

Registration number: 00414220

PA Consulting Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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	J Greenfield
Registered office	10 Bressenden Place London SW1E 5DN
Bankers	HSBC Bank plc West End CBC 69 Pall Mall London SW1Y 5FY
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

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 Australia, 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

2020 has been a year of unprecedented disruption for businesses across the globe. The COVID-19 pandemic continues to impact both business and personal lives and the long-term ramifications of the pandemic are expected to be felt for years to come. In addition, in the run-up to year end, UK-based businesses faced further challenges with no clear trade agreement in place following Brexit, and uncertainty as to whether the negotiations would stall completely. Set against this backdrop, the performance of the Company in 2020 is all the more assuring.

Throughout this year we have continued to monitor the developing COVID-19 pandemic situation and have seen consultancy demand from our clients remaining stable.

Despite government-imposed lockdowns occurring across the countries in which the Company operates, our consulting team adapted effectively to this new work environment. We deployed new ways of working with clients to enable continued service of work already in progress and to provide channels for clients to commence the new projects critical to their business.

The Company works with clients on their key strategic projects which are essential for their organisations, and we have seen the drive for these to continue remain high during the year. In parallel, we have been working with a number of our clients to help them design, develop and deliver technology-enabled remote-working solutions.

Turnover increased by 20% to £516.3 million (2019: £428.7 million).

We continue to develop our firm around our clear purpose of Bringing Ingenuity to Life, everything we do both with clients and internally is 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 2020, driving our utilisation up and enabling us to finish the year with a solid stock of work for the start of 2021.

The Company no longer has employees in Spain and has decreased its headcount in Switzerland and Dubai as a result of the wider PA Group simplification initiative in the period.

The Company's profit for the year is £66.8 million (2019: £40.1 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.

Strategic Report for the Year Ended 31 December 2020

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 Holdings Limited report and accounts for 2020.

Strategic Report for the Year Ended 31 December 2020

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 the Company have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so had regard, among other things to:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining its reputation for high standards of business conduct
- the need to act fairly as between the members of the Company.

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 Holdings 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. These values 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 board of 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 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 £82 million dividend. Day-to-day management of client work is delegated to PA Partners, approving and overseeing the execution of the business strategy and related policies within a governance framework. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As part of those meetings the directors receive information which includes information relevant to section 172 matters when making relevant decisions. For example, during the year the directors considered the strength of the Company's balance sheet and future prospects before the payment of a dividend. The key stakeholders of the company are its shareholder, clients and communities.

Strategic Report for the Year Ended 31 December 2020

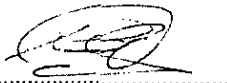
Our clients

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 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. Each year PA publishes 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.

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 2020, we continued to give back to our communities. We provided our time and expertise to initiatives like our Raspberry Pi competition - now in its ninth year - our Springboard programme and our Women in Tech courses.

Approved by the Board on 23 September 2021 and signed on its behalf by:



.....
R Cameron
Director

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors of the Company

The directors who held office during the year ended 31 December 2020 and up to the date of signing the financial statements were as follows:

C Barrett

R Cameron

K Janjuah

A Middleton

D Vickerstaffe

Dividends

An interim dividend of £82 million was paid in the year (2019: £47 million). The directors do not recommend the payment of a final dividend (2019: nil).

Environmental matters

As described in the PA Consulting Group Holdings Limited Annual Report, PA are now committed to set science-based targets to ensure our firm's environmental practices contribute to limiting the increase in global temperature to below 1.5°C.

Engagement with suppliers, customers and others

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.

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.

Our Strategic Report gives details of our engagement with our clients.

Future developments

In 2021 the Company will continue to provide a range of consultancy services to government and industry.

Directors' Report for the Year Ended 31 December 2020

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

Branches outside the United Kingdom

The Company has branches in Australia, the Republic of Ireland, Spain, Switzerland and Dubai.

Directors' Report for the Year Ended 31 December 2020

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.

The Company primarily operates in the UK. The UK economy is forecast to grow strongly in 2021 and 2022: data for the UK economy published in March 2021 by HM Treasury forecast an average GDP growth in 2021 of 4.8% and 6.8% in 2022, in comparison to the 10% GDP decline experienced in 2020.

As described in the Group Annual Report the expected recovery to growth of all the major economies in which the Group operates provides a more positive foundation for the Group's opportunities than in 2020 and consequently performance assumptions included in the financial models for the Group reflect this. The models cover the period from 1 January 2021 to 30 September 2022. In conjunction with this, consideration has also been given to a potential delayed impact of COVID-19 on the business. Whilst the current year performance has demonstrated the Group's stability throughout the pandemic with the majority of operation continuing at similar or increased levels to before the pandemic, as part of the assessment of going concern the directors have also considered a downside scenario to stress-test the Group's business model. This included a prolonged significant reduction in trade through to the second half of 2022, taking into account potential mitigating actions that would be available to the directors in such circumstances.

On the basis of the Group's forecast position, of which the Company is the largest contributor, and from the outcome of the downside scenario and taking into consideration the wider economic data available for the Group's major jurisdictions, the directors are satisfied that the Company's business model is robust and flexible. The directors are further satisfied that the Company has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there are no significant doubts about the Company's ability to continue as a going concern.

Important non adjusting events after the financial period

The Company is an indirect subsidiary of PA Consulting Group Holdings Limited (formerly PA Consulting Group Limited) and a member of the PA Consulting Group "the Group".

On 2 February 2021, the Group's shareholders approved an investment scheme of arrangement enabling the Group's former majority investor, Carlyle, to exit from its holding in the Group.

The scheme of arrangement was court sanctioned and effective on 2 March 2021, after which 100% of the ordinary and preference share capital of PA Consulting Group Holdings Limited was acquired by a newly incorporated UK company, initially named Green Consulting Solutions Limited. As part of the scheme, existing employee shareholders obtained a 35% holding in the new company, alongside the Group's new majority investor, Jacobs Engineering Group, Inc (Jacobs), owning a 65% holding.

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.

Disclosure of information to the auditors

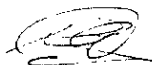
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of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

Directors' Report for the Year Ended 31 December 2020

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 23 September 2021 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 2020, 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 2020 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 on pages 2 to 8 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

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

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.

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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

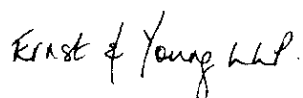
- Obtaining an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006), direct and indirect tax compliance regulations in the jurisdictions in which the company operates. In addition, the company has to comply with laws and regulations relating to domestic and overseas operations, including money laundering regulations, health and safety, employment law, data protection and anti-bribery and corruption.
- Understanding how the company complies with those frameworks by making enquiries of management, internal audit and internal and external legal counsel to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of Board Minutes, inspection of internal audit reports and papers provided to the Audit Committee throughout the year, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the company to either corroborate our findings or provide contrary evidence which was followed up.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved discussions with management and internal legal counsel to assess and understand the implications on our audit procedures, testing of journals identified by specific risk criteria and tracing legal expenses paid back to supporting documentation which describes the matter being invoiced to ensure any other instances of non-compliance with laws and regulations are identified which were not identified through our enquiries with the management. We also circulated legal confirmations to the external legal counsel.
- Assessing the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there is susceptibility to fraud. We made inquiries with the Head of legal to identify and assess any whistle blowing incidences which could have a financial reporting impact.
- After completing these inquiries and identifying the company's employee bonus plan as a potential fraud incentive, we concluded that revenue was susceptible to fraud via management overriding controls relating to the recognition of revenue on fixed price and capped time and material contracts which are open at year end. We also noted that the employee bonus plan was based on a pre-exceptional cost measure such that this created a risk of fraud around the treatment and classification of exceptional costs.
- Considering the controls which the company has established to address risks identified, or that otherwise prevent and detect fraud and how management monitors those controls.
- To address the identified fraud risks, we also incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition with particular focus on journals around year end and any unusual account pairings. We tested specific transactions back to source documentation and ensured appropriate authorisation of the transactions. We also assessed items identified by management as exceptional costs as to whether they are accounted for in line with the company's accounting policies.

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

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: 24/09/2021.....

Income Statement for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	2	516,355	428,730
Cost of sales		<u>(389,741)</u>	<u>(335,803)</u>
Gross profit		126,614	92,927
Administrative expenses		(41,722)	(42,023)
Other operating income	3	1,352	130
Exceptional costs	4	<u>(3,879)</u>	<u>(1,257)</u>
Operating profit	5	82,365	49,777
Other interest receivable and similar income	6	3,034	437
Interest payable and similar charges	7	<u>(294)</u>	<u>(670)</u>
Profit before tax		85,105	49,544
Taxation	11	<u>(17,214)</u>	<u>(9,426)</u>
Profit for the financial year		<u><u>67,891</u></u>	<u><u>40,118</u></u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 31 December 2020

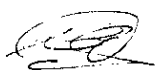
	Note	2020 £ 000	2019 £ 000
Profit for the year		<u>67,891</u>	<u>40,118</u>
Exchange differences on retranslation of net assets and results of overseas branches		(236)	399
Actuarial gain recognised on defined benefit pension scheme	21	<u>4</u>	<u>29</u>
		<u>(232)</u>	<u>428</u>
Total comprehensive income for the year		<u><u>67,659</u></u>	<u><u>40,546</u></u>

The notes on pages 20 to 45 form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	12	1,304	2,524
Tangible assets	13	25,198	25,221
Investments	14	<u>1</u>	<u>1</u>
		<u>26,503</u>	<u>27,746</u>
Current assets			
Debtors: amounts falling due within one year	15	298,597	232,541
Debtors: amounts falling due after more than one year	16	7,160	2,976
Cash at bank and in hand	17	<u>1,115</u>	<u>850</u>
		306,872	236,367
Creditors: Amounts falling due within one year	18	<u>(212,694)</u>	<u>(123,803)</u>
Net current assets		<u>94,178</u>	<u>112,564</u>
Total assets less current liabilities		120,681	140,310
Creditors: Amounts falling due after more than one year	19	(2,567)	(6,932)
Provisions for liabilities	20	<u>(2,470)</u>	<u>(393)</u>
Net assets		<u>115,644</u>	<u>132,985</u>
Capital and reserves			
Called up share capital	22	200	200
Profit and loss account		<u>115,444</u>	<u>132,785</u>
Total equity		<u>115,644</u>	<u>132,985</u>

The financial statements of the Company were authorised for issue by the Board of Directors on 23 September 2021 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 2020

	Note	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020		200	132,785	132,985
Profit for the year		-	67,891	67,891
Exchange differences on retranslation of net assets and results of overseas branches		-	(236)	(236)
Actuarial gain recognised on defined benefit pension scheme	21	-	4	4
Total comprehensive income		-	67,659	67,659
Dividends		-	(85,000)	(85,000)
At 31 December 2020		200	115,444	115,644

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	200	139,239	139,439
Profit for the year	-	40,118	40,118
Exchange differences on retranslation of net assets and results of overseas branches	-	399	399
Actuarial (loss)/gain recognised on defined benefit pension arrangements	-	29	29
Total comprehensive income	-	40,546	40,546
Dividends	-	(47,000)	(47,000)
At 31 December 2019	200	132,785	132,985

The notes on pages 20 to 45 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2020

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 2020.

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 pension assets and liabilities.

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 Holdings Limited, which are publicly available.

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

Notes to the Financial Statements for the Year Ended 31 December 2020

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 Holdings 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 transactions entered into between the Company and other wholly owned companies within the PA Consulting Group Holdings Limited group as required by FRS 102 paragraphs 33.8 to 33.14;

(iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

(iv) 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.

The Company primarily operates in the UK. The UK economy is forecast to grow strongly in 2021 and 2022: data for the UK economy published in March 2021 by HM Treasury forecast an average GDP growth in 2021 of 4.8% and 6.8% in 2022, in comparison to the 10% GDP decline experienced in 2020.

As described in the Group Annual Report the expected recovery to growth of all the major economies in which the Group operates provides a more positive foundation for the Group's opportunities than in 2020 and consequently performance assumptions included in the financial models for the Group reflect this. The models cover the period from 1 January 2021 to 30 September 2022. In conjunction with this, consideration has also been given to a potential delayed impact of COVID-19 on the business. Whilst the current year performance has demonstrated the Group's stability throughout the pandemic with the majority of operation continuing at similar or increased levels to before the pandemic, as part of the assessment of going concern the directors have also considered a downside scenario to stress-test the Group's business model. This included a prolonged significant reduction in trade through to the second half of 2022, taking into account potential mitigating actions that would be available to the directors in such circumstances.

On the basis of the Group's forecast position, of which the Company is the largest contributor, and from the outcome of the downside scenario and taking into consideration the wider economic data available for the Group's major jurisdictions, the directors are satisfied that the Company's business model is robust and flexible. The directors are further satisfied that the Company has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there are no significant doubts about the Company's ability to continue as a going concern.

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

The Company has adopted the accrual model for the recognition of government grants. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 2020

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 2020

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

Computer equipment
Office furniture, equipment and machinery
Freehold property
Leasehold property

Depreciation method and rate

on cost 20%-50%
on cost 10%-33%
on cost 2%-10%
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 determine the recoverable amount.

Notes to the Financial Statements for the Year Ended 31 December 2020

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 property lease commitments, to restore premises to their original condition upon vacating them where such an obligation exists under the lease.

Other provisions include provisions mostly in respect of legal actions or claims against the Company. In the opinion of the directors, the provisions made represent sufficient and adequate provision to cover the likely result of any action or claim. They are also of the opinion that further detailed disclosure of the nature or extent of these actions or claims would be seriously prejudicial to the Group's defence of these actions and claims.

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.

Notes to the Financial Statements for the Year Ended 31 December 2020

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.

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.

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 2020

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 for between one to three 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 2020

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 2020

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:

	2020 £ 000	2019 £ 000
UK	494,961	398,569
Europe (excluding UK & Scandinavia)	5,576	8,526
Scandinavia	2,481	3,515
Americas	9,553	10,118
Asia Pacific	3,776	7,945
Rest of the world	8	57
	<u>516,355</u>	<u>428,730</u>

3 Other operating income

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

	2020 £ 000	2019 £ 000
Government grants - R&D tax credit	1,095	-
Rental income from property subleases	257	130
	<u>1,352</u>	<u>130</u>

4 Exceptional costs

	Note	2020 £ 000	2019 £ 000
Finance systems upgrade	4.1	(434)	(617)
Business closure costs	4.2	(1,701)	(427)
Senior staff exceptional costs	4.3	(1,413)	(213)
Other exceptional costs	4.4	(331)	-
		<u>(3,879)</u>	<u>(1,257)</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.

Notes to the Financial Statements for the Year Ended 31 December 2020

4.2

These costs relate to the winding down of operations of the overseas branches as a result of the wider PA Group simplification initiative in the period.

4.3

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

4.4

These relate to other employment related costs.

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Operating profit

Arrived at after charging

	2020 £ 000	2019 £ 000
Depreciation expense	(4,050)	(2,815)
Amortisation expense	(1,553)	(1,620)
Research and development cost	(9,150)	(8,323)
Foreign exchange losses	(435)	(283)
Operating lease expense - property	(4,942)	(5,034)
Operating lease expense - plant and machinery	(61)	(38)
Loss on disposal of property, plant and equipment	<u>(76)</u>	<u>(11)</u>

6 Interest receivable

	2020 £ 000	2019 £ 000
Interest receivable on amounts owed by group undertakings	34	422
Dividend income	3,000	-
Interest income on tax refund	<u>-</u>	<u>15</u>
	<u>3,034</u>	<u>437</u>

7 Interest payable

	2020 £ 000	2019 £ 000
Interest expense on other finance liabilities	111	398
Interest payable on amounts owed to group undertakings	<u>183</u>	<u>272</u>
	<u>294</u>	<u>670</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

8 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	1 679	5,174
Social security costs	44	255
Pension costs, defined contribution scheme	96	351
Other employee expense	2,037	1,036
	<u>3,856</u>	<u>6,816</u>

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

	2020 No.	2019 No.
Consultants	11	38
Administration and support	2	3
	<u>13</u>	<u>41</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Aggregate emoluments in respect of qualifying services	6,503	3,962
Company contributions to money purchase pension schemes	38	68
	<u>6,541</u>	<u>4,030</u>

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

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>5</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Total amount of emoluments and amounts receivable under long-term incentive scheme	4,996	2,767
Contributions to defined contribution pension arrangements	-	17
	<u>4,996</u>	<u>2,784</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

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

	2020 £ 000	2019 £ 000
Audit of the financial statements	<u>128</u>	<u>112</u>

11 Taxation

(a) Tax on profit on ordinary activities

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	15,790	6,496
UK corporation tax adjustment to prior periods	<u>5,037</u>	<u>303</u>
	<u>20,827</u>	<u>6,799</u>
Deferred taxation		
Arising from origination and reversal of timing differences	30	2,897
Deferred tax adjustment relating to previous years	<u>(3,643)</u>	<u>(270)</u>
Total deferred taxation	<u>(3,613)</u>	<u>2,627</u>
Tax expense in the income statement	<u>17,214</u>	<u>9,426</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

(b) Factors affecting current tax charge

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>85,105</u>	<u>49,544</u>
Corporation tax at standard rate	16,170	9,413
Expenses not deductible for tax purposes	98	203
Effect of change of tax rate on opening deferred tax asset	122	(223)
Tax overprovided in previous years	1,394	33
Tax increase (decrease) from effect of dividends from UK companies	<u>(570)</u>	<u>-</u>
Total tax charge	<u><u>17,214</u></u>	<u><u>9,426</u></u>

(c) Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2020		
Other Timing Differences	6,796	-
Accelerated capital allowances	<u>-</u>	<u>(1,202)</u>
	<u><u>6,796</u></u>	<u><u>(1,202)</u></u>
2019		
Other Timing Differences	3,036	-
Accelerated capital allowances	<u>-</u>	<u>(1,050)</u>
	<u><u>3,036</u></u>	<u><u>(1,050)</u></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 £3,700,000.

Notes to the Financial Statements for the Year Ended 31 December 2020

(d) Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019 – 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

Notes to the Financial Statements for the Year Ended 31 December 2020

12 Intangible assets

	Software £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	9,952	9,952
Additions	<u>332</u>	<u>332</u>
At 31 December 2020	<u>10,284</u>	<u>10,284</u>
Amortisation		
At 1 January 2020	7,428	7,428
Amortisation charge	<u>1,552</u>	<u>1,552</u>
At 31 December 2020	<u>8,980</u>	<u>8,980</u>
Carrying amount		
At 31 December 2020	<u>1,304</u>	<u>1,304</u>
At 31 December 2019	<u>2,524</u>	<u>2,524</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

13 Tangible assets

	Land and buildings £ 000	Short leasehold and property £ 000	Computer equipment £ 000	Office furniture, equipment and machinery £ 000	Total £ 000
Cost or valuation					
At 1 January 2020	17,571	7,948	8,088	6,663	40,270
Additions	2,042	156	1,628	277	4,103
Disposals	(27)	(38)	(3,337)	(1,783)	(5,185)
Foreign exchange movements	-	(1)	-	-	(1)
At 31 December 2020	19,586	8,065	6,379	5,157	39,187
Depreciation					
At 1 January 2020	4,142	1,266	5,548	4,093	15,049
Charge for the year	800	617	2,018	615	4,050
Eliminated on disposal	(18)	(24)	(3,308)	(1,758)	(5,108)
Foreign exchange movements	-	-	(1)	(1)	(2)
At 31 December 2020	4,924	1,859	4,257	2,949	13,989
Carrying amount					
At 31 December 2020	14,662	6,206	2,122	2,208	25,198
At 31 December 2019	13,429	6,682	2,540	2,570	25,221

Notes to the Financial Statements for the Year Ended 31 December 2020

14 Investments in subsidiaries, joint ventures and associates

	2020 £ 000	2019 £ 000
Investments in subsidiaries	<u>1</u>	<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

The registered office for all of the above investments is 10 Bressenden Place, London, SW1E 5DN.

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

	2020 £ 000	2019 £ 000
Trade debtors	40,256	42,724
Amounts owed by group undertakings	223,420	165,249
Other debtors	1,254	1,607
Prepayments	7,967	7,016
Accrued income	25,700	15,367
Income tax asset	-	578
	<u>298,597</u>	<u>232,541</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

16 Debtors: amounts falling due after one year

	2020 £ 000	2019 £ 000
Deferred tax	5,929	1,986
Other debtors	1,231	990
	<u>7,160</u>	<u>2,976</u>

17 Cash

	2020 £ 000	2019 £ 000
Cash at bank	<u>1,115</u>	<u>850</u>

18 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Trade creditors	3,223	1,436
Amounts owed to group undertakings	36,354	771
Social security and other taxes	24,114	20,111
Other payables	17,468	14,953
Accrued expenses	14,612	6,164
Corporation tax liability	6,388	2,756
Deferred income	19,287	15,605
Bonuses	91,248	62,007
	<u>212,694</u>	<u>123,803</u>

19 Creditors: amounts falling due after one year

	2020 £ 000	2019 £ 000
Other payables	70	77
Bonuses	2,497	6,855
	<u>2,567</u>	<u>6,932</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Other provisions

	Other provisions £ 000	Property provisions £ 000	Total £ 000
At 1 January 2020	-	393	393
Charged to the income statement	1,990	-	1,990
Increase in existing provisions	-	131	131
Utilised in the period	-	(44)	(44)
At 31 December 2020	<u>1,990</u>	<u>480</u>	<u>2,470</u>

Property provisions relate to dilapidations obligations on leasehold properties over the term of the lease.

Other provisions include provisions mostly in respect of legal actions or claims against the Company. In the opinion of the directors, the provisions made represent sufficient and adequate provision to cover the likely result of any action or claim. They are also of the opinion that further detailed disclosure of the nature or extent of these actions or claims would be seriously prejudicial to the Group's defence of these actions and claims.

21 Retirement benefits

The Company operates a defined contribution pension scheme and a defined benefit pension scheme, 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 £96,000 (2019: £351,000).

There were contributions of £15,000 payable to the scheme at the end of the year (2019: £nil).

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 £181,000 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

	2020 £ 000	2019 £ 000
Defined benefit pension arrangements with gross assets	181	232
Restriction to apply on recognition of surplus	<u>(181)</u>	<u>(232)</u>
	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

Analysis of amounts recognised in the income statement

	2020 £ 000	2019 £ 000
Running costs	(4)	(24)

Analysis of amounts recognised in the statement of other comprehensive income

	2020 £ 000	2019 £ 000
Actual return on assets less interest	133	96
Actuarial (loss)/gain on liability	(189)	(101)
Restriction to apply on recognition of surplus	60	34
Actuarial gain recognised on defined benefit pension arrangement	4	29
Total recognised in the statement of other comprehensive income	(4)	(29)

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

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	200	200	200	200

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:

	2020 £ 000	2019 £ 000
Within one year	5,735	5,780
Between one and five years	19,231	19,816
Over five years	28,905	33,592
	53,871	59,188

Notes to the Financial Statements for the Year Ended 31 December 2020

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:

	2020 £ 000	2019 £ 000
Within one year	130	130
Between one and five years	33	163
	<u>163</u>	<u>293</u>

24 Dividends

A dividend of £82 million was declared and paid during the year (2019: £47 million).

Notes to the Financial Statements for the Year Ended 31 December 2020

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £1,234,000 (2019 - £593,000).

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 £304,461 (2019 - £265,919). 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.

Notes to the Financial Statements for the Year Ended 31 December 2020

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:

Income and receivables from related parties

	Entities with joint control or significant influence £ 000
2020	
Provision of services	747
Amounts receivable from related party	<u>134</u>
	Entities with joint control or significant influence £ 000
2019	
Provision of services	47
Amounts receivable from related party	<u>32</u>

Expenditure with and payables to related parties

	Entities with joint control or significant influence £ 000
2020	
Purchase of services	<u>17</u>
	Entities with joint control or significant influence £ 000
2019	
Purchase of services	<u>13</u>

Notes to the Financial Statements for the Year Ended 31 December 2020

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 Holdings Limited, incorporated in England and Wales.

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

On 31 December 2020 the ultimate controlling entity was Carlyle Europe Partners IV, LP. On the date of signing this report the ultimate controlling entity is Jacobs Engineering Group, Inc.

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 2020 is PA Consulting Group Holdings Limited. These financial statements are available upon request from 10 Bressenden Place, London, SW1E 5DN.

29 Non adjusting events after the financial period

The Company is an indirect subsidiary of PA Consulting Group Holdings Limited (formerly PA Consulting Group Limited) and a member of the PA Consulting Group "the Group".

On 2 February 2021, the Group's shareholders approved an investment scheme of arrangement enabling the Group's former majority investor, Carlyle, to exit from its holding in the Group.

The scheme of arrangement was court sanctioned and effective on 2 March 2021, after which 100% of the ordinary and preference share capital of PA Consulting Group Holdings Limited was acquired by a newly incorporated UK company, initially named Green Consulting Solutions Limited. As part of the scheme, existing employee shareholders obtained a 35% holding in the new company, alongside the Group's new majority investor, Jacobs Engineering Group, Inc (Jacobs), owning a 65% holding.