivable for consulting services on each client assignment provided during the year, including expenses and disbursements but excluding discounts, value added tax and other similar sales taxes. Expenses and disbursements include mileage, accommodation, materials and subcontractor fees.

Turnover from time and materials contracts is recognised as the services are provided on the basis of time worked at an hourly or daily rate and as direct expenses are incurred.

Turnover from fixed price long-term contracts is recognised over the contract term based on the stage of completion of each assignment as at the balance sheet date compared to the total estimated services to be provided over the entire contract.

Turnover in respect of contingent fee assignments (over and above any agreed minimum fee) is only recognised when the contingent event occurs and collectability of the fee is assured.

No turnover is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in the profit and loss account.

The gross amount invoiced to clients is separately disclosed within debtors as trade debtors. Unbilled turnover on individual client assignments is included as accrued income within debtors. Where billings exceed turnover on client assignments the excess is classified as payments on account within creditors.

Notes to the financial statements

Amortisation Intangible fixed assets are stated in the balance sheet at cost less accumulated amortisation and impairment.

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

| Asset class | Amortisation method and rate |
|-------------|---|
| Licences | Straight-line basis up to a maximum of 10 years |

Depreciation Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates plus all directly attributable costs of bringing the asset to working condition for its intended use. Finance costs are not capitalised and are recognised as an expense when incurred. The carrying values of tangible fixed assets are reviewed for impairment when events or circumstances indicate that carrying values may not be recoverable.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. Depreciation is charged on assets from the date in which they are brought into use. The principal annual rates used for this purpose are:

| Asset class | Depreciation method and rate |
|---|--|
| Computer equipment | 20 - 50% on cost |
| Motor vehicles | 15 - 25% on cost |
| Office furniture, equipment and machinery | 10 - 33% on cost |
| Freehold property | 2 - 10% on cost |
| Leasehold property | Equal instalments over the remaining period of lease/economic life |

Research and development Research and development expenditure is charged as administrative expenses to the profit and loss account in the year in which it is incurred.

Fixed asset investments In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment in value.

Notes to the financial statements

Taxation The tax charge comprises current tax payable and deferred tax.

(a) Current tax

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Company's taxable profits and is based on an interpretation of existing tax laws. Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible.

(b) Deferred tax

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.

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:

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.

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Cash flow statement The Company is a wholly-owned subsidiary of PA Holdings Limited and is included in the consolidated financial statements of PA Consulting Group Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

Notes to the financial statements

Foreign currency (a) Functional and presentation currency

The functional currency of the Company and its overseas branches is the currency of the primary economic environment in which each operates. These financial statements are presented in sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Such exchange differences are included in the profit and loss account under other administrative expenses. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(c) Reporting

For the purpose of presenting financial statements, the results and financial position of overseas branches (none of which has the currency of a hyperinflationary economy) that have a functional currency other than sterling are translated into sterling as follows:

Assets and liabilities for each balance sheet are translated at the exchange rate at the balance sheet date;

Income and expenses for each profit and loss account are translated at the exchange rate ruling at the time of each period the transaction occurred;

All resulting exchange differences are taken directly to the profit and loss reserve via the Statement of Total Recognised Gains and Losses.

Hire purchase and leasing Operating lease rentals are charged as other administrative expenses to the profit and loss account in equal annual amounts over the lease term. Assets leased under operating leases are not recorded on the balance sheet because the lessor retains a significant portion of the risks and rewards of ownership.

Operating lease income consists of rentals from sub-tenant agreements and are recognised on a straight line basis over the lease term and classified as other operating income in the profit and loss account.

Assets held for use in operating leases are included as a separate category in fixed assets at cost and depreciated over their useful life.

The benefit/cost of lease incentives such as rent-free periods or up-front cash payments are spread equally on a straight-line basis over the lease term or to the first break clause where applicable.

Financial instruments Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Notes to the financial statements

Provisions for liabilities The Company recognises a provision for restructuring costs and legal claims when it has a present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Provision is made for onerous property lease commitments, after allowance for anticipated sublet rental income, and to restore premises to their original condition upon vacating them where such as obligation exists under the lease.

Notes to the financial statements

Turnover and segmental reporting 2

An analysis of turnover by geographical destination is given below:

| | 2014 £'000 | 2013 £'000 restated |
|-------------------------------------|----------------|---------------------------|
| United Kingdom | 285,898 | 250,019 |
| Europe (excluding UK & Scandinavia) | 15,757 | 14,630 |
| Scandinavia | 1,135 | 1,927 |
| Americas | 8,133 | 7,155 |
| Asia Pacific | 1,558 | 1,866 |
| Middle East | - | 2,188 |
| | <u>312,481</u> | <u>277,785</u> |

An analysis of the profit before tax and net assets by geographic region is not provided as 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.

The Company only has one business segment, which is consulting.

The amounts disclosed for 2013 have been restated to take into account the incorrect inclusion of amounts charged by the company to its branches in prior periods. This has reduced the amount of revenue to the UK for 2013 by £56,735k.

Operating profit 3

Operating profit is stated after charging/(crediting):

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Operating leases - plant and machinery | 25 | 274 |
| Operating leases - land and buildings | 5,261 | 4,896 |
| Foreign currency losses/(gains) | 112 | (290) |
| Loss on sale of tangible fixed assets | 7 | 22 |
| Depreciation of owned assets | 4,740 | 4,195 |
| Rent receivable | (1,979) | (2,011) |
| Amortisation of intangible assets | 5,230 | 5,230 |
| Auditor's remuneration | 93 | 84 |
| R & D expenditure credit | (742) | - |

Notes to the financial statements

Particulars of employees 4

The majority of services were provided by persons employed by PA Holdings Limited, the company's immediate parent. The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2014 No. | 2013 No. |
|----------------------------|-------------|-------------|
| Consultants | 87 | 89 |
| Administration and support | 8 | 10 |
| | <u>95</u> | <u>99</u> |

The aggregate payroll costs were as follows:

| | 2014 £'000 | 2013 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 5,204 | 5,123 |
| Social security costs | 416 | 418 |
| Staff pensions | 747 | 614 |
| Other payroll costs | 743 | 575 |
| | <u>7,110</u> | <u>6,730</u> |

Notes to the financial statements

Directors' remuneration 5

The directors' remuneration for the year was as follows:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Aggregate emoluments in respect of qualifying services | 2,074 | 3,405 |
| Aggregate amounts receivable under long-term incentive schemes | 36 | 7 |
| Contributions to defined contribution pension arrangements | 63 | 43 |
| Remuneration (including benefits in kind) | <u>2,173</u> | <u>3,455</u> |

During the year the number of directors who were receiving benefits and share incentives was as follows:

| | 2014 No. | 2013 No. |
|---|-------------|-------------|
| Received or were entitled to receive shares under long term incentive schemes | - | - |
| Exercised share options | 1 | 1 |
| Accruing benefits under defined benefit pension scheme | 2 | 2 |
| Accruing benefits under money purchase pension scheme | <u>5</u> | <u>5</u> |

In respect of the highest paid director:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Remuneration | 1,204 | 1,454 |
| Defined benefit accrued pension entitlement at the end of the period | 18 | - |

During the year the highest paid director exercised share options, and was not entitled to receive shares under a long term incentive scheme.

In 2013 the highest paid director included £63,795 which was paid to Vos Amis Limited, a related party, for the provision of support services and administration. The amount owed to Vos Amis Limited at 31 December 2014 was £nil (2013 : £nil).

Notes to the financial statements

| Interest receivable 6 | | |
|---|---------------|---------------|
| | 2014 £'000 | 2013 £'000 |
| Bank interest receivable | 105 | 106 |
| Interest on loans to group undertakings | 205 | 140 |
| | <u>310</u> | <u>246</u> |
| Interest payable 7 | | |
| | 2014 £'000 | 2013 £'000 |
| Interest on loans from group undertakings | 11 | 4 |
| Other interest payable | 31 | 43 |
| | <u>42</u> | <u>47</u> |

Notes to the financial statements

Taxation 8

Tax on profit on ordinary activities

| | 2014 £'000 | 2013 £'000 |
|--|---------------------|---------------------|
| Current tax | | |
| Corporation tax charge | 10,139 | 5,933 |
| Adjustments in respect of previous years | (496) | (848) |
| Group relief payable | (178) | (138) |
| UK Corporation tax | <u>9,465</u> | <u>4,947</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (1,712) | (155) |
| Deferred tax adjustment relating to previous years | 119 | 561 |
| Total deferred tax | <u>(1,593)</u> | <u>406</u> |
| Total tax on profit on ordinary activities | <u><u>7,872</u></u> | <u><u>5,353</u></u> |

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%).

The differences are reconciled below:

| | 2014 £'000 | 2013 £'000 |
|--|---------------------|---------------------|
| Profit on ordinary activities before taxation | <u>32,480</u> | <u>17,261</u> |
| Corporation tax at standard rate | 6,983 | 4,013 |
| Origination and reversal of timing differences | 1,712 | 155 |
| Expenses not deductible for tax purposes (including goodwill amortisation) | 1,444 | 2,346 |
| Adjustments in respect of prior periods | (496) | (848) |
| Research and development tax credits | - | (581) |
| Group relief adjustment | <u>(178)</u> | <u>(138)</u> |
| Total current tax | <u><u>9,465</u></u> | <u><u>4,947</u></u> |

Notes to the financial statements

Intangible fixed assets 9

| | Licences £'000 |
|-----------------------|-------------------|
| Cost | |
| At 1 January 2014 | 52,301 |
| At 31 December 2014 | 52,301 |
| Amortisation | |
| At 1 January 2014 | 42,277 |
| Charge for the year | 5,230 |
| At 31 December 2014 | 47,507 |
| Net book value | |
| At 31 December 2014 | 4,794 |
| At 31 December 2013 | 10,024 |

Notes to the financial statements

Tangible fixed assets 10

| | Freehold land and buildings £'000 | Short leasehold and property £'000 | Computer equipment £'000 | Office furniture, motor vehicles, equipment & machinery £'000 | Total £'000 |
|--|--|--|--------------------------------|--|----------------|
| Cost or valuation | | | | | |
| At 1 January 2014 | 18,289 | 13,588 | 5,650 | 4,205 | 41,732 |
| Effects of movements in exchange rates | - | - | - | (14) | (14) |
| Additions | 144 | 93 | 2,512 | 331 | 3,080 |
| Disposals | - | - | (379) | (170) | (549) |
| Transfers between group | - | - | (27) | - | (27) |
| At 31 December 2014 | 18,433 | 13,681 | 7,756 | 4,352 | 44,222 |
| Depreciation | | | | | |
| At 1 January 2014 | 11,494 | 9,209 | 3,474 | 2,983 | 27,160 |
| Effects of movements in exchange rates | - | 1 | - | (18) | (17) |
| Charge for the year | 1,768 | 1,290 | 1,367 | 315 | 4,740 |
| Eliminated on disposals | - | - | (368) | (171) | (539) |
| Transfers between asset categories | - | - | (22) | - | (22) |
| At 31 December 2014 | 13,262 | 10,500 | 4,451 | 3,109 | 31,322 |
| Net book value | | | | | |
| At 31 December 2014 | 5,171 | 3,181 | 3,305 | 1,243 | 12,900 |
| At 31 December 2013 | 6,795 | 4,379 | 2,176 | 1,222 | 14,572 |

Notes to the financial statements

Investments held as fixed assets 11

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Shares in group undertakings and participating interests | <u>1</u> | <u>1</u> |

| | Subsidiary undertakings £'000 |
|-----------------------|-------------------------------------|
| Cost | |
| At 1 January 2014 | <u>1</u> |
| At 31 December 2014 | <u>1</u> |
| Net book value | |
| At 31 December 2014 | <u>1</u> |

Details of undertakings list Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking | Holding | Proportion of voting rights and shares held | Principal activity |
|---------------------------------|-----------------|---|--------------------|
| Significant holdings | | | |
| PA Technology Solutions Limited | Ordinary Shares | 100.00% | Consultancy |
| PA Middle East Limited | Ordinary Shares | 100.00% | Consultancy |
| PA Pension Trustees Limited | Ordinary Shares | 48.00% | Dormant |

Notes to the financial statements

Debtors 12

| | 2014 £'000 | 2013 £'000 |
|---|----------------|----------------|
| Amounts falling due within one year | | |
| Trade debtors | 24,999 | 26,261 |
| Amounts owed by group undertakings | 122,602 | 71,151 |
| Other debtors | 2,359 | 654 |
| Prepayments and accrued income | 21,270 | 16,951 |
| | <u>171,230</u> | <u>115,017</u> |
| | | |
| | 2014 £'000 | 2013 £'000 |
| Amounts falling due after more than one year | | |
| Deferred tax | 5,945 | 4,352 |
| | <u>5,945</u> | <u>4,352</u> |
| | | |
| Total debtors | <u>177,175</u> | <u>119,369</u> |

Deferred tax

The movement in the deferred tax asset in the year is as follows:

| | £'000 |
|--|--------------|
| At 1 January 2014 | 4,352 |
| Deferred tax credited to the profit and loss account | 1,593 |
| At 31 December 2014 | <u>5,945</u> |

Analysis of deferred tax

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Difference between accumulated depreciation and amortisation and capital allowances | (181) | (345) |
| Other timing differences | 6,126 | 4,697 |
| | <u>5,945</u> | <u>4,352</u> |

Notes to the financial statements

Creditors: Amounts falling due within one year 13

| | 2014 £'000 | 2013 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 2,422 | 3,559 |
| Payments received on account | 10,001 | 7,505 |
| Amounts owed to group undertakings | 7,625 | 2,541 |
| Corporation tax | 4,390 | 501 |
| Other taxes and social security | 14,422 | 13,059 |
| Other creditors | 40,506 | 31,817 |
| Accruals and deferred income | 4,676 | 4,094 |
| | <u>84,042</u> | <u>63,076</u> |

Creditors: Amounts falling due after more than one year 14

| | 2014 £'000 | 2013 £'000 |
|-----------------|---------------|---------------|
| Other creditors | <u>26,024</u> | <u>19,486</u> |

Notes to the financial statements

Provisions for liabilities 15

| | Property provision £'000 |
|--------------------------|--------------------------------|
| At 1 January 2014 | 3,116 |
| Utilised during the year | (997) |
| At 31 December 2014 | <u>2,119</u> |

Property provisions are recognised for obligations under leasehold property contracts that are onerous and for leasehold obligations to restore premises to their original condition upon vacating them. Such provisions have been made with respect to leases with terms varying between 1 and 17 years.

Share capital 16

Allotted, called up and fully paid shares

| | 2014 No. 000 | 2014 £'000 | 2013 No. 000 | 2013 £'000 |
|----------------------------|-----------------|---------------|-----------------|---------------|
| Ordinary Shares of £1 each | <u>200</u> | <u>200</u> | <u>200</u> | <u>200</u> |

Notes to the financial statements

Reconciliation of movement in shareholders' funds 17

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Profit attributable to the members of the Company | 24,608 | 11,908 |
| Other recognised gains and losses relating to the year | (170) | 37 |
| Net addition to shareholders' funds | 24,438 | 11,945 |
| Shareholders' funds at 1 January | 59,679 | 47,734 |
| Shareholders' funds at 31 December | <u>84,117</u> | <u>59,679</u> |

Reserves 18

| | Profit and loss account £'000 |
|-------------------------------------|--|
| At 1 January 2014 | 59,479 |
| Profit for the year | 24,608 |
| Foreign currency translation losses | (170) |
| At 31 December 2014 | <u>83,917</u> |

Notes to the financial statements

Prior period adjustments 19

In the year the company identified that turnover and administrative costs reported in 2013 were overstated, as it included amounts charged between the company and its branches. As a result prior year information has been restated to decrease both turnover and administrative costs by £56,735k. There is no impact on either net profit or the net assets of the company as a result of this change.

Contingent liabilities 20

In common with comparable consultancy organisations, the Company maintains a variety of insurance policies including professional indemnity insurance. If a claim is raised, the directors assess each claim and provide for legal and settlement costs where, on the basis of the advice received, it is considered a liability may exist. Having sought advice, no additional provision has been made in the current year.

PA Consulting Services Limited is currently, and may be from time to time, involved in a number of legal proceedings. While the outcome of current outstanding actions and claims remain uncertain, it is expected that they will be resolved without a material impact on the Company's financial position.

Notes to the financial statements

Commitments 21

Operating lease commitments

As at 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

| | 2014 £'000 | 2013 £'000 |
|----------------------------|---------------|---------------|
| Land and buildings | | |
| Within one year | 212 | 176 |
| Between two and five years | 5,089 | 6,075 |
| | <u>5,301</u> | <u>6,251</u> |
| Other | | |
| Within one year | 8 | 7 |
| Between two and five years | 143 | 143 |
| | <u>151</u> | <u>150</u> |

Leases as lessor

The Company sub-leases out certain freehold buildings and short leasehold properties under operating leases.

The minimum rent receivable under non-cancellable operating are as follows:

| | 2014 £'000 | 2013 £'000 |
|----------------------------|---------------|---------------|
| Within one year | 1,061 | 6 |
| Between two and five years | 50 | 2,195 |
| | <u>1,111</u> | <u>2,201</u> |

Notes to the financial statements

Related party transactions 22

The Company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other members of the group.

Ultimate parent and controlling undertaking 23

The Company is controlled by PA Consulting Group Limited.

The directors regard PA Holdings Limited as the immediate parent company and PA Consulting Group Limited as both the ultimate parent company and controlling party. Both PA Holdings Limited and PA Consulting Group Limited are incorporated in the United Kingdom.

The Company's results have been included in the consolidated financial statements of PA Consulting Group Limited, copies of which can be obtained from the registered office at 123 Buckingham Palace Road, London SW1W9SR.

Directors and advisers

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