

Registered No: 414220

PA CONSULTING SERVICES LIMITED ✓

Report and Financial Statements

Year Ended

31 December 2000



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Five-Year Financial Summary

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

	<i>Year ended 31 December</i>				
	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover	120,405	156,667	183,997	189,491	190,736
Personnel and direct costs	<u>(75,508)</u>	<u>(100,930)</u>	<u>(117,010)</u>	<u>(124,740)</u>	<u>(123,156)</u>
Gross profit	44,897	55,737	66,987	64,751	67,580
Administrative expenses	(33,001)	(36,651)	(37,642)	(31,701)	(30,422)
Operating profit	<u>11,896</u>	<u>19,086</u>	<u>29,345</u>	<u>33,050</u>	<u>37,158</u>
Net interest receivable and similar charges	<u>1,244</u>	<u>1,357</u>	<u>4,108</u>	<u>2,154</u>	<u>438</u>
Profit on ordinary activities before taxation	13,140	20,443	33,453	35,204	37,596
Taxation	<u>(5,299)</u>	<u>(6,813)</u>	<u>(10,271)</u>	<u>(10,120)</u>	<u>(11,453)</u>
Profit on ordinary activities after taxation	7,841	13,630	23,182	25,084	26,143
Dividend	<u>(4,180)</u>	<u>(7,202)</u>	<u>(38,200)</u>	<u>-</u>	<u>-</u>
Retained profit/(loss) for the year	<u>3,661</u>	<u>6,428</u>	<u>(15,018)</u>	<u>25,084</u>	<u>26,143</u>

Directors, Officers and Advisers

Directors

The present Directors of the Company are:

Maxine Drabble (appointed 24 January 2001)

Nicholas Hayes

Jon Moynihan

Company Secretary

Maxine Drabble

Advisers

Auditors & Tax Advisers

BDO Stoy Hayward

8 Baker Street, London W1U 3LL

Bankers

The Royal Bank of Scotland plc

3 Upper Street, Islington, London N1 0PH

Solicitors

Speechly Bircham

Bouverie House, 154 Fleet Street, London EC4A 2HX

Company Number

414220

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2000.

Principal Activities

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

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

Results and Dividends

The results are set out in the attached financial statements.

The profit and loss account for the year ended 31 December 2000 is set out on page 8.

The profit for the year on ordinary activities after deducting taxation amounted to £26,143,000.

The Directors do not recommend the payment of a final dividend.

The retained profit of £26,143,000 has been transferred to reserves.

Directors

The present Directors of the Company are set out on page 3.

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

Nicholas Hayes

Tim Gerrard (resigned on 12 December 2000)

Jon Moynihan

Directors' Interests in Contracts

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

Directors' Interests in Shares of the Company

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

	At 31 December 2000 ordinary shares of 10p each	At 1 January 2000 (or date of appointment if later) ordinary shares of 10p each
NJG Hayes	142,738	108,830
JP Moynihan	2,348,606	1,998,746

Share Options

The interests of the Directors in the share options of the ultimate parent company, PA Holdings Limited, are shown in the table below.

The aggregate values of the unexercised options at 31 December 2000 were as follows:

	At 1.1.00	Number of options Exercised	At 31.12.00	price	Date from which exercisable	Expiry date
JP Moynihan	146,986	146,986	—	50p	30.06.2000	30.06.2002

The granting of options was made under the PA Performance-Related Pay Scheme for Partners.

Directors' Responsibilities for the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

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

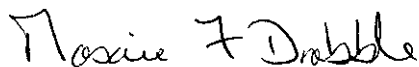
Employees

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

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink that reads "Maxine Drabble". The signature is written in a cursive, flowing style.

Maxine Drabble
Secretary
2 March 2001

Report of the Auditors

To the Members of PA Consulting Services Limited

We have audited the financial statements on pages 8 to 17 which have been prepared under the accounting policies as set out on page 11.

Respective Responsibilities of Directors and Auditors

As described on pages 5 to 6 the directors' are responsible for preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 of the state of the Company's affairs at 31 December 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
London
2 March 2001

BDO Stoy Hayward

Profit and Loss Account

For the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover	2	190,736	189,491
Personnel and direct costs		(123,156)	(124,740)
Gross profit		<u>67,580</u>	<u>64,751</u>
Administrative expenses		(30,422)	(31,701)
Operating profit	5	<u>37,158</u>	<u>33,050</u>
Income from investments	6	345	–
Interest receivable		98	2,156
Interest payable and similar charges	7	(5)	(2)
Profit on ordinary activities before taxation		<u>37,596</u>	<u>35,204</u>
Taxation	8	(11,453)	(10,120)
Retained profit		<u>26,143</u>	<u>25,084</u>

All amounts relate to continuing activities of the Company.

The notes on pages 11 to 17 form part of these financial statements.

Balance Sheet

As at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	9	17,525	19,441
Investments	10	<u>21</u>	<u>43</u>
		17,546	19,484
Current assets			
Debtors – due within one year	11	215,618	137,169
– due after more than one year	11	912	1,081
Cash at bank and in hand		<u>955</u>	<u>941</u>
		217,485	139,191
Creditors			
Amounts falling due within one year	12	<u>(154,303)</u>	<u>(109,236)</u>
Net current assets		<u>63,182</u>	<u>29,955</u>
Total assets less current liabilities		80,728	49,439
Creditors			
Amounts falling due after more than one year	13	(10,437)	(1,673)
Provision for liabilities and charges	14	<u>(647)</u>	<u>(4,274)</u>
		<u>69,644</u>	<u>43,492</u>
Capital and reserves			
Called-up share capital	16	200	200
Other reserves	17	65	56
Profit and loss account	18	<u>69,379</u>	<u>43,236</u>
Shareholders' funds	19	<u>69,644</u>	<u>43,492</u>

All items under capital and reserves are equity.

The financial statements were approved by the Board of Directors on 2 March 2001.

N Hayes **Director**



The notes on pages 11 to 17 form part of these financial statements.

Statement of Total Recognised Gains and Losses

As at 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Profit for financial year		26,143	25,084
Exchange differences on foreign currency net investments	17	9	(56)
Total recognised gains and losses for the year		<u>26,152</u>	<u>25,028</u>

The notes on pages 11 to 17 form part of these financial statements.

Notes to the Financial Statements

31 December 2000

1. Accounting policies

(a) Accounting Convention

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

(b) Foreign Currencies

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

(c) Turnover

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

(d) Bonus Scheme

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

(e) Tangible Fixed Assets

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

The depreciation rates are as follows:

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

(f) Fixed Asset Investments

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

(g) Leased Assets

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

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

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

(h) Deferred Taxation

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

(i) Property

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

(j) Pensions

The pension costs charged to the profit and loss account in respect of defined benefit pension schemes are based on actuarial methods and assumptions designed to provide the anticipated pension costs over the service lives of the employees in the scheme and are calculated to achieve a substantially level percentage of the current and expected future pensionable payroll. Variations from regular costs are allocated over a period approximating to the remaining service lives of current employees in the scheme.

Notes to the Financial Statements

31 December 2000 continued. . .

2. Segmental information

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

Turnover	2000 £000	1999 £000
Geographic analysis		
UK	165,868	150,855
Europe (excluding UK and Scandinavia)	12,861	16,844
Scandinavia	6,300	8,965
North America	3,975	7,500
Asia Pacific	1,732	5,217
Other	—	110
	<u>190,736</u>	<u>189,491</u>

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

3. Emoluments of Directors

	2000 £000	1999 £000
Executive Directors' remuneration	<u>—</u>	<u>—</u>

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

4. Staff costs

As per 1999, the Company did not incur staff costs during the year as contracts of employment between the company and its staff were transferred to the Company's ultimate parent, PA Holdings Limited at the end of 1998.

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

	2000 £000	1999 £000
Auditors' remuneration	184	184
Payments to Auditors for other services	575	547
Depreciation of tangible fixed assets	4,464	4,935
Hire of plant and equipment	316	157
Other operating lease charges	10,147	12,198
Rent receivable	(4,016)	(4,091)
Exchange differences	186	304
Movement in property provisions (note 14)	<u>(3,624)</u>	<u>(1,752)</u>

Notes to the Financial Statements

31 December 2000 continued. . .

6. Income from investments

	2000 £000	1999 £000
Unlisted investment income	345	—

7. Interest payable and similar charges

	2000 £000	1999 £000
On other loans	5	2

8. Taxation

	2000 £000	1999 £000
Taxation based on profit for the year comprises:		
Corporation tax	11,357	10,611
Deferred taxation (note 15)	166	2,457
Relating to prior years	(70)	(2,948)
Overseas taxation	—	—
	<u>11,453</u>	<u>10,120</u>

UK Corporation tax has been provided at 30% (1999 30%)

9. Tangible fixed assets

	Freehold land and buildings £000	Property held on short lease £000	Office furniture, machinery & equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost at 1 January 2000	20,661	7,505	6,897	16,191	6	51,260
Additions	109	—	1,090	1,451	—	2,650
Disposals	—	—	(133)	(142)	(2)	(277)
Cost at 31 December 2000	<u>20,770</u>	<u>7,505</u>	<u>7,854</u>	<u>17,500</u>	<u>4</u>	<u>53,633</u>
Depreciation at 1 January 2000	9,385	4,500	5,094	12,838	2	31,819
Charge for the year	335	500	655	2,972	2	4,464
Disposals	—	—	(116)	(57)	(2)	(175)
Depreciation at 31 December 2000	<u>9,720</u>	<u>5,000</u>	<u>5,633</u>	<u>15,753</u>	<u>2</u>	<u>36,108</u>
Net book value at 31 December 2000	<u>11,050</u>	<u>2,505</u>	<u>2,221</u>	<u>1,747</u>	<u>2</u>	<u>17,525</u>
Net book value at 31 December 1999	<u>11,276</u>	<u>3,005</u>	<u>1,803</u>	<u>3,353</u>	<u>4</u>	<u>19,441</u>

Following a review of the useful economic life of certain freehold buildings, the useful economic life was changed to write off the value of certain buildings over 50 years. This has resulted in a reduced depreciation charge for 2000 by £1,000,000.

Notes to the Financial Statements

31 December 2000 continued. . .

10. Fixed asset investments

	2000 £000	1999 £000
Unlisted investments	21	21
Shares held in subsidiary undertakings	—	22
	<u>21</u>	<u>43</u>
	<i>Unlisted investments</i>	<i>Shares held in subsidiary undertakings</i>
Cost	£000	£000
At 1 January 2000	21	22
Disposals	—	(22)
Additions	—	—
At 31 December 2000	<u>21</u>	<u>—</u>

11. Debtors

	2000 £000	1999 £000
Due within one year:		
Trade debtors	19,869	24,135
Amount recoverable on contracts	5,972	3,911
Amounts due from group undertakings	187,286	106,939
Other debtors	742	603
Prepayments	1,749	1,581
	<u>215,618</u>	<u>137,169</u>
Due after more than one year:		
Deferred tax (note 15)	912	1,081

12. Creditors – amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	3,621	5,761
Payments on account	4,633	4,970
Amounts due to group undertakings	113,283	65,944
Amounts due to subsidiary undertakings	—	3,589
Taxation	893	3,817
Social security and other taxes	4,675	4,431
Other creditors and accruals	27,198	20,724
	<u>154,303</u>	<u>109,236</u>

Notes to the Financial Statements

31 December 2000 continued. . .

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

	2000	1999
	£000	£000
Bonuses	10,398	1,633
Other	39	40
	<u>10,437</u>	<u>1,673</u>

14. Provision for liabilities and charges

	2000	1999
	£000	£000
Property provisions	647	4,271
Deferred tax (note 15)	–	3
	<u>647</u>	<u>4,274</u>

	£000
Property provisions movements:	
Balance at 1 January 2000	4,271
Release of property provisions	(3,803)
Charge of property provisions	179
Balance at 31 December 2000	<u>647</u>

15. Deferred tax

Unprovided and provided deferred taxation is as follows:

	2000	2000	1999	1999
	£000	£000	£000	£000
	Unprovided	Provided	Unprovided	Provided
Fixed assets	–	(323)	–	3
Bonus	–	–	–	(696)
Other	–	(589)	(10)	(385)
	<u>–</u>	<u>(912)</u>	<u>(10)</u>	<u>(1,078)</u>

Deferred taxation movements:

	2000
	£000
Balance at 1 January 2000	(1,078)
Transfer from profit and loss account	166
Balance at 31 December 2000	<u>(912)</u>
Deferred tax liabilities (note 14)	–
Deferred tax assets (note 11)	<u>(912)</u>

Notes to the Financial Statements

31 December 2000 continued. . .

16. Share capital

	2000 Number	2000 £	1999 Number	1999 £
Authorised:				
Ordinary shares of £1 each	250,000	250,000	250,000	250,000
Allotted, called up and fully paid	200,000	200,000	200,000	200,000

17. Other reserves

	£000
Balance at 1 January 2000	56
Exchange difference	9
Balance at 31 December 2000	65

18. Profit and Loss Account

	£000
Balance at 1 January 2000	43,236
Retained profit for the year	26,143
Balance at 31 December 2000	69,379

19. Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	26,143	25,084
Other recognised gains and losses relating to the year	9	(56)
	26,152	25,028
Opening shareholders' funds	43,492	18,464
Closing shareholders' funds	69,644	43,492

20. Contingent liabilities

Guarantees

The Company has guaranteed overdraft facilities of group undertakings amounting to £7 million of which none were utilised as at 31 December 2000. The Company has also guaranteed a £70 million loan for a group undertaking which is secured on the assets of the Company.

Notes to the Financial Statements

31 December 2000 continued. . .

21. Operating lease commitments

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

	2000 £000	1999 £000
Land and buildings:		
Within one year	427	358
Between one and two years	217	133
Between two and five years	7,232	7,446
Beyond five years	531	568
	<u>8,407</u>	<u>8,505</u>
Other operating leases:		
Within one year	804	459
Between one and two years	1,033	847
Between two and five years	915	2,084
Beyond five years	—	—
	<u>2,752</u>	<u>3,390</u>

22. Parent undertakings

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

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

23. Group financial statements

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

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

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

24. Cashflow statement

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