Registered Number: 01341295

THE HACKETT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

THE HACKETT GROUP LIMITED
Contents

THE HACKETT GROUP LIMITED
Company Information

Directors	George Hadley Robert Ramirez
Secretary	Frank A Zomerfeld
Company number	01341295
Registered office	Cannon Green 27 Bush Lane London EC4R 0AN
Auditors	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

THE HACKETT GROUP LIMITED
Strategic Report for the year ended 31 December 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Results

The income statement for the year is set out on page 10 and shows a loss after tax of £1,546k (2019 loss £173k).

Business environment

We offer a comprehensive range of consultancy services, including executive advisory programs, benchmarking, business transformation and technology consulting services, with strategic and functional knowledge in finance, human resources, information technology, procurement, supply chain management, corporate services, customer service and sales and marketing.

We experienced a challenging year in 2020, due to the COVID-19 pandemic and the uncertainty created by Brexit. Global organisations continue to recognise the need to drive sustainable productive improvement and we believe that our offerings are well aligned with the demands that all organisations will continue to experience during a period of slow and volatile economic growth.

Business review

Turnover by geographical segment is included in note 3 to the financial statements. Operating Loss of £2.35m (2019 loss - £641k) and loss before tax of £1,558k (2019 loss - £0.2m), £1.1m of the loss is caused by the write-down of investment plus a further £0.9m relating to restructuring costs including a provision for an onerous lease and £0.2m of loss of disposal of fixed assets which occurred due to the COVID-19 pandemic.

The financial position at year end is still strong; although the net assets have decreased by £1.5m there is still a strong cash position at year end. The Company had net assets of £4.2m at the year end.

On January 30, 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19) to be a public health emergency of international concern. The coronavirus pandemic has severely restricted the level of economic activity around the world. In response to the coronavirus pandemic, the governments of many countries, states, cities and other geographical regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations. In response to this the Hackett offices in London and Frankfurt were closed in March 2020 and staff were instructed to work from home. Although there was no noticeable impact on service delivery and operations, the sales channel was negatively impacted in Q2.

In response, the business took rapid and decisive action to protect our employees and to secure our business to ensure that we will be in the best possible position to rebound strongly. The company restructured the business in 2020 and reduced headcount to right-size the business. We have seen the effects of this by keeping costs low to revenue and the business saw operations increase above expectations in the second half of 2020 which has continued into 2021. The company had a challenging year in 2020 due to the COVID-19 pandemic, however the company is in a strong cash position with no external debt

Strategy

Our strategy is to continue to build our brand by building dedicated skills around our intellectual capital in order to serve clients strategically and, wherever possible, continuously. We continue to invest in our associates through a series of knowledge sharing events and key hires.

The company's primary objective is to achieve a sustainable rate of growth and return through organic development. The key elements in achieving these objectives are the maintenance of an attractive and competitive service offering, supported by ongoing investment in systems development to ensure we continue to respond effectively to the service demands of the market.

Future outlook

The company has started the new year well after the restructuring in 2020 due to COVID-19 pandemic, the positive news is the company is well placed to withstand this worldwide crisis, with a strong balance sheet and access to significant liquidity. However, like every business we are not immune to the consequences of the pandemic and are committed to ensuring that the company can navigate through these unprecedented times, supporting our customers and employees. The business has seen operations increase in 2021 which we expect to continue into 2022.

As a responsible business we followed government advice to protect our people and our clients. During the lockdown period we implemented a work from home policy to ensure the safety and welfare of our employees and maintain the ability to meet client requirements. A large majority of our clients have agreed to allow us to service them remotely during this pandemic.

While the near-term outlook is uncertain, we believe the business is well placed to overcome these challenges. We believe that clients who leverage our experience and knowledge are more likely to allow us to serve them more broadly to enhance our opportunities remotely, continuously and profitably. Our goal is to use our intellectual capital to establish a strategic relationship with our clients and to further use that entry point to introduce our business transformation and technology consulting capabilities.

The external market is expected to remain very competitive for the foreseeable future while other professional service firms strive to improve their market share. Whilst we recognise this competition will continue to put pressure on our prices and our margins, we believe the continued strengthening of our product range and sustained emphasis on service and commitment to employing the right people will ensure the maintenance and development of our customer base.

As a result, we remain confident that we will continue to sustain our current level of performance in the future.

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

The key business risks affecting the company are set out below:

Competition

The company operates in a competitive market where price, quality and service are paramount. The inevitable pressure on margins is mitigated by in-house knowledge and expertise available through our intellectual property, consulting, sales and customer support team.

Employees

The company performance depends significantly on its management, sales executive and customer services staff. The importance of securing and retaining appropriate personnel is recognised within our remuneration structure.

Credit management

We have thoroughly reviewed all aspects of our credit management and risk assessment systems. Controls and reporting procedures are in place to maximise their effectiveness. We are fully integrated into our parent company management accounting and information systems to facilitate additional controls and oversight of our credit policy.

THE HACKETT GROUP LIMITED
Strategic Report for the year ended 31 December 2020 (continued)

Information technology

The company has implemented a "Disaster Recovery Programme" to safeguard the flow of information throughout the whole organisation. This not only protects and ensures our ability to function but also preserves the needs and requirements of our customers and suppliers. The company minimises the risk to cyber security through daily monitoring of all our systems.

COVID-19

The global spread of the COVID-19 pandemic has created significant volatility, uncertainty and economic disruption. Our clients, and therefore our business and revenue, are sensitive to negative changes in general economic conditions and business confidence. We expect that the negative impacts of the COVID-19 pandemic on our operating revenue may continue until economic conditions improve.

KPI	Definition, method of calculation and analysis	2020	2019
Growth in sales (%)	Year on year sales growth expressed as a percentage. The decrease in turnover is due to the COVID-19 pandemic which affected sales in Q2-20 as no revenue was generated.	(41.1)%	(7.6)%
Net margin (%)	Net margin is the ratio of operating profit before interest receivable and interest payable to sales expressed as a percentage. The decrease is primarily due to the COVID-19 pandemic and the write down of investments.	(12.0)%	(1.9)%

Approval

This strategic report was approved on behalf of the Board on 29 September 2021 and signed on its behalf.

DocuSigned by:

George Hadley

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George Hadley
Director

THE HACKETT GROUP LIMITED
Directors' Report for the year ended 31 December 2020

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

Principal activities and future developments

The Company is engaged in the provision of management consultancy services to various organisations across the UK, Ireland, mainland Europe and North America. This will continue for the foreseeable future.

Results and Dividends

The results for the year are set out on page 10.
The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019 - £nil).

Financial Risk Management Objectives and Policies

Objectives and policies
The directors have overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the directors is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below.

Price risk, currency risk, credit risk, liquidity risk and cashflow risk
The business' principal financial instruments comprise bank balances, trade debtors and creditors. The main purpose of these instruments is to finance the business operations.

The company's sales are made in Sterling, Euros and US Dollars and so it is exposed to the movement in the Euro and the US Dollar to Sterling exchange rates. The company manages this risk by monitoring the risk exposure through internal business practices. If significant currency positions were to develop, forward foreign exchange contracts would be used to mitigate the exposure.

In respect of bank balances, the Company is cash generative and the directors expect this to continue, liquidity risk is mitigated by a central group treasury function monitoring all accounts.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both size of debt and time outstanding. The amounts presented in the balance sheet are net of allowances for any doubtful debts.

Creditors' liquidity is managed by ensuring sufficient funds are available to meet amounts due.

Going concern

As at the year end the company has net assets of £4.2m (2019 £5.74m). The company had a challenging year in 2020 due to the COVID-19 pandemic, however the company is in a strong cash position with no external debt. The business saw operations increasing above expectations in the second half of 2020, which has continued into 2021. The Ultimate Parent company The Hackett Group Inc. has confirmed to provide the necessary operational and financial support until at least 31 December 2022.

Future developments

The directors have discussed the future developments for the business within the Strategic Report on page 3, in accordance with Section 414C of the Companies Act 2016.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are set out below:

George Hadley
Robert Ramirez

THE HACKETT GROUP LIMITED
Directors' Report for the year ended 31 December 2020 (continued)

Directors' responsibilities statement in respect of the preparation of financial statements

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 then 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 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.

Auditor

A resolution to reappoint RSM UK Audit LLP as auditors will be proposed at the Annual General Meeting.

Disclosure of information to the auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Board

DocuSigned by:
George Hadley
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George Hadley
Director

Date: 29 September 2021

THE HACKETT LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HACKETT GROUP LIMITED

Opinion

We have audited the financial statements of The Hackett Group Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of income and retained earnings, statement of financial position and notes to the financial statements, including 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 state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 twelve 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.

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 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 our 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 this gives rise to 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

THE HACKETT GROUP LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HACKETT GROUP LIMITED

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating any advice received from internal/external tax advisors.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and tests of detail and tests of control over revenue.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

RSM UK Audit LLP

David Clark (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
Date 30 September 2021

THE HACKETT GROUP LIMITED
Statement of Income and Retained Earnings for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	3	**19,555**	33,278
Operating expenses		**(21,905)**	(33,919)
Operating loss		**(2,350)**	(641)
Interest receivable and similar income	4	**797**	462
Interest payable and similar charges	5	**(5)**	(10)
Loss on ordinary activities before taxation	6	**(1,558)**	(189)
Taxation	9	**12**	16
Loss on ordinary activities after taxation		**(1,546)**	(173)
Retained earnings at 1 January		**5,539**	5,712
Retained earnings at 31 December		**3,993**	5,539

There were no recognised gains and losses for either year other than the loss for the year as shown above. Accordingly, no Statement of Comprehensive Income has been presented.

All amounts relate to continuing operations.

The notes on pages 12 to 24 form part of these financial statements.

THE HACKETT GROUP LIMITED
Statement of Financial Position as at 31 December 2020

Company Number 01341295	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	10	285	658
Tangible assets	11	65	459
Investments	12	2,347	3,477
		2,697	4,594
Current assets			
Debtors	13	16,985	15,609
Cash at bank and in hand		8,485	5,328
		25,470	20,937
Current liabilities			
Creditors: amounts falling due within one year	14	(23,109)	(19,791)
Net current assets		2,361	1,146
Total assets less current liabilities		5,058	5,740
Provisions for liabilities	16	(864)	-
Net assets		4,194	5,740
Capital and reserves			
Called up share capital	18	100	100
Other reserve	18	101	101
Profit and loss account	18	3,993	5,539
		4,194	5,740

The financial statements were approved by the Board and authorised for issue on 29 September 2021.

DocuSigned by:

George Hadley

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George Hadley
Director

The notes on pages 12 to 24 form part of these financial statements.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020

1. Accounting policies

(a) General information

The Hackett Group Limited ("the company") is a private company limited by shares, domiciled and incorporated in England and Wales (01341295). The address of the Company's registered office and principal place of business is Cannon Green, 27 Bush Lane, London, EC4R 0AN. The company's principal activities are given in the Directors' Report.

(b) Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

(c) Consolidated financial statements

The company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is a wholly owned subsidiary of The Hackett Group Inc, a company incorporated in USA. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

(d) Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of The Hackett Group Inc. The consolidated financial statements of The Hackett Group Inc. are available from 1001 Brickell bay Drive, Suite 3000, Miami, Florida 33131, USA.

(e) Going concern

The Directors have prepared projections for at least twelve months from the date of approval of these financial statements. These projections have been prepared using assumptions which the Directors consider to be appropriate to the current financial position of the Group as regards to current expected revenues and its cost base. As at the year end the company has net assets of £4.2m (2019 £5.74m). It has been a challenging year in 2020 due to the COVID-19 pandemic, however the business has seen an increase in operations in the second half of 2020 which has continued into 2021, is in a strong cash position and has no external debt. The directors therefore consider it appropriate to prepare the company's financial statements on a going concern basis. The Ultimate Parent Company has confirmed it will continue to provide the necessary operational and financial support to the business until at least 31 December 2022.

(f) Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

1. Accounting policies *(continued)*

(g) Foreign currencies
Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

All translation differences are taken to profit or loss.

Exchange differences arising from foreign currency borrowing are presented as interest payable and similar charges to the extent that they are regarded as an adjustment to interest costs.

(h) Turnover
Turnover is recognised at the fair value of the consideration received or receivable for sale of services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Turnover from consulting contracts is recognised as the services are performed and amounts are earned, after adjusting for all foreseeable future losses but excluding VAT. Turnover is considered to be earned once evidence is available of an agreement, services are delivered, fees are fixed or determinable and collectability is reasonably assured. Client prepayments (even if non-refundable) are deferred and recognised over future periods as services are delivered or performed.

Contracts, including incentives related to costs incurred, benefits produced or adherence to schedule may increase the variability in revenues and margins earned. Turnover relating to such incentive payments is recorded in the period in which the contingency is satisfied and accepted, and where applicable delivery of agreed benefits have occurred.

(i) Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life, as follows:-

Fixtures and equipment	20% - 50% straight line basis
Short leasehold improvements	over the period of the lease

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

1. Accounting policies *(continued)*

(j) Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

(k) Intangible fixed assets

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Intellectual Property	Amortised over 4 years

(l) Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

(m) Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

1. Accounting policies *(continued)*

(n) Provisions

Onerous lease provisions are made against operating leases where the unavoidable cost of meeting the lease obligations exceed the economic benefit received.

(o) Leased assets

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

(p) Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

(q) Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

(r) Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

1. Accounting policies *(continued)*

Trade, group and other creditors
Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Derecognition of financial assets and liabilities
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(s) Share-based payments
The company participates in a share-based payment arrangement granted to its employees of the ultimate parent company and employees of its subsidiaries. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group. The directors consider the number of unvested options granted to the company's employees compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

2. Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of investments
Investments are evaluated for recoverability whenever events or changes in circumstances indicate that the asset may have been impaired. When there is an indication of impairment, the Company will evaluate the asset for recoverability, by considering the future discounted cash flows expected to result from the use of the asset and the eventual disposal of the asset. If the sum of the expected discounted cash flows, is less than the carrying amount of the asset, an impairment loss equal to the excess of the carrying amount over the fair value of the asset is recognised. The future discounted cash flows have been determined based on value-in-use calculations, which incorporate a number of key estimates and assumptions including estimated discount rates based on the current cost of capital growth rates of the estimated future cash flows.

Provision for expected credit loss of trade and other receivables
The Company measures losses for receivables, including intercompany receivables at an amount equal to lifetime expected credit losses. Management considers many factors in considering its reserve with respect to these accounts receivable, including historical data, experience, creditworthiness and income trends.

Deferred tax asset
In accordance with FRS 102.29, deferred tax assets are only recognised to the extent that it is probable they are recoverable against future taxable profits or deferred tax liability reversals.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

Critical accounting estimates and areas of judgement (continued)

Accrued revenue
Accrued revenue represents revenue for services performed that have not been invoiced. If we do not accurately estimate the scope of the work to be performed, do not manage our projects properly within the planned periods, or we do not meet our client's expectations under the contracts, then, future consulting margins may be negatively affected or losses on existing contracts may need to be recognised. Any such reductions in margins or contract losses could be material to our results.

Revenue recognition
Revenues on consulting contracts are recognised as the services are performed and amounts are earned, after adjusting for all foreseeable future losses but excluding VAT. Revenues are considered to be earned once evidence is available of an agreement, services are delivered, fees are fixed or determinable and collectability is reasonably assured. Client prepayments (even if non-refundable) are deferred and recognised over future periods as services are delivered or performed.

Contracts, including incentives related to costs incurred, benefits produced or adherence to schedule may increase the variability in revenues and margins earned. Revenues relating to such incentive payments are recorded in the period in which the contingency is satisfied and accepted, and where applicable delivery of agreed benefits have occurred.

All European client business is contracted through The Hackett Group Limited. All European group companies charge their services to The Hackett Group Limited under the terms of the relevant transfer pricing agreements.

Other key sources of estimation uncertainty
Onerous lease provisions are made against operating leases where the unavoidable cost of meeting the lease obligations exceed the economic benefits received. The Company has made a provision for the onerous lease of vacant office space from January 2021 to March 2023.

3. Turnover

Geographical market

	2020	2019
	£'000	£'000
United Kingdom	**11,661**	20,181
Europe	**6,752**	9,833
Rest of the world	**1,142**	3,264
	19,555	33,278

All turnover relates to management consulting.

4. Interest receivable and similar income

	2020	2019
	£'000	£'000
Foreign exchange gain on group balances	**797**	462

5. Interest payable and similar charges

	2020	2019
	£'000	£'000
Interest on late payment of corporation tax	**5**	10

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

6. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2020 £'000	2019 £'000
Depreciation of tangible assets	**167**	184
Amortisation of intangible asset	**373**	382
Investment in subsidiaries written down	**1,151**	-
Intercompany loans written off	**11**	-
Operating lease rentals	**279**	356
Restructuring of property costs	**864**	-
Severance costs	**595**	525
Loss on disposal of fixed assets	**235**	-
Auditor's remuneration - audit services	**48**	53
Share-based compensation (note 21)	**153**	259

7. Employees

The average monthly number of employees (including directors) during the year was:

	2020 Number	2019 Number
Consultants	**61**	83
Administration	**10**	12
	71	95

Employment costs

	£'000	£'000
Wages and salaries	**7,820**	10,313
Social security costs	**898**	1,214
Severance costs	**595**	525
Other pension costs (note 20)	**270**	341
	9,583	12,393

8. Directors

	2020 £'000	2019 £'000
Emoluments for qualifying services	**123**	124
Benefits in kind	**4**	4
Pension contributions to defined contribution schemes	**5**	4
	132	132

There was 1 director in the company's defined contribution scheme during the year (2019 - 1).

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

9. Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax	-	-
Adjustments in respect of the prior period	-	6
	-	6
Deferred tax		
Origination and reversal of timing differences (note 16)	(12)	(22)
Total tax on profit on ordinary activities	(12)	(16)

Factors affecting the tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(1,558)	(189)
Loss on ordinary activities before taxation multiplied by the effective rate of UK corporation tax 19% (2019: 19%)	(296)	(36)
Effects of:		
Expenses that are not deductible in determining taxable profit	395	72
Other timing differences	(111)	(58)
Adjustment to tax charge in respect of prior periods	-	6
Tax credit	(12)	(16)

Factors affecting tax charge for future periods

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and as a result, any potential or unrecognised deferred tax balances as at 31 December 2020 continue to be measured at 19%.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

10. Intangible fixed assets

	Intellectual Property £'000	Total £'000
Cost		
At 1 January 2020	1,527	1,527
At 31 December 2020	**1,527**	**1,527**
Amortisation		
At 1 January 2020	869	869
Charge for the year	373	373
Disposals	-	-
At 31 December 2020	**1,242**	**1,242**
Net book value		
At 31 December 2020	**285**	**285**
At 31 December 2019	658	658

11. Tangible fixed assets

	Short Leasehold Improvements £'000	Fixtures and Equipment £'000	Total £'000
Cost			
At 1 January 2020	472	310	782
Additions	-	8	8
Disposals	(472)	(38)	(510)
At 31 December 2020	**-**	**280**	**280**
Depreciation			
At 1 January 2020	164	159	323
Charge for the year	78	89	167
Disposals	(242)	(33)	(275)
At 31 December 2020	**-**	**215**	**215**
Net book value			
At 31 December 2020	**-**	**65**	**65**
At 31 December 2019	308	151	459

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

12. Fixed asset investments

	Subsidiary undertakings £'000
Cost:	
As at 1 January 2020	**3,477**
Addition	**21**
Impairment of investment	**(1,151)**
At 31 December 2020	**2,347**

On 7 April 2017, the company acquired 100% of the ordinary share capital (£65k) of Aecus Ltd, a company incorporated in England and Wales for cash consideration of £3.25m. The principal activity of this subsidiary undertaking is Management Consultancy. The registered office address is Cannon Green, 27 Bush Lane, London EC4R 0AN. Additions in the year relates to a capital contribution made to a subsidiary undertaking.

13. Debtors

	2020 £'000	2019 £'000
Amounts due within one year		
Trade debtors	**4,318**	4,681
Amounts owed from group companies	**12,158**	8,448
Other debtors	**1**	129
Deferred tax (note 16)	**11**	-
Prepayments and accrued income	**322**	2,176
	16,810	15,434
Amounts due more than one year		
Rent deposit held	**175**	175
	16,985	15,609

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

14. Creditors

	2020 £'000	2019 £'000
Trade creditors	**478**	245
Amounts owed to group companies	**18,282**	14,909
Other taxation and social security	**729**	923
Corporation tax	**-**	215
Deferred tax (note 16)	**-**	1
Accruals and deferred income	**3,620**	3,498
	23,109	19,791

The company has various loans with other group companies and one loan with its ultimate parent. The amount due to The Hackett Group Inc. of $16m (£11.7m) (2019 - $16m - £12.2m) is interest free, is repayable on demand, and, in the event that this sum is not paid in full on demand, any unpaid amounts carry interest at 5% until paid in full.

15. Financial instruments

The carrying amount of the company's financial instruments at 31 December were:

	2020 £'000	2019 £'000
Financial assets:		
Debt instruments measured at amortised cost	**16,651**	15,442
Investment	**2,347**	3,477
Financial liabilities		
Measured at amortised cost	**19,578**	15,860

16. Provisions for liabilities

	Onerous Lease £'000
Provision made during the year	864

The Company has made a provision for the onerous lease of vacant office space to March 2023.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

17. Deferred tax

	2020 **£'000**	2019 £'000
At 1 January	**(1)**	(23)
Net deferred tax credit	**12**	22
At 31 December	**11**	(1)
Representing:		
Accelerated/(Decelerated) capital allowances	**11**	(1)
	11	(1)

The deferred tax asset of £11k (2019 – liability £1k) is expected to reverse within 12 months and relates to decelerated capital allowances that are expected to mature within the same period.

18. Share capital and reserves

	2020 **£'000**	2019 £'000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	**100**	100

Ordinary share rights
The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Reserves

Reserves of the company represent the following:

Other reserve
This reserve relates to historic acquisitions.

Profit and loss account
Cumulative profit and loss net of distributions to owners.

19. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating are as follows:

	2020 **£'000**	2019 £'000
Amounts due:		
Within one year	**-**	354
Between one and five years	**-**	757
	-	1,111

The Company made a provision for an onerous lease of vacant office space in the year, therefore there are no further commitments under operating leases.

THE HACKETT GROUP LIMITED
Notes to the Financial Statements for the year ended 31 December 2020 (continued)

20. Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company for the year were £270k (2019 - £341k). Contributions totalling £50k (2019 - £66k) were payable to the scheme at year end.

21. Share-based payments

The company participates in a group share-based payment plan and recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The allocation is based on the number of employees benefiting from the share-based payment plan employed by each group entity. The charge for the year was £153k (2019 - £259k).

22. Contingent liabilities

The Company is liable, as a member of a Group VAT registration with REL Consultancy Group Limited to pay any amounts due to HM Customs & Excise not paid by the parent company REL Consultancy Group Limited. At 31 December 2020 the outstanding VAT liability for the Group was £516,224 (2019 - £557,102).

23. Ultimate parent company and ultimate controlling party

The immediate parent company is REL Consultancy Group Limited, incorporated in England & Wales. The directors consider that the ultimate parent undertaking and ultimate controlling party of this company is The Hackett Group Inc., incorporated in Florida, USA.

The Company has taken advantage of the exemption available under FRS 102 as a qualifying entity, not to disclose transactions with members of the group headed up by The Hackett Group Inc on the grounds that 100% of the voting rights in the Company are controlled within the group and the Company is included in consolidated financial statements.

The smallest and largest group of undertakings for which group accounts have been drawn up is that headed by The Hackett Group Inc., incorporated in Florida, USA.

Copies of the group accounts can be obtained from www.thehackettgroup.com/about/investor or The Hackett Group Inc., 1001 Brickell Bay Drive, Suite 3000, Miami, Florida 33131, USA.

24. Post balance sheet events

The Company has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor developments closely. As at the date of this report the company has seen operations increasing above expectations in the second half of 2020 and these are expected to continue into 2021. Due to this increase, the company does not expect the pandemic to have any impact on the carrying values of assets.