

Registration number: 00414220

PA Consulting Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

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Company Information

Directors	C Barrett
	R Cameron
	K Janjua
	A Middleton
	D Vickerstaffe
Company secretary	W Warner
Registered office	10 Bressenden Place London SW1E 5DN
Bankers	HSBC Bank plc West End CBC 69 Pall Mall London SW1Y 5EY
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

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. The Company's consultancy services are delivered by employees of the Company and employees of PA Holdings Limited, a fellow group company.

Review of the business

Turnover increased by 12% to £428.7 million (2018: £383.1million).

We introduced our new purpose, Bringing Ingenuity to Life, in 2018. We continue to develop our firm around this clear purpose with everything we do both with clients and internally aligned around this clear statement. This has resonated well in our markets and with clients, both new and long-standing. This clarity of purpose and a continued clear focus on targeted industries, capabilities and geographies has enabled us to deliver strong sales through 2019, driving our utilisation up and enabling us to finish the year with a solid stock of work for the start of 2020.

The Company's profit for the year is £40.1 million (2018: £47.4 million);

The directors consider the result for the year and the financial position at the end of the year to be in line with expectations.

The outbreak of the Coronavirus COVID-19 pandemic has had and will have significant and long-lasting ramifications for businesses and people around the world. The possible business impacts for the Company and the wider PA Consulting Group in which the Company sits and the actions that are being taking to mitigate these are described further in note 29.

Principal risks and uncertainties

The Company is a member of the PA Consulting Group of companies ('the Group'). Business performance and principal risks and uncertainties of the Company are integrated with the performance and principal risks 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 risks and uncertainties facing it can be found in the PA Consulting Group Limited report and accounts for 2019.

Strategic Report for the Year Ended 31 December 2019

Section 172(1) Statement

This section comprises our Section 172(1) Statement and should be read in conjunction with the strategic report on page 2.

The directors of PA Consulting Services Limited take their statutory duties seriously. The directors of PA Consulting Services Limited have received specific training on their duties and responsibilities, including their responsibility to promote the success of the Company in accordance with s172 of the Companies Act 2006. The Company is a wholly-owned subsidiary of PA Consulting Group Limited and its governance and operating practices are aligned with the Group. Two directors of PA Consulting Services Limited sit on the board of PA Consulting Group Limited.

The PA Consulting Group has six core values - passionate about people, inspired by client value, creating commercial success, prizing our ethical approach, seeking to excel and achieving success through shared endeavours - are enshrined in our Code of Conduct and drive the way PA and its board behave with clients, with each other and with everyone else we meet through our work.

Our core values, which are set by the board of PA Consulting Group Limited, define our organisation and represent a personal commitment by every one of our people worldwide.

The governance and control framework which is in place across the PA Group ensures that our core values are upheld and that decisions made by the boards of PA Consulting Group Limited and PA Consulting Services Limited give due regard to the long-term impact of those decisions, the interests of the Group and Company's stakeholders, and the impact of the Company's activities on the community, the environment and the Company's reputation. The key stakeholders which are considered by the PA Consulting Group Limited Board and the Company Board when making decisions include our people, clients and shareholders, as well as suppliers, the environment and the communities around us.

The directors of PA Consulting Services Limited receive regular and timely information on all key aspects of the business, and decisions made are done so after careful consideration and debate of all information and detailed papers which focus on relevant stakeholder considerations.

The directors of PA Consulting Services Limited have access to advice and guidance from the Group Company Secretary, as well as PA's company secretariat and Group legal functions when discharging their duties. The Company Board has made a number of decisions during the year which are described in this report, including the payment of a £47 million dividend. Examples of how the board have engaged with its stakeholders during the year are provided below.

Our clients

Our clients, and the work we do for them, are the cornerstone of our Purpose, and strategy. The way that we contribute to our accounts and build successful and enduring relationships is critical to our success. We engage with our clients closely, working side by side with them in every job we do. In addition to the great work we do every day on client assignments, we produce many insight and thought leadership pieces on issues that are top of mind of our clients. In 2019 we published our views on topics such as sustainability, digitisation of supply chains and the importance of the human factor in new technologies. Each year we publish an annual review which provides an important 'window' on PA for our clients, as well as investors, PA people and potential new joiners. To further understand how well we are meeting the needs of our clients, we undertake client value reviews. The results of these surveys show that 98% of clients would recommend us based on our work. We're proud to work with clients who make a positive contribution on ground-breaking and innovative projects that improve people's lives. We care about what we do and the impact we deliver. Our clients are ambitious to innovate and transform their organisations, markets and society, and we go the extra mile to realise that goal.

Strategic Report for the Year Ended 31 December 2019

Our shareholders

PA Consulting Group Limited's partnership with Carlyle, which began in 2015, has been an important factor in our continued growth and success as a firm. Alongside this, employee share ownership remains an important part of PA's culture, brand and values. Continued share ownership by employees is a key feature of our strategy and is highly valued by our people. PA management works closely with Carlyle who have representation on PA Consulting Group Limited Board.

Employees are represented on PA Consulting Group Limited Board and the Company Board by the Chief Executive Officer and the Group Company Secretary.

In paying the £47 million dividend in the year, the Company Board considered the impact of the dividend on maintaining the Company's strong balance sheet, key ratios and its ability to continue to settle its financial obligations to employees and suppliers.

Our communities

In pursuit of creating a positive human future in a technology-driven world, we give time and expertise to support communities, focusing our efforts to inspire the next generation of ingenious thinkers. In 2019 we continued to give back to our communities. We provided our time and expertise to initiatives like our Raspberry Pi competition, Springboard programme and Women in Tech courses (which we held in London).

Approved by the Board on 14/09/2020 and signed on its behalf by:



.....
R Cameron
Director

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the Company

The directors who held office during the year ended 31 December 2019 and up to the date of signing the financial statements were as follows:

C Barrett

R Cameron

K Janjua

A Middleton

D Vickerstaffe

Dividends

An interim dividend of £47 million was paid in the year (2018: nil). The directors do not recommend the payment of a final dividend (2018: nil).

Employee involvement

We encourage people across PA to take active responsibility for improving our performance whether through enhancing working practices or drawing attention to behaviours or other issues which give them concern. To encourage feedback and suggestions, PA has introduced procedures and mechanisms to create a culture that allows people to speak up with confidence and in good faith in the expectation of being heard. PA regularly conducts employee surveys and provides all employees with access to a 'Give PA your suggestions' facility. Employees and third parties, including clients and suppliers, can also raise concerns through a confidential and anonymous whistle-blowing helpline that is operated externally.

Supporting colleagues with disabilities

PA is committed to creating a work environment that supports and inspires all individuals, and we give full consideration to applications from people with disabilities. Arrangements are made for PA employees who have become disabled in their time at PA to be supported in their current roles or to be trained for other positions within our organisation. Disabled persons are provided with equal access to learning, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

Directors' Report for the Year Ended 31 December 2019

Environmental matters

PA has set two top-line objectives for managing our environmental impact: to reduce our scope 1/2 carbon emissions by 60% from the 2009 baseline by 2020, and to reduce our scope 3 transport carbon footprint by 20% from the 2013 baseline by 2020. Our latest carbon footprint data (for 2018) show that we have already reached our 2020 target for scope 1/2 (direct) carbon emissions. Significant reductions were achieved in the last year following the move of our London office into the BREEAM-Excellent rated Verde building – this reduced energy consumption by ca. 80% in comparison with the previous building – and through the ongoing decarbonisation of the UK electricity network.

At our Global Innovation and Technology Centre in Melbourn, we have commenced a significant refurbishment project, which is anticipated to provide further significant energy savings.

Progress on transport emissions – principally consisting of air travel – has been challenging, due to the importance of face-to-face interactions in consultancy. Therefore, as we move into 2020 we will explore further options to reduce this impact, as well as considering the potential for intensity metrics rather than absolute metrics to best describe our performance and therefore lead to genuine improvements.

Alongside this, we have maintained our external ISO 14001 environmental management certification for four of our UK offices and have added accreditation to ISO 50001 energy management for the same locations.

Through our work with our clients, we have continued to make significant positive contributions to the environment, and to help them move towards more circular business models. While we continue to focus on our own carbon footprint, we believe the work we are able to deliver with our clients plays a major role in offsetting the negative impact we have.

Social and community issues

Directors' Report for the Year Ended 31 December 2019

In addition to our Raspberry Pi competition, work experience programmes and our Women in Tech programme, we continue to support many other good causes and aid social mobility through our Giving Back and Volunteering programme.

At PA we are committed to the equal treatment of all and we treat all our people with dignity and respect, providing a productive working environment free from discrimination, victimisation, coercive pressure, bullying and harassment.

We take steps to ensure that there is no human trafficking or modern slavery in our supply chain or within any part of our business, and we encourage our suppliers to adopt best practices in terms of human rights and diversity, which we assess through our supplier pre-qualification questionnaire.

In 2019 we again had no significant work-related accidents – those which occur as a result of our work or workplace, and which require notification or reporting to the local regulatory authority (e.g. RIDDOR in the UK). We have continued to strengthen our management systems and have now gained accreditation against ISO 45001 health and safety management on the same sites as ISO 14001. We have undertaken a thorough review of our risk assessment and Control of Substances Hazardous to Health assessment procedures, enabling production of clearer, more focused risk assessments, and will continue this approach to further enhance our existing systems over the coming year.

Economic responsibility is enshrined in our Purpose, our values and our business processes. PA supports sustainable procurement methods, whether prescribed by legislation or through our own policies. As well as the traditional procurement benchmarking criteria of price and quality, we support the 'triple bottom line' ideology and consider social, environmental and economic factors in the procurement decision-making process. Our supplier diversity policy helps ensure that the contracts that we place are with a diverse range of suppliers.

We remain an approved signatory to the UK Prompt Payment Code and we report twice annually on our payment practices and performance in accordance with the regulations made under the Small Business, Enterprise and Employment Act 2015 in the UK.

Future developments

In 2020 the Company will continue to provide a range of consultancy services to government and industry. The impact of the Coronavirus COVID-19 pandemic to date is described in note 29.

Research and development

PA is committed to new knowledge creation and innovation through the provision of research and development for clients and through investing in projects internally. The Group 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 has branches in Spain, Switzerland, Dubai and Ireland. In 2019 the directors decided to close the branches in Spain, Switzerland and Dubai and consequently operations are winding down as work is completed and client commitments are met. At 31 December 2019 the closure of these branches was in progress.

Directors' Report for the Year Ended 31 December 2019

Going concern

Having considered the financial position, trading performance and forecast cash flows, along with the principal risks of the business, of the Company and wider PA Group, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

As part of the assessment of going concern the directors considered the impact of COVID-19 on the future financial performance of the PA Group through a variety of scenarios covering the potential impact from the business performance risks detailed in note 29 and the Directors' strategic review. This included estimating the impact on forecast revenue and taking into account mitigating actions the directors have already implemented, as described below, or which are available to the directors to take to help maximise the Group's available liquidity over a sustained downturn period.

The Office for Budget Responsibility (OBR) has assessed that gross domestic product (GDP) in the UK (the most significant geographic contributor to the Company and Group's results) could start to rise by up to 6% in the third quarter of 2020 with a downturn for the year as a whole of 8%. The scenarios reviewed by the board of the Group modelled a greater drop-off than these levels to ensure the Group can withstand a deeper or longer-term underperformance than the current GDP outlook.

On the basis of the reforecast position, of which the Company is the largest contributor, the directors are satisfied that the Group has sufficient resources and liquidity available and maintains sufficient headroom on banking covenants under the various scenarios modelled. The Company directors therefore believe that it is appropriate to prepare the accounts on a going concern basis.

Important non adjusting events after the financial period

The outbreak of the coronavirus pandemic in the period since the balance sheet date has caused economic ramifications throughout the world. The business impact risks of coronavirus include reduction of available resources through illness, reduced fee income due to clients reducing spend, mobility issues caused by travel restrictions and availability of cash to cover outgoings. The Company operates a balanced portfolio of work across public and private sector clients, where the work undertaken is both strategic and necessary in structure, reducing the risk that programmes get sidelined in the initial period of the pandemic.

The performance in 2020 so far has not indicated any materially adverse impact on results. Client deliverables and interactions have been maintained, in many cases through technology-enabled remote working. Cash inflow has remained comparable with previous years and no material write-offs have been required to date nor are expected to be required. Consequently there have been no indicators of impairment of the Company's assets.

To reduce reliance on business structure alone, the directors have also identified a number of actions to help mitigate business impact and ensure that the Company maximises its available liquidity to manage through the current period of uncertainty. To this end, since the balance sheet date the Company has taken advantage of UK government-sponsored tax deferrals and has instigated a multipoint cost management programme. In addition, as a precautionary measure, the PA Consulting Group has fully drawn on its £50m revolving credit facility and has delayed payment of £20m deferred employee remuneration.

Directors' liabilities

In accordance with the Articles of Association, the sole shareholder 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. The Group 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.

Directors' Report for the Year Ended 31 December 2019

Disclosure of information to the auditors

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

Reappointment of auditors

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

Approved by the Board on 14/09/2020 and signed on its behalf by:



.....
R Cameron
Director

Statement of 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 the 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, specifically FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland', 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:

- 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.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Independent Auditor's Report to the members of PA Consulting Services Limited

Opinion

We have audited the financial statements of PA Consulting Services Limited for the year ended 31 December 2019, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - disclosure of the effects of COVID-19

We draw attention to Note 29 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which may impact fee income as a result of reduced spend from clients, reduction of available resources through illness and mobility issues caused by travel restrictions and taking into account mitigating actions the directors have already implemented or which are available to the directors to take to help maximise the Company's available liquidity over a sustained downturn period. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the members of PA Consulting Services Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 10), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of PA Consulting Services Limited

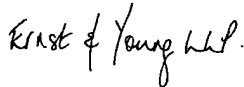
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



.....
Christabel Cowling (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

Date: 15 September 2020

Income Statement for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	2	428,730	383,064
Cost of sales		<u>(335,803)</u>	<u>(290,136)</u>
Gross profit		92,927	92,928
Administrative expenses		(42,023)	(35,301)
Other operating income	3	130	2,635
Exceptional costs	4	<u>(1,257)</u>	<u>(588)</u>
Operating profit	5	49,777	59,674
Other interest receivable and similar income	6	437	179
Interest payable and similar charges	7	<u>(670)</u>	<u>(1,055)</u>
Profit before tax		49,544	58,798
Taxation	11	<u>(9,426)</u>	<u>(11,391)</u>
Profit for the financial year		<u>40,118</u>	<u>47,407</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Profit for the year		<u>40,118</u>	<u>47,407</u>
Exchange differences on retranslation of net assets and results of overseas branches		399	(592)
Actuarial gain recognised on defined benefit pension scheme	21	<u>29</u>	<u>23</u>
		<u>428</u>	<u>(569)</u>
Total comprehensive income for the year		<u><u>40,546</u></u>	<u><u>46,838</u></u>

Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	2,524	2,531
Tangible assets	13	25,221	24,136
Investments	14	1	1
		<u>27,746</u>	<u>26,668</u>
Current assets			
Debtors: amounts falling due within one year	15	232,541	257,001
Debtors: amounts falling due after more than one year	16	2,976	5,998
Cash at bank and in hand	17	850	657
		236,367	263,656
Creditors: Amounts falling due within one year	18	<u>(123,803)</u>	<u>(134,120)</u>
Net current assets		<u>112,564</u>	<u>129,536</u>
Total assets less current liabilities		140,310	156,204
Creditors: Amounts falling due after more than one year	19	(6,932)	(16,573)
Provisions for liabilities	20	<u>(393)</u>	<u>(192)</u>
Net assets		<u>132,985</u>	<u>139,439</u>
Capital and reserves			
Called up share capital	22	200	200
Profit and loss account		<u>132,785</u>	<u>139,239</u>
Total equity		<u>132,985</u>	<u>139,439</u>

The financial statements of the Company were authorised for issue by the Board of Directors on 14/09/2020 and signed on its behalf by:



.....
R Cameron
Director

PA Consulting Services Limited
Registration number: 00414220

Statement of Changes in Equity for the Year Ended 31 December 2019

	Note	Share capital £ 000	Profit acc £
At 1 January 2019		200	
Profit for the year		-	
Exchange differences on retranslation of net assets and results of overseas branches		-	
Actuarial gain recognised on defined benefit pension scheme	21	-	
Total comprehensive income		-	
Dividends		-	
At 31 December 2019		200	

	Share capital £ 000	Profit acc £
At 1 January 2018	200	
Profit for the year	-	
Exchange differences on retranslation of net assets and results of overseas branches	-	
Actuarial (loss)/gain recognised on defined benefit pension arrangements	-	
Total comprehensive income	-	
At 31 December 2018	200	

The notes on pages 18 to 42 form an integral part of these financial statements.
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Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

Statement of compliance

The Company is a private company limited by shares and is incorporated in England. The registered office is 10 Bressenden Place, London, SW1E 5DN.

The Company's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland' as it applies to the financial statements of the Company for the year ended 31 December 2019.

The principal accounting policies used in preparing these financial statements are set out below. These policies have been consistently applied to all the years presented in dealing with items that are considered material in relation to the financial statements.

In preparing financial statements, management develops 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 going concern basis of accounting under the historical cost convention, except for share-based payments that are measured at fair value.

The financial statements are presented in pounds sterling (£ '000s).

Summary of disclosure exemptions

The financial statements contain information about the Company 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 parent company, PA Consulting Group Limited, which are publicly available.

The financial statements of PA Consulting Group Limited may be obtained from 10 Bressenden Place, London, SW1E 5DN.

Notes to the Financial Statements for the Year Ended 31 December 2019

FRS 102 paragraphs 1.12 and 33.1A allow a qualifying entity certain disclosure exemptions. These disclosure exemptions are available subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The equivalent disclosures are included in the consolidated financial statements of PA Consulting Group Limited.

The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows as required by FRS 102 Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- (ii) from disclosing share based payment arrangements using equity instruments of another group entity as required by FRS 102 paragraphs 26.18(a), 26.18(b), 26.19 to 26.21 and 26.23;
- (iii) from disclosing transactions entered into between the Company and other wholly owned companies within the PA Consulting Group Limited group as required by FRS 102 paragraphs 33.8 to 33.14;
- (iv) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.
- (v) from disclosing the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b) / (c) / (e) / (f), 11.42, 11.44 to 11.45, 11.47, 11.48 (a) (iii) / (iv), 11.48 (b) / (c) and paragraphs 12.26 to 12.27, 12.29 (a) / (b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.

Going concern

Having considered the financial position, trading performance and forecast cash flows, along with the principal risks of the business, of the Company and wider PA Group, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

As part of the assessment of going concern the directors considered the impact of COVID-19 on the future financial performance of the PA Group through a variety of scenarios covering the potential impact from the business performance risks detailed in note 29 and the Directors' strategic review. This included estimating the impact on forecast revenue and taking into account mitigating actions the directors have already implemented, as described below, or which are available to the directors to take to help maximise the Group's available liquidity over a sustained downturn period.

The Office for Budget Responsibility (OBR) has assessed that gross domestic product (GDP) in the UK (the most significant geographic contributor to the Group's results) could start to rise by up to 6% in the third quarter of 2020 with a downturn for the year as a whole of 8%. The scenarios reviewed by the board of the Group modelled a greater drop-off than these levels to ensure the Group can withstand a deeper or longer-term underperformance than the current GDP outlook.

On the basis of the reforecast position the directors are satisfied that the Group has sufficient resources and liquidity available and maintains sufficient headroom on banking covenants under the various scenarios modelled. The directors therefore believe that it is appropriate to prepare the accounts on a going concern basis.

Notes to the Financial Statements for the Year Ended 31 December 2019

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 long-term contracts is recognised over the contract term using the percentage of completion method. The stage of completion of a long-term contract is measured as the proportion that costs incurred for work performed to date bear to the estimated total costs of the contract. Estimated total costs of the contract are reviewed regularly and where necessary, revised.

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 income statement.

The gross amount invoiced to clients but not yet received 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.

Interest income and expense

Interest income and expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Research and development

Research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

Notes to the Financial Statements for the Year Ended 31 December 2019

Foreign currency transactions and balances

(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. The 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 of each entity 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 statement of financial position date. Such exchange differences are included in the income statement 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) Consolidation

For the purpose of presenting the 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 within the statement of financial position are translated at the exchange rate at the balance sheet date;

Income and expenses within the income statement are translated at exchange rates approximating to the rates ruling at the dates transactions occurred;

The foreign exchange differences arising on retranslation of overseas branches are recognised in the Company's profit and loss reserve.

Tax

The tax charge comprises current tax payable and deferred 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 income statement as it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

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.

Notes to the Financial Statements for the Year Ended 31 December 2019

Tangible assets

Tangible fixed assets are stated in the statement of financial position 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 changes in circumstances indicate that carrying values may not be recoverable.

Depreciation

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	on cost 20%-50%
Office furniture, equipment and machinery	on cost 10%-33%
Freehold property	on cost 2%-10%
Leasehold property	Equal instalments over the remaining period of lease unless the economic life of the asset is determined to be less than that of the lease

Intangible assets

Intangible assets are capitalised at cost and amortised over the period during which the Company is expected to benefit.

Intangible assets relate to investments in new enterprise resource planning (ERP) software. The costs capitalised represent costs of development by an external company and are amortised on a straight-line basis over their useful life of three years. Internal costs of development are expensed as incurred.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

Investment in subsidiaries is stated at cost less provision for impairment in value.

The carrying value of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The value in use method is used to determine the recoverable amount.

Notes to the Financial Statements for the Year Ended 31 December 2019

Financial instruments

Trade receivables and other receivables do not carry interest and are stated at amortised cost net of any provisions.

Trade and other payables are not interest-bearing and are stated at amortised cost, except for employee-related liabilities payable 12 months after the statement of financial position date.

Employee-related liabilities payable 12 months after the statement of financial position date are discounted at a rate of interest equivalent to high-quality corporate bonds of similar length.

Cash

Cash includes cash in hand, deposits held with banks, other short-term deposits and other liquid investments accessible within 24 hours without penalty.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Interest payable is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Provisions

The Company recognises a provision 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 statement of financial position 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 an obligation exists under the lease.

Operating lease income and expense

(a) Rental expense

Operating lease rentals are charged as other administrative expenses to the income statement in equal annual amounts over the lease term. Assets leased under operating leases are not recorded on the statement of financial position because the lessor retains a significant portion of the risks and rewards of ownership.

(b) Lease incentives

The benefit 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.

(c) Rental income

Operating lease income consists of rentals from subtenant agreements and are recognised on a straight-line basis over the lease term and classified as other operating income in the income statement.

Share capital

The ordinary shares are classified as equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are measured at the fair value of the cash or other proceeds received or receivable, net of direct issue costs. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Notes to the Financial Statements for the Year Ended 31 December 2019

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Employee benefits

Defined contribution pension obligation

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Defined benefit pension obligation

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations), and is based on actuarial advice. When a settlement, amendment or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss that is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate at the start of the period, and taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

The defined net benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Share based payments

The Company provides benefits to its employees in the form of cash-settled share-based payment transactions, whereby employees render services in exchange for the value of those shares in cash terms. For these cash-settled share-based payments, the fair value of the employee services rendered is determined at each statement of financial position and the charge recognised through the income statement over the vesting period of the share-based payment plan, with the corresponding increase in creditors. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in creditors.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts redundancy in exchange for these benefits. The Company recognises termination benefits as an expense when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Notes to the Financial Statements for the Year Ended 31 December 2019

Deferred employee remuneration

An element of all employee remuneration is contingent upon Group and personal performance.

The Company recognises a liability and an expense for deferred employee remuneration based on a formula that takes into consideration the Group's profit before tax after certain adjustments. The Company recognises deferred employee remuneration liabilities and expenses where there is a past practice that has created a constructive obligation or there is a contractual obligation. Deferred employee remuneration due in more than one year relates to the deferral of remuneration for certain employees from three to five years after they have been awarded.

Short-term compensated absences

The Company recognises the expected cost of accumulating compensated absences, primarily annual leave, when the employees render service that increases their entitlement to future compensated absences.

Notes to the Financial Statements for the Year Ended 31 December 2019

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets and liabilities, income and expenses. The Company bases its estimates and judgements on historical experience and other factors deemed reasonable under the circumstances, including any expectations of future events. Actual results may differ from these estimates. The estimates and judgements considered to be significant are detailed below:

Taxation

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Assumptions are made around the level of disallowable expenses and provisions are also made for uncertain exposures; this affects the tax calculation and can have an impact on both deferred and current tax. Tax assets are not recognised unless it is probable that the benefit will be realised and tax provisions are made if it is probable that a liability will arise. The final resolution of these transactions may give rise to adjustments to the income statement and/or cash flow in future periods. The Company reviews each significant tax asset or liability each period to assess the appropriate accounting treatment. Refer to note 11 for further details.

Turnover from long-term contracts

Turnover from long-term contracts is recognised by reference to management's judgement of the stage of completion of the contract at the end of the reporting period and includes an estimate of the costs to complete the contract. Performance over the remaining contract term may result in revised estimates of turnover and costs with a cumulative adjustment to turnover and profit reported in future periods.

Provisions for work in progress assets and customer receivables

Provisions are made for work in progress assets and customer receivables where there is doubt over their recoverability. The provision is an estimate calculated in accordance with a defined company policy based on historical experience and information available at the reporting date. Future recovery or otherwise of these assets will result in a release of the provision or increase in the charge to the income statement.

Provision for liabilities

The Company recognises a provision for liabilities 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. Determining the level of provision required requires the use of both judgement and estimates. Subsequent resolution of these matters may result in an increase or decrease in the actual cash out flows required to settle the liability.

Pension liabilities

The present value of pension liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions which are disclosed in note 21. Any change in these assumptions will impact on the carrying amount of pension liabilities. Note 21 describes the key assumptions used in the accounting for retirement benefit obligations.

Notes to the Financial Statements for the Year Ended 31 December 2019

2 Revenue

All revenue is derived from the rendering of services.

The analysis of the Company's turnover for the year by market is as follows:

	2019 £ 000	2018 £ 000
UK	398,569	347,195
Europe (excluding UK & Scandinavia)	8,526	10,061
Scandinavia	3,515	2,847
Americas	10,118	15,541
Asia Pacific	7,945	7,420
Rest of the world	57	-
	<u>428,730</u>	<u>383,064</u>

3 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2019 £ 000	2018 £ 000
Rental income from property subleases	<u>130</u>	<u>2,635</u>

4 Exceptional costs

	Note	2019 £ 000	2018 £ 000
Finance systems upgrade	4.1	(617)	(588)
Business closure costs	4.2	(427)	-
Other exceptional costs	4.3	<u>(213)</u>	<u>-</u>
		<u>(1,257)</u>	<u>(588)</u>

During the year, the Company incurred certain costs that the directors believe are of an exceptional nature and quantum and should be separately disclosed to facilitate understanding of the underlying performance of the Company.

4.1

These costs relate to the ongoing upgrade of the financial systems.

4.2

These costs relate to the closure of the Swiss and Spanish branches and the termination of local operations of the Irish branch.

Notes to the Financial Statements for the Year Ended 31 December 2019

4.3

These costs relate to exceptional fees incurred in the recruitment of senior staff.

Notes to the Financial Statements for the Year Ended 31 December 2019

5 Operating profit

Arrived at after (charging)/crediting

	2019 £ 000	2018 £ 000
Depreciation expense	(2,815)	(2,743)
Amortisation expense	(1,620)	(1,305)
Research and development cost	(8,323)	(10,603)
Foreign exchange (losses)/gains	(283)	326
Operating lease expense - property	(5,034)	(9,148)
Operating lease expense - plant and machinery	(38)	(129)
Loss on disposal of property, plant and equipment	<u>(11)</u>	<u>(57)</u>

6 Interest receivable

	2019 £ 000	2018 £ 000
Interest receivable on amounts owed by group undertakings	422	177
Interest income on tax refund	<u>15</u>	<u>2</u>
	<u>437</u>	<u>179</u>

7 Interest payable

	2019 £ 000	2018 £ 000
Interest expense on other finance liabilities	398	800
Interest payable on amounts owed to group undertakings	<u>272</u>	<u>255</u>
	<u>670</u>	<u>1,055</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	5,174	4,234
Social security costs	255	253
Pension costs, defined contribution scheme	351	324
Other employee expense	1,036	463
	<u>6,816</u>	<u>5,274</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Consultants	38	36
Administration and support	3	3
	<u>41</u>	<u>39</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Aggregate emoluments in respect of qualifying services	3,962	3,532
Company contributions to money purchase pension schemes	68	33
	<u>4,030</u>	<u>3,565</u>

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

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	5	5

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Total amount of emoluments and amounts receivable under long-term incentive scheme	2,767	2,417
Contributions to defined contribution pension arrangements	17	17
	<u>2,784</u>	<u>2,434</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

All directors were employed by and received all emoluments from other PA Group undertakings. The directors perform duties for multiple entities in the PA Group and it is not practical to allocate their compensation between group entities. The amounts disclosed above represent total amounts paid for services provided to all group companies.

10 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>112</u>	<u>76</u>

11 Taxation

(a) Tax on profit on ordinary activities

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	6,496	11,095
UK corporation tax adjustment to prior periods	<u>303</u>	<u>(912)</u>
	<u>6,799</u>	<u>10,183</u>
Deferred taxation		
Arising from origination and reversal of timing differences	2,897	1,073
Deferred tax adjustment relating to previous years	<u>(270)</u>	<u>135</u>
Total deferred taxation	<u>2,627</u>	<u>1,208</u>
Tax expense in the income statement	<u>9,426</u>	<u>11,391</u>

(b) Factors affecting the tax charge during the period

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

Notes to the Financial Statements for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit before tax	<u>49,544</u>	<u>58,798</u>
Corporation tax at standard rate	9,413	11,172
Expenses not deductible for tax purposes	203	275
Effect of change of tax rate on opening deferred tax asset	(223)	721
Tax overprovided in previous years	<u>33</u>	<u>(777)</u>
Total tax charge	<u>9,426</u>	<u>11,391</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

(c) Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2019		
Other Timing Differences	3,036	-
Accelerated capital allowances	-	(1,050)
	<u>3,036</u>	<u>(1,050)</u>
2018		
Other Timing Differences	5,121	-
Accelerated capital allowances	-	(840)
	<u>5,121</u>	<u>(840)</u>

Deferred tax liabilities relating to accelerated capital allowances will reverse as the underlying assets are depreciated. Deferred tax assets mainly represent deferred remuneration. These will reverse as the deferred remuneration is paid.

The amount of the net reversal of deferred tax assets and deferred tax liabilities expected to occur during the year beginning after the reporting period is £1,757,356. This primarily relates to the reversal of deferred tax assets on deferred remuneration to be paid in 2020.

There was no tax included in the statement of other comprehensive income relating to deferred tax relating to the actuarial gain on the defined benefit pension scheme (2018: Nil).

(d) Factors that may affect future tax charges

The standard rate of UK Corporation Tax on ordinary activities was 19% in 2019 (19% in 2018). This follows a reduction from 20% to 19% on 1 April 2017 following the substantive enactment of Finance (No. 2) Act 2015 on 18 November 2015. The Spring Budget on 16 March 2016 announced a further reduction in the corporation tax rate to 17% for the Financial Year beginning 1 April 2020. This change was substantively enacted in Finance Act 2016 on 15 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

In November 2019 the Government announced plans to withdraw the reduction from 19% to 17% from 1 April 2020, but this proposal was not substantively enacted at the balance sheet date. Both the enacted change to the rate of corporation tax, and its proposed reversal, will impact the amount of future tax payments to be made by the Company.

Notes to the Financial Statements for the Year Ended 31 December 2019

12 Intangible assets

	Software £ 000	Total £ 000
Cost or valuation		
At 1 January 2019	8,339	8,339
Additions	<u>1,613</u>	<u>1,613</u>
At 31 December 2019	<u>9,952</u>	<u>9,952</u>
Amortisation		
At 1 January 2019	5,808	5,808
Amortisation charge	<u>1,620</u>	<u>1,620</u>
At 31 December 2019	<u>7,428</u>	<u>7,428</u>
Carrying amount		
At 31 December 2019	<u><u>2,524</u></u>	<u><u>2,524</u></u>
At 31 December 2018	<u><u>2,531</u></u>	<u><u>2,531</u></u>

Notes to the Financial Statements for the Year Ended 31 December 2019

13 Tangible assets

	Land and buildings £ 000	Short leasehold and property £ 000	Computer equipment £ 000	O furni motor equipi mac £
Cost or valuation				
At 1 January 2019	17,298	7,712	5,976	
Additions	273	236	2,624	
Disposals	-	-	(512)	
Foreign exchange movements	-	-	-	
At 31 December 2019	<u>17,571</u>	<u>7,948</u>	<u>8,088</u>	
Depreciation				
At 1 January 2019	3,798	690	4,716	
Charge for the year	344	577	1,333	
Eliminated on disposal	-	-	(501)	
Foreign exchange movements	-	(1)	-	
At 31 December 2019	<u>4,142</u>	<u>1,266</u>	<u>5,548</u>	
Carrying amount				
At 31 December 2019	<u>13,429</u>	<u>6,682</u>	<u>2,540</u>	
At 31 December 2018	<u>13,500</u>	<u>7,022</u>	<u>1,260</u>	

Notes to the Financial Statements for the Year Ended 31 December 2019

14 Investments in subsidiaries, joint ventures and associates

	2019 £ 000	2018 £ 000
Investments in subsidiaries	<u>1</u>	<u>1</u>
Subsidiaries		£ 000
Cost		
At 1 January 2019		<u>1</u>
Provision		
Carrying amount		
At 31 December 2019		<u>1</u>
At 31 December 2018		<u>1</u>

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
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

PA Middle East Limited holds a 49% investment in PA Consulting Group (Qatar) LLC (incorporated in Qatar) in accordance with Qatar Commercial Companies Law and therefore the Company has a 49% indirect investment in PA Consulting Group (Qatar) LLC.

15 Debtors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade debtors	42,724	39,539
Amounts owed by group undertakings	165,249	193,423
Other debtors	1,607	1,380
Prepayments	7,016	8,279
Accrued income	15,367	13,993
Income tax asset	<u>578</u>	<u>387</u>
	<u>232,541</u>	<u>257,001</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

16 Debtors: amounts falling due after one year

	2019 £ 000	2018 £ 000
Deferred tax	1,986	4,281
Other debtors	990	1,717
	<u>2,976</u>	<u>5,998</u>

17 Cash

	2019 £ 000	2018 £ 000
Cash at bank	850	657

18 Creditors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade creditors	1,436	1,756
Amounts owed to group undertakings	771	17,796
Social security and other taxes	20,111	21,776
Other payables	14,953	11,559
Accrued expenses	6,164	2,991
Corporation tax liability	2,756	4,880
Deferred income	15,605	12,244
Bonuses	62,007	61,118
	<u>123,803</u>	<u>134,120</u>

19 Creditors: amounts falling due after one year

	2019 £ 000	2018 £ 000
Other payables	77	-
Bonuses	6,855	16,573
	<u>6,932</u>	<u>16,573</u>

20 Other provisions

	Property provisions £ 000	Total £ 000
At 1 January 2019	192	192
Increase in existing provisions	201	201
At 31 December 2019	<u>393</u>	<u>393</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

Property provisions relate to the difference between rents payable and rents receivable in all vacant and sublet space and dilapidations obligations on leasehold properties over the term of the lease.

21 Retirement benefits

The Company operates a defined contribution pension scheme and a defined benefit pension scheme, both of which are self-administered and their assets are held independently of the Company's finances in either separate insurance-based schemes or trustee administered funds.

Defined contribution pension scheme

The total pension costs for the Company relating to employer contributions to defined contribution pension arrangements was £351,000 (2018: £324,000).

There were no contributions payable to the scheme at the end of the year (2018: £8,000).

Defined benefit pension scheme

The defined benefit pension scheme was closed to new members in October 2015, from which time membership transferred to an alternative defined benefit scheme for which the Company is not responsible for ongoing funding. On 1 September 2016, a group of members of the scheme transferred their benefits out of the scheme to the alternative scheme. There are no active members and 11 deferred pensioners remaining in the scheme.

The scheme surplus of £232,000 is not recognised as the surplus is not expected to be recoverable through reduced contributions or agreed refunds from the scheme.

Analysis of defined pension arrangement net assets and liabilities included in the statement of financial position

	2019 £ 000	2018 £ 000
Defined benefit pension arrangements with gross assets	232	232
Restriction to apply on recognition of surplus	(232)	(232)
	<u>-</u>	<u>-</u>

Analysis of amounts recognised in the income statement

	2019 £ 000	2018 £ 000
Running costs	(24)	(23)

Analysis of amounts recognised in the statement of other comprehensive income

	2019 £ 000	2018 £ 000
Actual return on assets less interest	96	(54)
Actuarial (loss)/gain on liability	(101)	84
Restriction to apply on recognition of surplus	34	(7)
Actuarial gain recognised on defined benefit pension arrangement	<u>29</u>	<u>23</u>
Total recognised in the statement of other comprehensive income	<u>(29)</u>	<u>(23)</u>

Notes to the Financial Statements for the Year Ended 31 December 2019

The full disclosures required by FRS 102 are not provided because, in the directors' opinion, the arrangement is immaterial to the net assets of the Company.

22 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

23 Operating leases

Leases as lessee

The Company has lease agreements in respect of property and equipment for which payments extend over a number of years. The Company enters into these arrangements as these are a cost-efficient way of obtaining the short-term benefits of these assets. The Company lease rental charges are disclosed in note 5. There are no other material off-balance sheet arrangements.

The Company's commitment for future minimum lease payments under non-cancellable operating leases is as follows:

	2019 £ 000	2018 £ 000
Within one year	5,780	2,698
Between one and five years	19,816	19,082
Over five years	<u>33,592</u>	<u>38,279</u>
	<u>59,188</u>	<u>60,059</u>

Leases as lessor

The Company subleases out certain properties under operating leases.

The Company's lease income is disclosed in note 3.

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

	2019 £ 000	2018 £ 000
Within one year	130	130
Between one and five years	<u>163</u>	<u>293</u>
	<u>293</u>	<u>423</u>

24 Dividends

A dividend of £47 million (£235 per share) was declared and paid during the year (2018: £nil).

Notes to the Financial Statements for the Year Ended 31 December 2019

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £593,000 (2018 - £1,464,000).

Other financial commitments

The Company has guaranteed bid, performance and rent bonds issued by its banks on its behalf in the ordinary course of business totalling £265,919 (2018 - £509,824). These are not expected to result in any material financial loss.

26 Contingent liabilities

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.

27 Related party transactions

The Company has taken advantage of the exemptions available under FRS 102 Section 33.1A from disclosing intra-Group transactions and balances with wholly owned subsidiaries.

During the year the Company entered into transactions, in the ordinary course of business, with entities affiliated with the controlling shareholder of the PA Consulting Group. The sales to those related parties were subject to standard client procurement policies. The directors therefore consider that all such transactions have been entered into on an arms-length basis. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Notes to the Financial Statements for the Year Ended 31 December 2019

Income and receivables from related parties

	Entities with joint control or significant influence £ 000
2019	
Provision of services	47
Amounts receivable from related party	<u>32</u>
	Entities with joint control or significant influence £ 000
2018	
Provision of services	467
Amounts receivable from related party	<u>66</u>

Expenditure with and payables to related parties

	Entities with joint control or significant influence £ 000
2019	
Purchase of services	<u>13</u>
	Entities with joint control or significant influence £ 000
2018	
Purchase of services	<u>7</u>

28 Parent and ultimate parent undertaking

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is PA Consulting Group Limited, incorporated in England and Wales.

The registered office address of PA Consulting Group Limited is:
10 Bressenden Place, London, SW1E 5DN

The Company's immediate parent is PA Holdings Limited, incorporated in England and Wales.

The most senior parent entity producing financial statements for the year ended 31 December 2019 is PA Consulting Group Limited. These financial statements are available upon request from 10 Bressenden Place, London, SW1E 5DN.

The ultimate controlling party is Carlyle Europe Partners IV L.P..

Notes to the Financial Statements for the Year Ended 31 December 2019

29 Non adjusting events after the financial period

The outbreak of the coronavirus pandemic in the period since the balance sheet date has caused economic ramifications throughout the world. The business impact risks of coronavirus include reduction of available resources through illness, reduced fee income due to clients reducing spend, mobility issues caused by travel restrictions and availability of cash to cover outgoings. The Company operates a balanced portfolio of work across public and private sector clients, where the work undertaken is both strategic and necessary in structure, reducing the risk that programmes get sidelined in the initial period of the pandemic.

The performance in 2020 so far has not indicated any materially adverse impact on results. Client deliverables and interactions have been maintained, in many cases through technology-enabled remote working. Cash inflow has remained comparable with previous years and no material write-offs have been required to date nor are expected to be required. Consequently there have been no indicators of impairment of the Company's assets.

To reduce reliance on business structure alone, the directors have also identified a number of actions to help mitigate business impact and ensure that the Company maximises its available liquidity to manage through the current period of uncertainty. To this end, since the balance sheet date the Company has taken advantage of UK government-sponsored tax deferrals and has instigated a multipoint cost management programme. In addition, as a precautionary measure, the PA Consulting Group has fully drawn on its £50m revolving credit facility and has delayed payment of £20m deferred employee remuneration.