PARENT COMPANY ACCOUNTS FOR:-

PA HOLDINGS LIMITED
(#. 02235016)

Registration number: 09761378

PA Consulting Group Holdings Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Ernst & Young LLP
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Water Lane
Leeds
LS11 5QR

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COMPANIES HOUSE

We believe in the power of ingenuity to build a positive human future in a technology-driven world.

As strategies, technologies and innovation collide, we create opportunity from complexity.

Our diverse teams of experts combine innovative thinking and breakthrough technologies to progress further, faster. Our clients adapt and transform, and together we achieve enduring results.

PA. Bringing Ingenuity to Life.

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To request additional copies of this document or to order PA's Annual Review for 2020, please email: **reports2020@paconsulting.com**

PA Consulting Group ('PA' or 'the Group') is an innovation and transformation consultancy headquartered in London, UK.

PA employs over 3,000 specialists in consumer and manufacturing, defence and security, energy and utilities, financial services, government, health and life sciences, and transport.

The board of directors of PA Consulting Group Holdings Limited present their financial and strategic reviews for the year ended 31 December 2020 on pages 6 to 19.

These financial statements comprise PA Consulting Group Holdings Limited's consolidated and Company results for the year to 31 December 2020.

Until 2 March 2021, PA Consulting Group Holdings Limited was the holding company for the Group. As explained later in this report, on 2 March 2021 Green Consulting Solutions Limited became the new holding company of the Group and subsequently changed its name to PA Consulting Group Limited.

PA Consulting Group Limited is owned by current employees and by Jacobs Engineering Group Inc. (Jacobs). Jacobs investment in PA is a private-equity-style investment, and replaces the investment from The Carlyle Group, which previously invested in PA through CEP IV Participations SICAR, an entity controlled by funds that are affiliates of The Carlyle Group. PA Consulting Group Holdings Limited is now wholly owned by PA Consulting Group Limited.

This annual report and accounts covers the period when the Company was owned by current and former employees of PA and by an entity affiliated to The Carlyle Group. As the Company was deemed to be a portfolio company of Carlyle during its investment, this annual report and financial statements contain certain disclosures made in accordance with the Walker Guidelines for Disclosure and Transparency in Private Equity.

The directors consider the annual report and financial statements to comply with the Walker Guidelines. We have chosen to omit certain non-financial key performance indicators that are commercially sensitive. The ownership of the Company at year end is set out in the table.

	Carlyle Europe Partners IV	Employees and Employee Benefit Trust	Total
Investor loan notes (£m)[i]	261.6	-	261.6
Preference shares (£m)[i]	-	238.6	238.6
Total preferred instruments (£m)[ii]	**261.6**	**238.6**	**500.2**
% of preferred instruments	52.3%	47.7%	
A ordinary shares (m)	38.3	-	38.3
B ordinary shares (m)	-	34.9	34.9
C ordinary shares (m)	-	17.1	17.1
Total ordinary shares (m)	**38.3**	**52.0**	**90.3**
% of ordinary shares	42.4%	57.6%	
A ordinary shares (%)	39.2%	-	39.2%
B ordinary shares (%)	-	35.8%	35.8%
C ordinary shares (%)	-	25.0%	25.0%
Total ordinary economic interest (%)[iii]	**39.2%**	**60.8%**	**100.0%**

i. Accrued balance as at 31 December 2020

ii. Investor loan notes and preference shares rank pari passu

iii. Economic interest of each share class differs from number of shares in issue, with C ordinary shares entitled to 25% of value attributable to ordinary equity.

OUR DIRECTORS

Ken Toombs
Chief Executive Officer

Ken joined PA in 2018 before being appointed CEO in 2020. He previously led the growth of our Americas business and our activity within the energy and utilities, healthcare and life sciences sectors.

Before joining PA, Ken led the global consulting team at Infosys and, before that, Capgemini's North America business.

Ruairidh Cameron
Chief Financial Officer

Ruairidh joined PA in 2008 and, following a period away, rejoined in 2017 as Chief Financial Officer with responsibility for the financial leadership and management of the firm. He has held senior positions in several private-equity-backed and corporate businesses, including Ten10 Group, The Ambassador Theatre Group and Medco. Ruairidh qualified as a chartered accountant with PwC.

Alan Middleton
Director

Alan joined PA in 1988 and was its Chief Executive Officer between 2007 and 2020. During his career, Alan has led a number of parts of the firm including PA's IT, strategy and financial services businesses. Alan has extensive consulting experience, particularly in financial and professional services, and has worked with industry-leading clients around the world, ranging from start-ups to multinationals.

Alan studied at Edinburgh and Stanford Universities. He has a degree in electronic and electrical engineering, is a Fellow of the Institution of Engineering and Technology and of the Chartered Management Institute.

Kully Janjuah
Group Company Secretary

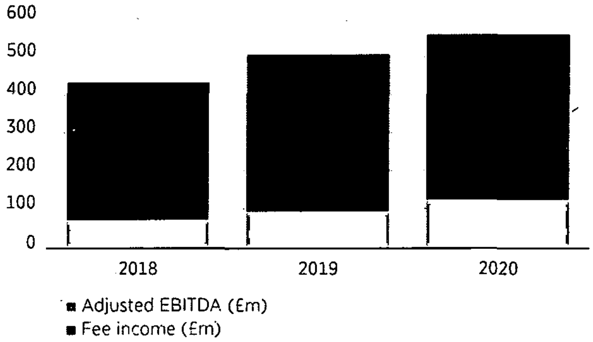
Kully joined PA in 1997 and was appointed as PA's Group Company Secretary in 2007. He has been instrumental in managing complex corporate transactions and shareholder reorganisations in that time, and is responsible for advising the board on legal compliance and governance matters.

Before joining PA, Kully qualified as a chartered accountant with Coopers & Lybrand, and he holds an LLB Hons degree in law from King's College London.

FINANCIAL REVIEW

2020 financial highlights

Three-year performance



- Fee income up 12% to £558.7m (2019: £500.5m)
- Adjusted EBITDA* up 46% to £137.7m (2019: £94.6m)
- £155.9m operating cash generation (2019: £84.7m)
- £574.3m net sales won (2019: £522.1m)

*Adjusted EBITDA is profit before interest, tax, depreciation, amortisation, exceptional items, non-cash pension scheme running costs and non-cash gain or loss on disposal of assets.

The Group has produced a strong set of financial results for the year, a reflection of the stability and quality of our customer portfolio, the agility and resilience with which our team adapt to changing work environments, and the continued focus on efficient working capital management.

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 Group's performance in 2020 is all the more assuring.

Fee income

The Group's main revenue performance measure is fee income which represents the fair value of consideration received or receivable for consulting services provided, excluding rechargeable project costs but inclusive of any margin on such items. Overall fee income increased in the year by 12% to £558.7m (2019: £500.5m).

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 Group 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 Group 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.

Overall, £574.3m net sales were made in the year, (2019: £522.1m), slightly up on the fee income recognised, which has positioned the Group to end the year with a healthy stock of work, 19% up year on year, and a good sales pipeline of opportunities as we head into the new year - £309.0m probability weighted, up 20% on 2019.

The UK continues to be the Group's dominant geographic market and has driven the fee income growth in the year, with the other core geographies, the US and Scandinavia, remaining flat, showing a more prolonged recovery from the initial local pandemic impact. The Group's fee income decline in Europe and Rest of the world (ROW) is in line with our strategy to centre the Group's global footprint on our core geographies.

There has been continued investment in growing the fee-earning team, closing the year with a more than 10% increase in our partner base from external hiring and promotion, and with an additional three new partners and 37 consultants joining through the Group's two acquisitions in 2020.

As we described in our report for 2019, the focus for the Group's longer-term growth is targeted in the US, and we have made positive progress this year in continuing to build our foothold with the acquisitions of Cooper Perkins and Astro Studios, both US-based businesses which complement our design and engineering offerings, extending our ability to provide our customers with a full end-to-end experience.

Total revenue, which is inclusive of income from rechargeable project costs, was £649.9m for the year (2019: £568.0m).

Adjusted EBITDA

Adjusted EBITDA is the principal measure of the Group's underlying trading performance. This metric represents profit before interest, tax, depreciation, amortisation, exceptional items, non-cash pension running costs and non-cash gain or loss on disposal of assets.

The Group's adjusted EBITDA grew by 46% in 2020 to £137.7m (2019: £94.6m). This growth has come mainly from a combination of continued strong business performance, the increase in our consulting team coupled with consistent utilisation rates contributing £28.9m, reduced costs as a result of the global and local travel restrictions coupled with cost efficiencies from remote working, and further cost control on other overheads of £10.2m.

The Group has ensured that all employees where workload was initially impacted by the global lockdown requirements continued to have employment income throughout, utilising the Group's own cash resources to deliver this.

The low level of costs incurred this year are not deemed wholly representative of the normal base running costs of the Group.

As travel restrictions lift in future periods, it is anticipated that there will be some return to cost incurrences, however, it is expected that the demonstrable success of remote working and application of the technologies to enable this will mean that some of the cost reductions seen in the year will be sustained to some extent on an ongoing basis.

Adjusted EBITDA excludes net costs of £24.0m (2019: net costs of £18.9m), consisting of items that are deemed exceptional in nature, £10.7m (2019: £11.3m) of which relate to charges associated with the Group's current and prior year acquisitions, made up of professional fees, deferred consideration linked to employment which cannot be included as consideration, and retention payments for certain employees of the acquisitions.

Other costs have been incurred as the Group continues to rationalise its global footprint with business and operation closure costs increasing to £3.7m in the year (2019: £1.1m) from the cessation or wind-down of our German, Spanish and MENA operations, and in relation to professional advice and assistance with preparation for the exit of our PE investor, Carlyle, £6.8m (2019: £2.7m). Full details of these adjusted items are disclosed in Note 6.

Before adjusting items, depreciation and amortisation charges of £32.2m (2019: £31.3m), and £0.2m (2019 £0.2m) net loss on disposal of assets, the Group achieved a reported operating profit of £81.3m (2019: £44.2m), an increase of £37.1m (84%) in the year.

Profit before tax

Inherent with a private-equity-backed capital structure, the Group incurs significant interest charges, £41.0m in the year (2019: £59.1m), of which the Group's investor debt instruments, Investor Loan Notes (ILNs) owed to Carlyle and the Group's preference shares held by employees, account for £31.6m (2019: £47.8m). These charges are not cash settled during the year but accumulate on an annual basis.

Of the remaining interest charge, £4.7m related to the Group's *senior debt facility* (2019: £4.6m). At the beginning of the COVID-19 pandemic, the Group took the precautionary measure to drawdown on the Group's £50m revolving credit facility which was subsequently repaid in full in September. In addition, the Group incurred interest-like charges in relation to its leases of £2.3m (2019: £2.5m), the majority of which relates to the Group's head office in London, UK. The Group is undertaking a review of its lease portfolio and office space requirement following the success of working from home. There are no current plans to early exit leases but consideration will be given to this as each lease reaches maturity.

At the year end, the Group's Employee Benefit Trust held a number of the Group's issued preference shares, acquired at a cost lower than the fair value due to provisions in the terms of the Trust. In compliance with accounting requirements, these financial instruments have been fair valued at the year end with the resulting £22.1m uplift being taken through finance costs.

After these debt servicing requirements and interest-like income, the Group generated a reported profit on ordinary activities before tax of £40.5m for the year (2019: loss of £14.0m).

Carlyle divestment and investment by Jacobs

During 2019, the Group's majority investor, Carlyle, confirmed its intention to realise its investment in the Group following completion of a successful five-year investment cycle, a normal term for a private-equity investment (the Exit transaction). The directors have run a process to identify a replacement investment partner throughout the current year and, after careful consideration of a number of interested parties, the board recommended to shareholders a private-equity style investment partnership with Jacobs, a US-based global research and consulting group.

Subsequent to the year end, the investment scheme of arrangement was approved by the Group's shareholders on 2 February 2021 with the completion of the required court processes and transaction clearance on 2 March.

Consequently, the Group's ownership structure at the date these accounts are signed has changed, being 100% owned by the new investment entity, PA Consulting Group Limited (formerly Green Consulting Solutions Ltd) which is 65% held by Jacobs and 35% by current Group employees.

In parallel, as of 12 March the Company name has been changed to PA Consulting Group Holdings Limited. Further details are included in Note 26.

Cash flow

The Group continued initiatives to target improvements in working capital efficiency. With the working environment materially impacted throughout 2020, the importance of these initiatives has become even more apparent. Specific focus on ensuring continuation of the smooth running of our cash-related processes, despite remote working, has resulted in further improvement in the Group's working capital position. When coupled with the strong trading result delivered, the Group generated £155.9m of operational cash, significantly up on last year (2019 £84.7m inflow).

Included within our reported operating cash flows, there are some items which are not considered reflective of normal trading operations or conditions. Favourable working capital movement from deferred amounts on the Group's prior acquisitions (deemed employment costs for accounting purposes) totalled £4.9m (2019 £5.5m favourable).

No internal share market has been run in the current year and consequently £16.7m of deferred employee remuneration also remains in our year-end working capital. In the prior year, the Group benefitted from £12.3m reduced pension contribution payments due to utilising the pension scheme surplus. No corresponding benefit occurred in 2020.

Net cash flows from operating activities excluding these items would be £134.3m (2019: £66.9m).

The Group has continued to invest in both its operations and infrastructure during the year. The final release of new modules as part of a multi-year global enterprise resource planning (ERP) system implementation concluded at the beginning of the year, with final capital expenditure of £0.3m in the year (2019 £5.0m), resulting in £8.0m capital expenditure and £5.1m cost expensed for the project as a whole. The phased implementation has been successful and provides the Group with a scalable, future-proofed platform for managing its increasing project portfolio.

Before the initial UK government lockdown in March, the Group had designed and received planning permission for renovation of its freehold Global Innovation and Technology Centre in Melbourn, UK. While renovation work has been postponed, £2.0m of infrastructure upgrade has been completed during the year. The Group has also invested a further £1.9m into its IT network and hardware.

On acquisition investment, the Group has continued to look for strategic, tuck-in opportunities to complement the capabilities of the business. During the year, the Group bought the trade and assets of Astro Studios Inc. and completed the acquisition of Cooper Perkins Inc. Both acquisitions are US-based and support the Group's strategy for growth in the US market. A total of £5.8m initial consideration was paid, with up to a further £2.2m of deferred consideration payable in future periods. In March, the Group disposed of one of its US subsidiaries, PA Defence Inc. (PADI) to the management team, receiving net cash consideration of £2.7m with a further £0.4m receivable over the subsequent 18 months.

During the year, the Group exercised call options over shares held by former employees for cash settlement of £39.0m and paid remaining proceeds owed for prior purchases totalling £17.4m.

A further £4.8m of shares were repurchased earlier in the year from the team at PADI to fund their management buy-out of that business, and £0.8m other repurchases were used to partially satisfy equity-settled contingent consideration that had become due, giving an overall net outflow from transactions in own shares of £60.5m in the year (2019: £17.5m inflow).

The Group has continued to service its senior debt with £4.8m of interest paid (2019: £4.6m), and had significant headroom on its banking covenants throughout the year. The maturity of the Group's banking facility was due to be reached in December 2021, though as a consequence of the Exit transaction, the senior debt outstanding was repaid and the facilities cancelled in March 2021.

After these investing and financing activities, the Group had an overall inflow of £70.9m (2019: £40.2m outflow), resulting in a closing cash and cash equivalents balance of £162.2m (2019: £90.7m).

Statement of financial position

Non-current assets and liabilities

The Group's balance sheet continues to be dominated by long-term items recognised as part of the Group's acquisitions: non-current intangible assets consisting of goodwill, £213.4m (2019: £207.2m), and other intangible assets, £232.6m (2019: £251.7m), which make up 86% of the Group's total non-current assets (2019: 85%), and the non-current investor debt, £261.6m of ILNs and £175.6m of preference shares (£238.6m of issued shares offset by £63.0m held within the Employee Benefit Trust) (2019: £233.5m and £213.0m respectively) which make up 85% of the Group's non-current liabilities (2019: 68%). All instruments are inclusive of accumulated interest.

These items mainly remain consistent with 2019; the increase in goodwill is a result of the acquisitions completed in the current year, detailed in Note 25. Other intangible assets are amortised which is the main contributor to the change in their value, and the liability related to the ILNs increased solely due to the year's accumulated interest.

The changes that have occurred in the preference shares liability and other non-current liabilities are as a result of share-related transactions executed in preparation for the Exit transaction. The exercise of call options over leavers' shares was completed in the year, resulting in the Group holding a significant asset of £63.0m (2019: £1.3m) in relation to its own preference shares, held via the Group's Employee Benefit Trust. This has been offset against the related non-current liability due to the proximity of the year end to the Exit transaction date, and this, combined with the settlement of £16.0m share proceeds owed to former employees who left the Group in prior years, has reduced the obligations previously held within other non-current liabilities.

Current assets and liabilities

The Group has ended the year with a £68.6m net current liability position (2019: £30.8m net current assets) which is predominantly due to the move of the Group's £100m senior debt facility from non-current to current liabilities based on its maturity date. The Group would normally have secured its facility refinancing before year end but this funding activity was postponed in conjunction with the Exit transaction. Subsequent to the year end, the Group has repaid all outstanding amounts under the facility from its surplus cash held. See Note 26 for further details.

Included within current liabilities is £10.1m of acquisition-related contingent payments (2019 £7.4m), the increase resulting from an additional 12 months earnt on the employment-related liabilities, partially offset by £7.4m settled in the year (2019 £3.8m), and as the majority of the contingent performance periods now conclude within 12 months.

Excluding the debt- and acquisition-related impacts, the Group has a comparable net current asset position of £40.9m, a 7% improvement over 2019 which reflects the trading performance maintained during the year.

Pro forma income statement and financial position

The reported results are impacted by the capital structure put in place at the time of the Carlyle investment in December 2015, and are not reflective of the Group's underlying financial performance, nor its financial position.

In order to represent the Group's underlying financial performance and its financial position more clearly, summarised pro forma financial statements are included below. Income statement adjustments have been applied to remove the non-cash accounting entries relating to the debt and intangibles recognised at the change in the Group's ownership in December 2015, and also exceptional cash items.

Financial position adjustments have been applied to remove the shareholder debt instruments recognised as part of the December 2015 transaction. The pro forma result following these adjustments is a profit before tax of £113.6m (2019: £70.2m) and an adjusted financial position of net assets of £374.9m (2019: £358.9m).

	2020			2019			
	Reported £m	Adjustment* £m	Adjusted* £m	Reported £m	Adjustment* £m	Adjusted* £m	
Pro forma income statement							
Fee income	**558.7**	-	**558.7**	**500.5**	-	**500.5**	
Project costs recharged	91.2	-	91.2	67.5	-	67.5	
Revenue	649.9	-	649.9	568.0	-	568.0	
EBITDA	**113.7**	**24.0**	**137.7**	**75.7**	**18.9**	**94.6**	(i)
Depreciation and amortisation	(32.4)	17.5	14.9	(31.5)	17.5	(14.0)	(ii)
Group operating profit	**81.3**	**41.5**	**122.8**	**44.2**	**36.4**	**80.6**	
Net interest payable and similar items and other finance costs	(40.8)	31.6	(9.2)	(58.2)	47.8	(10.4)	(iii)
Profit/(loss) on ordinary activities before taxation	**40.5**	**73.1**	**113.6**	**(14.0)**	**84.2**	**70.2**	
Pro forma statement of financial position							
Non-current assets	519.7	-	519.7	540.8	-	540.8	
Net current assets	(68.6)	-	(68.6)	30.8	-	30.8	
Non-current liabilities	(513.4)	437.2	(76.2)	(659.2)	446.5	(212.7)	(iv)
Net assets	**(62.3)**	**437.2**	**374.9**	**(87.6)**	**446.5**	**358.9**	

* unaudited

The adjustments in the current and prior years related to:

i. Removal of exceptional income costs and pension running costs from reported results

ii. Removal of amortisation of intangible assets recognised as a result of the Carlyle transaction

iii. Removal of interest and dividends on shareholder instruments: ILNs and preference shares

iv. Removal of amounts due on shareholder instruments.

STRATEGIC REVIEW

2020 was a record year for PA in extraordinarily challenging times

Ingenuity was vital to our work with clients, the wellbeing of our people and our support of our communities in what was a remarkable year. And ingenuity will drive us forward in the future.

Our clients

We've been bringing ingenuity to life with organisations around the world, helping them reinvent what they do and how they do it.

Some examples of the work our extraordinarily talented people have delivered, from the deeply personal, through projects of national importance, to work on sustainability that protects our planet are detailed below.

We designed inclusive products with Guide Beauty. The company's founder, Terri Bryant, had been a make-up artist and educator for 30 years before Parkinson's disease made it increasingly difficult for her to continue with her life's work. Together, we developed award-winning, ergonomic applicators to make make-up more accessible for all. Guide Beauty is the first true innovation in make-up application for decades.

In the UK, we led the national effort to produce thousands of life-saving ventilators to meet demand during the first wave of the coronavirus pandemic. Our engineers, scientists and government experts brought together the public and private sectors to design new ventilators, put them through clinical trials, get them approved by the medical regulator, and manufacture them at speed.

We innovated to build a more sustainable planet. For example, we worked with Swedish start-up PulPac to remove plastics from the global supply chain by creating packaging from paper pulp. As PulPac's global development partner, we're commercialising and scaling their intellectual property (IP) to have a transformational, global impact.

Throughout the year, our people shaped global conversations with market-leading thought leadership, from our research on how to gain competitive advantage in downturns and beyond, to our *Circular Business Model Design Guide* that helps organisations become more sustainable by embracing the circular economy.

Our people

Our people are everything to our firm, so their health and safety is of utmost importance. As COVID-19 spread at the start of 2020, keeping our people safe was our number one priority. We switched to remote working overnight. Using innovative technologies, including the latest collaboration tools, we ensured our people could continue to serve our clients effectively, safely and with support for their health and wellbeing.

This was no mean feat for our people, who thrive in environments where they can work closely with diverse teams and build strong relationships with colleagues and clients through face-to-face collaboration. Yet their ingenuity shone through. The phenomenal efforts of our people meant we continued to deliver great work to a high standard, with 96 per cent of our clients saying they would recommend us.

We've also been growing our firm to ensure we meet our clients' changing needs. We welcomed nearly 40 new partners into the team, a record for the firm, and made two acquisitions bringing award-winning, innovative teams into PA.

In June, San Francisco-based Astro Studios joined us, bringing world-class experience of creating new brands and user-centred designs. In September, the Fast Company 2020 Innovation by Design Awards honoured Astro projects across the Wellness, Home, and Graphic Design categories.

Then, in November, Cooper Perkins became part of PA. With co-headquarters in Boston and San Francisco, they bring exceptional technology development and engineering skills - skills that played a significant part in the development of Hydrow, a connected home rowing machine named in *Time* magazine's 100 Best Inventions of 2020.

The ability to deliver end-to-end innovation for our clients - we take product ideas from concept, through prototyping to manufacturing and distribution at speed, and transform organisations, building the culture, systems and processes to make innovation part of everyone's job - is possible because we have such diverse teams of experts.

Our sector experience covers consumer and manufacturing, defence and security, energy and utilities, financial services, government, health and life sciences, and transport.

And we have capabilities in agile; applied sciences; analytics; architecture; asset management; delivery; design; digital design and delivery; digital trust and cyber security; change; complex systems; economics and investment strategy; electronic systems; growth strategy; human capital; human insight; mechanical engineering; networks; operating model; operations and improvement; risk and regulation; software and control systems; and sourcing, IT strategy and corporate services.

As a single firm, we're able to quickly pull together the best people.

We ensure that our people are fully supported to develop their skills, knowledge and behaviours. As well as a thorough onboarding process and mandatory training, we encourage our people to see their learning as continuing throughout their careers.

We offer all of our people access to great learning at the point of need through our digital learning platform, PA Academy, and support their development through our internal coaching and mentoring networks. These are key parts of our commitment to help each of us to become the very best and to develop world-class consultants.

Our reward and share ownership structures ensure we recognise and reward our best people and that everyone has the opportunity to participate in the growth and success of our firm.

Inclusion and diversity

Of course, the pandemic wasn't the only seismic global event of 2020. The tragic death of George Floyd reminded everyone of the urgent imperative to create a truly equal society.

At PA, we're committed to equal opportunities and driving our Inclusion & Diversity (I&D) agenda. It's only through embedding I&D into everything we do that we can create a culture where our people feel inspired and empowered to collaborate in achieving our purpose, Bringing Ingenuity to Life. Every day, we endeavour to be active allies and create a more inclusive culture that supports diversity in all its forms. We continue to hold ourselves to the highest possible standards. In 2020, we accelerated our efforts to shape an even more inclusive and diverse firm, building on our vibrant inclusion networks. We created a board subcommittee to ensure inclusion and diversity are ever-present priorities at the highest level of our firm. We made a series of commitments to help fight racism and drive lasting change, including improving diversity in our leadership positions, recruiting from historically black colleges, offering training to all of our people on race allyship, and identifying ways for our people to use their skills and expertise, pro bono, to have a positive impact on black lives in our communities. And we have strong ambitions to go further in the year ahead.

Our employee networks - BAME, Mental Health and Wellbeing, PRIDE, and Women - celebrated and raised awareness of important issues while acting as a forum for discussion and debate. For example, our BAME network hosted bi-monthly drop-in sessions, each with its own theme exploring personal and professional challenges. Meanwhile, our PRIDE network members developed, designed and facilitated internal training sessions on trans inclusion. We're always listening, learning and looking for ways to create an ever more inclusive and diverse place to work, where we all feel supported and can be ourselves.

One facet of diversity is gender. The table below provides a breakdown of gender diversity across various levels at PA as at 31 December 2020.

	Female	Male
Total PA employees As at 31 December 2020 there were 3,139 permanent employees (2019: 3,197), including the senior leadership team and directors of PA Consulting Group Holdings Limited, of whom 1,129 were female and 2,010 were male (2019: 1,112 female and 2,085 male)	**1,129**	**2,010**
2019	1,112	2,085
Senior leadership team 2020 As at 31 December 2020 the senior leadership team, excluding company directors listed below, comprised 203 partners and function heads (2019: 186), of whom 31 were female and 172 were male (2019: 24 female and 162 male)	**31**	**172**
2019	24	162
Directors of PA Consulting Group Holdings Limited at 31 December 2020	**0**	**5**
2019	0	5

Employee wellbeing

Having signed the Time to Change Pledge in 2019, employee health and wellbeing continues to be a focus at PA. The COVID-19 pandemic has given rise to unique challenges in protecting the health of our people. Early in 2020 we established an Incident Management Team which met regularly throughout the year to steer our response and safeguard the health of our people. This team has led the provision of equipment for our people to work safely and productively from home alongside working to make all of our facilities 'COVID-secure', where on-site working is essential.

We also recognise that the increased isolation, and in some cases work pressures, made necessary by the pandemic have placed an increased strain on the mental health and wellbeing of our people, and have responded by continuing to step up our mental health first-aider and mental health champions programmes. We now have 192 mental health champions and 41 mental health first-aiders across PA. This ensures awareness of issues related to mental health remains high and individuals have people who can support them within PA.

Our communities

Unlocking ingenuity within our communities is also important to building a positive human future. That's why we give time and expertise to inspire the next generation of ingenious leaders.

Our Raspberry Pi Competition – now in its ninth year – promotes STEM education by challenging schoolchildren to use a Raspberry Pi microcomputer to innovate for a positive human future. Last year, we ran competitions in the UK and the Netherlands. We took the competition virtual and had more entrants than ever, with teams coming up with ideas for the sustainable city of tomorrow.

'Springboard' is our annual work experience programme for disadvantaged students, which we pivoted to virtual in the US and UK in 2020. Students worked closely with our experts to find innovative ways to speed progress towards the UN Sustainable Development Goals. The result is a group of young people with new skills and experience, inspired to embark on ambitious, world-changing careers.

Diversity is key to success – the creative dissonance of a diverse team of experts generates the most successful innovations. Yet women hold only a fraction of digital and technology jobs. We're addressing this imbalance by hosting inspirational training and events for young women. In 2020, our Women in Tech team hosted virtual courses that taught more than 120 women new digital skills.

Alongside our firm-wide programmes, our people also use their skills and expertise to support their communities in their own ways, from helping those with rare diseases share their experiences, to mentoring refugees and young asylum seekers. Our people are inspiring in their drive to build a positive human future.

Sustainability

In this extraordinary year, the focus on protecting the health of our people, both in the workplace and at their homes, has never been greater, and the impact of the COVID-19 pandemic on our carbon footprint has of course been profound.

We are proud of how we have navigated these challenges and having done so, we are in the best position to look ahead to 2021 and beyond. We have now committed to set science-based targets to ensure our firm's environmental practices contribute to limiting the increase in the global temperature to below 1.5°C.

Environmental sustainability

2020 energy and carbon summary.

	Global		UK only	
	Energy use (kWh)	**GHG emissions (tCO2e)**	**Energy use (kWh)**	**GHG emissions (tCO2e)**
Scope 1	2,805,569	637	2,444,990	575
Scope 2	3,126,486	743	2,739,782	639
Scope 3 office		73		64
Scope 3 travel		1591		1028
Total		**3044**		**2306**

Intensity measures

	2020		2019	
	Global	**UK only**	**Global**	**UK only**
Fee income (£m)	559	428	501	360
Emissions intensity ratio (tCO2e/£m)	**5.45**	**5.39**	**19.0**	**19.4**
Headcount	3338	2566	3121	2461
Emissions intensity ratio (tCO2e/head)	**0.912**	**0.899**	**3.05**	**2.84**

Our carbon intensity per £ fee income decreased by 71% in 2020 compared to 2019, largely driven by the decrease in flights as a result of the COVID-19 pandemic.

Methodology

This report (and other PA Carbon Reports that KLH Sustainability have prepared) follows the *GHG Protocol's Corporate Accounting and Reporting Standard* and *HM Government's Environmental Reporting Guidelines (2019).* The UK government's DEFRA greenhouse gas reporting: conversion factors 2020 were used for making carbon equivalent calculations. These emissions are defined under three different scopes by the GHG Protocol, as shown in the table below:

Scope 1	Natural gas	Included	Required under Streamlined Energy and Carbon Reporting (SECR)
	F-gas	Included	
	Fuel oil	Included	
Scope 2	Grid-supplied electricity	Included	Required under SECR
Scope 3	Business travel	Included	Not required under SECR
	Procurement	Partially included	
	Electricity transmission and distribution	Included	
	Waste management	Partially included	
	Employee commuting	Excluded	

Where possible, verifiable data was used, for example obtained through metered data or using invoices or annual statements from suppliers. Where verifiable data was not available, our environmental consultants, KLH Sustainability, estimated consumption data by using data from the most recent comparable time period to fill the gap, calculating figures using pro rata extrapolation or benchmarking to proxy the energy consumption of one site to a similar site. PA retains internal records of calculations and relevant assumptions. It is important to note that the paper procurement data in the table above is based on 2019 data since no data was made available for 2020.

Comparison with previous years

	2020	2019	2018	2020 vs 2019	2019 vs 2018
Scope 1	637	506	404	+26%	+25%
Scope 2	743	1148	1151	-35%	-
Scope 3 office	73	128	111	-43%	+15%
Scope 3 transport	1591	7736	7281	-79%	+6%
Total	**3044**	**9518**	**8947**	**-68%**	**+6%**

Energy efficiency action

The following energy efficiency measures were taken during the 2020 year at PA's Global Innovation and Technology Centre (GITC), which is one of the principal energy uses within the PA Consulting operations:

- boiler servicing
- building Management System analysis and finetuning to allow for better control
- part-replacement of lighting with LEDs.

These efficiency initiatives, alongside the amended staff working patterns due to COVID-19 restrictions, led to an approximate energy saving of 264,340kWh at GITC, equivalent to a 6% reduction in total energy consumption, when comparing 2020 to 2019. This energy reduction reduced annual energy bills by an estimated £26,700, based on the latest fuel prices released by the Energy Savings Trust.

Additional measures have been introduced to reduce PA's overall energy consumption:

- introduction of the Turbo Carbon tool to streamline and improve the accuracy and effectiveness of energy use and GHG emissions monitoring and reporting
- work between the PA Carbon Lead and the individual office Carbon Leads to ensure all office consumption data is submitted on the online platform
- investment in renewable energy by ensuring energy provider provides a green tariff powered by renewables and investigating installation of new photovoltaic (PV) panels at GITC.

Social responsibility

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 are a UK Living Wage accredited employer and we use only specified, reputable employment agencies to source labour, and verify the practices of any new agency before accepting workers from that agency.

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

In 2020 we again had no significant work-related accidents – those which occur as a result of our work or workplace, and which require notification or reporting to the local regulatory authority (e.g. Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) in the UK).

We have continued to strengthen our management systems and have maintained our accreditation against ISO 45001 health and safety management at the sames sites that already hold ISO 14001.

Economic responsibility

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 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.

PA has an open and positive working relationship with the tax authorities in all the countries in which we operate, and is committed to prompt disclosure and transparency in all tax matters. PA pays fully the taxes due and the Group has a 'low risk' rating from the UK tax authority, recognising its strong governance and control processes and attitude to compliance in the Group's largest operating region.

Our future

At PA, we're well positioned to respond to our fast-changing world.

Our purpose guides our every move. And our strategy is clear. We'll create vibrant and exciting opportunities for our people and clients, and great returns for our shareholders, our employees included. We aim to grow our annual fee income to more than £1 billion by 2025.

We have a great base to build from. We're the only firm to offer end-to-end innovation. We have long-term relationships with clients who value what we do. We're recognised for our deep sector and technical expertise. And, perhaps most importantly, we offer a bright and attractive career for our people.

We'll build on these strengths by investing in our deep sector expertise and bringing together our capabilities in ingenious ways to create value for clients. We'll enhance our relationships with our loyal client base and grow through new and innovative work in every geography in which we operate. And we'll continue investing in building our team, and creating opportunities for our people to learn, develop and build their careers. At the same time, we'll proactively make acquisitions that contribute to our end-to-end innovation offer.

One of the many exciting developments to look forward to in 2021 is the opportunity to start a new partnership with Jacobs. At the end of 2020, we announced that the PA board had recommended to our shareholders a private-equity-style investment from Jacobs. The investment was completed in March 2021, and brought to a close our five-year partnership with The Carlyle Group, during which time PA grew strongly, with compound annual revenue growth of 12 per cent since 2016, resulting in EBITDA more than doubling over the period.

In Jacobs, we get a private-equity-style investment that gives PA the operational independence to deliver against our purpose and strategy, and attract and retain the best talent. With Jacobs, we share values that are based on always doing the right thing for our people, planet and clients; a strong purpose; a desire to make the world a better place; and a drive to help innovative organisations go further, faster. Jacobs' investment will see us build on our success.

The end of 2020 also saw a change in the leadership of PA. After some 30 years with the firm, 13 as CEO, Alan Middleton chose to step down and handed over the reins of PA to Ken Toombs in October 2020. Alan has been the architect of PA's journey for more than a decade. He's articulated our purpose, crafted our strategy and led the team to grow the business and deliver stellar results. As an excellent strategist who is great with clients and cares deeply about our people, Ken, who's first full year in the role as CEO will be 2021, will continue to lead the team and further strengthen PA as the outstanding leader in our space over the next period.

The next period will be an exciting time for PA. We believe in the power of ingenuity to build a positive human future in a technology-driven world.

Principal risks and uncertainties

In the course of our day-to-day operations, we face a number of risks and uncertainties. Responsibility for ensuring that an appropriate risk management system is in place to identify and manage all significant risk exposures throughout the Group rests with the board of PA Consulting Group Limited.

The board of PA Consulting Group Holdings Limited, through its committees, has put in place a structure of policies and processes to identify, assess and manage risk. Risk mitigation strategies include the implementation of internal controls that, by their nature, are designed to manage and reduce, rather than eliminate, risk.

The Risk Management Committee has been given overall responsibility by the board for monitoring existing and emerging risks. It maintains oversight of the mitigating actions to manage and reduce risks through keeping a central register of risks and mitigating actions and by viewing regular status reports from its risk subcommittees.

The central risk register and a summary of the most significant risks are regularly reviewed by the board.

The risks that the board seeks to manage fall into four main categories: market risk, operational risk, professional risk and financial risk.

Market risk is managed by the Operating and Client Committees

The Operating and Client Committees comprise the leaders of PA's corporate functions and market-facing business units. The Operating and Client Committees consider the appropriateness of PA's strategy and manage the Group's exposure to sector, competitor and geographic risk as well as reputational risk.

Operational and professional risk is managed by the Risk Management Committee

The Risk Management Committee comprises corporate and consulting staff and is chaired by the Chief Executive Officer. It reviews the Group's non-financial risk, including operational and professional risk. It ensures that all new and emerging risks are appropriately evaluated and that any necessary actions are identified and implemented.

The Risk Management Committee also provides guidance to the heads of PA's consulting teams and corporate functions and to those responsible for managing individual risks.

Financial risk is monitored by the Audit Committee

The Audit Committee comprises non-executive directors of PA Consulting Group Holdings Limited. It is responsible for overseeing financial control risks. The Audit Committee reviews the effectiveness of systems for PA's internal financial control environment.

Other comments

The Operating and Client Committees, Risk Management Committee and Audit Committee report regularly to the board to demonstrate that risk is being effectively managed across the Group.

The board of PA Consulting Group Holdings Limited considers the matters described in the table below to be principal risks that face the Group and that could affect the business, results of operations, turnover, profit, cash flow, assets and the delivery of our strategy. We do not include those risks that are likely to affect businesses generally or that are in the nature of our day-to-day operations.

Risk description	Potential impact	Mitigation
Market risk The continued economic uncertainties in many of the major markets could have an adverse impact on client demand.	In these uncertain times, a number of market risks are heightened, such as a reduction in client demand leading to a loss of significant revenue streams, pressure on our billing rates or the collapse of a key client, exposing the Group to potential financial loss.	We have in place an account management programme focusing particular attention on our top accounts to ensure stability, account growth and customer satisfaction are all achieved. Our commercial approach ensures that we position our offerings in a way that is commensurate with market conditions, yet at the same time reflects the value proposition provided to our clients.
Damage to the PA brand and reputation could have an adverse impact on client demand.	The strength of our brand is crucial to our business. It helps us attract clients, generate new and exciting opportunities and attract and retain our people who value what we stand for. The perception of PA and its offering could be damaged by failure to maintain high standards of service delivery and the right culture. This could lead to a loss of future profitability as fewer clients award business to PA and could lead to a deterioration in our reputation.	Our account management programme has a strong focus on ensuring customer satisfaction, with mandatory client value reviews for key clients and assignments. We have strong internal capability in PR and marketing and access to external experts. We also regularly undertake independent client research. Our Code of Conduct, people policies and mandatory training are designed to ensure that we operate, and are seen to operate, in accordance with our values and to the highest ethical standards.
Operational risk Business continuity risks associated with data security.	As with all professional service firms, we handle sensitive client information as well as personal information and our own confidential data. Ensuring that we handle such information securely is critical to compliance with data protection legislation and our reputation with clients, employees and government.	We have achieved global recertification to the ISO 27001 standard for information security management, as well as Cyber Essentials and Cyber Essentials Plus, one of very few organisations in the UK that have achieved this standard for its global operations.
Our brand in cyber-security consulting increases visibility, which may lead to being targeted by third parties.	Hacktivists, malign outsiders or even foreign governments may target PA. Should such an attack successfully disrupt PA's operations or cause us to lose data, this might have a significant impact on our continuing work for clients.	We have invested in technical systems and controls to actively both detect and prevent cyber threats from affecting PA systems, and have successfully undertaken independent third-party assessment of these controls. Our people receive training to maintain their awareness of issues and threats and to educate them as to that role in countering such threats.
Professional risk Our dependence on recruitment and retention of talent with the right skills and experience.	Our ability to grow, meet the demands of the market and compete effectively with other consultancy firms is, to a large extent, dependent on having the talent in the organisation and performing well. The loss of key talent, or the inability to attract people with the right skills, could have a serious impact on our ability to service client contracts.	Our most important asset is our people. To ensure that we recruit and retain the right people and always have the right people with the right mix of skills on an assignment team, we have rigorous recruitment processes and a robust approach to performance management to ensure individuals are meeting agreed objectives. We also have an extensive learning and development curriculum which delivers development through group courses, digital platforms and individual coaching.
Risks arising from legal and regulatory changes and compliance with legislation.	Our operations are subject to a broad spectrum of legal and regulatory requirements in relation to, for example, environmental issues, employment, pensions and tax, and regulations governing the Group's activities and services. We are aware of the importance of complying with all applicable legislation affecting our business activities and of the potential financial impact and damage to reputation that can result from a breach.	Regulatory developments are actively monitored by the Risk Management Committee and by PA's Legal and Company Secretariat departments to ensure that new and existing laws and regulations are complied with and training needs are addressed. Best practice governance processes are in place across the Group and we have a comprehensive Code of Conduct, conflicts management programme and training programme which reinforce adherence to good working practices and will protect us from regulatory breach.
Financial risk Exchange rate fluctuations could create earnings and balance sheet volatility.	We operate in a number of different countries and the Group's overseas net asset values and overseas profits are, therefore, subject to currency fluctuations upon conversion into sterling.	The substantial majority of PA's assets are denominated in sterling. Material net asset exposures are hedged.
Insufficient funds available in the right currency to be able to settle obligations as they become due.	The Group has a number of operational and debt-servicing cash requirements in a variety of currencies and is therefore dependent on having access to funds at the right time to avoid default.	The Group generates funds from its operational activities in excess of its operational requirements and has substantial cash balances available which are held as easily accessible, with an adequate level maintained in key currencies where appropriate.

COVID-19 risk

The COVID-19 pandemic has become a significant risk that the board is managing through our risk frameworks and committees. The risk of pandemic is identified as a risk in our risk register and mitigations have been designed to try to manage the impact of this type of risk to the extent possible.

Risk description	Potential impact	Mitigation
The outbreak of a major pandemic leads to serious economic and/ or civil disruption across the world, affecting key business areas and geographies in which PA operates and impacting the ability of PA people to travel to or work from affected countries.	As we have seen with COVID-19, such a pandemic can have a significant and potentially long-lasting impact on personal and professional lives across the globe and can give rise to significant market, operational and financial uncertainty. Such an event could: • threaten the safety and wellbeing of our people • lead to a reduction of available resources through illness • have a significant negative impact on PA's business operations • restrict the movement of people and/or force the closure of PA offices • severely impact revenue streams as clients reduce spend • result in a lack of available cash to cover outgoings.	The Group operates a balanced portfolio of work across public and private sector clients, where the work undertaken is both strategic and necessary, reducing the risk that programmes get sidelined in the initial period of a pandemic. PA has well-established operational risk procedures, led by a senior and experienced team, which can respond to a pandemic and its impact on our people and the business. These procedures are designed to co-ordinate actions in response to public health and government bodies in the jurisdictions in which PA operates, ensure business continuity and communicate and engage with employees to keep them safe and support them in difficult times. Our people are familiar with the use of innovative technologies, including the latest collaboration tools. This helps to ensure our people can continue to work together remotely and serve our clients safely and effectively in the event of restrictions on movement or office closures. Immediate cash management actions are available to help mitigate the business impact. These include delaying or restricting certain deferred compensation payments, drawing down on committed facilities.and carefully managing the cost base of the firm.

Section 172(1) Statement

This section comprises our Section 172(1) Statement and should be read in conjunction with the financial and strategic reviews on pages 6 to 15.

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.

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

Our core values 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 Group ensures that our core values are upheld and that decisions made by the board give due regard to the long-term impact of those decisions, the interests of the 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 PA board receives 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 also 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 board has made a number of decisions during the year which are described in this report, including the decision to seek a new investor and actions arising from the impact of the COVID-19 pandemic. Examples of how the board has engaged with its stakeholders during the year are included throughout the report, with further examples provided below.

Our clients

Our clients, and the work we do for them, are the cornerstone of our purpose, and strategy. The way that we contribute to our accounts and build successful and enduring relationships is critical to our success. We engage with our clients closely, working side by side with them in every job we do. In addition to the 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 we publish an annual review which provides an important 'window' on PA for our clients, as well as investors, PA people and potential new joiners. To further understand how well we are meeting the needs of our clients, we undertake client value reviews. The results of these surveys show that 98% of clients would recommend us based on our work. We're proud to work with clients who make a positive contribution on groundbreaking 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 people

Everything we do starts and ends with our brilliant people. It's our ingenious mindset, and our approach to our client work, which enables us to live our purpose.

As noted earlier in our report, as COVID-19 spread at the start of 2020 keeping our people safe was a number one priority. We stood up a global COVID-19 response team, before the first European lockdowns, to monitor fast-moving events and also made the critical decision to transition all staff to remote working to maintain physical safety. We used the latest innovative technologies and collaboration tools and ensured everyone had access to work-from-home kit, so that our people could continue working remotely throughout the pandemic. We focused on the team's mental health through initiatives like TimeToTalk and by sharing stories of random acts of kindness to mark Mental Health Awareness Week. We continued to recruit and train mental health champions and first-aiders, now numbering over 200 PA people who provide a friendly ear and offer direction to professional resources provided by PA.

We engage with our people regularly throughout the year and through a variety of means. We have a comprehensive intranet site, digital learning academy, weekly PA news updates, and regular all-staff messages and videos from our Chief Executive Officer and other senior members of staff. We also hold many in-person events and gatherings throughout our global offices.

Our shareholders

Our partnership with Carlyle, which began in 2015, has been an important factor in our continued growth and success as a firm. Alongside this, employee share ownership remains an important part of PA's culture, brand and values. During 2019, Carlyle confirmed its intention to realise its investment in the Group following completion of a successful five-year investment cycle, a normal term for a private-equity investment. The directors have run a process to identify a replacement investment partner throughout the current year and, after careful consideration of a number of interested parties, the board recommended to shareholders a private-equity-style investment partnership with Jacobs Engineering Group Inc, a US-based global research and consulting business. Continued share ownership by employees is a key feature of our strategy and is highly valued by our people. PA management works closely with Jacobs who have representation on the PA Consulting Group Limited board.

Employees are represented on the PA board by the Chief Executive Officer, the Chief Financial Officer and the former Chief Executive Officer.

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.

This strategic review was approved by the board on 15 April 2021 and signed on its behalf by:

Ruairidh Cameron
Chief Financial Officer

PA Consulting Group Holdings Limited
Company number: 09761378

DIRECTORS' REPORT

The directors present their report for PA Consulting Group Holdings Limited for the year ended 31 December 2020.

Principal activities of the Group

The Company is a holding company within the PA Consulting Group. The principal activities of its subsidiaries are the provision of a range of consultancy services to governments and industry. A fair review of the business of the Group during the financial year ended 31 December 2020, the position of the Group at the end of the financial year, and a balanced and comprehensive analysis of the performance of the Group's business during the year and future developments, are included in the financial and strategic reviews on pages 6 to 19.

Directors

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

John Alexander (resigned 2 March 2021)

Andrew Burgess* (resigned 16 July 2020)

Ruairidh Cameron (appointed 31 March 2021)

Simon Dingemans* (appointed 23 July 2020, resigned 2 March 2021)

Kully Janjuah

Alan Middleton

Fraser Robson* (resigned 2 March 2021)

Ken Toombs (appointed 31 March 2021)

*A director nominated by The Carlyle Group

Directors' indemnity and insurance

In accordance with the articles of association, the Company 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, and the Company 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.

Dividend

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2020 (2019: £nil). Amounts accruing on preference shares at year end are included in Note 19 of these financial statements.

Political and charitable donations

No political donations were made during the period. During the year the Group made charitable donations of £51,783 (2019: £88,607). These donations correspond to recommendations made by individual employees of the Group in 2020, in respect of which they individually waived an element of their deferred remuneration.

Employees

Employee involvement and engagement

We encourage our people across PA to take active responsibility for improving our performance, whether through enhancing working practices or drawing attention to behaviours or other issues that give them concern. To encourage feedback and suggestions, PA has introduced procedures and mechanisms to create a culture that allows people to speak up with confidence and in good faith in the expectation of being heard.

PA regularly conducts an engagement survey, which informs our people plans, and provides all employees with access to a 'Give PA your suggestions' facility. Employees and third parties, including clients and suppliers, can also raise concerns through a confidential and anonymous whistle-blowing helpline that is operated externally.

Throughout the year employees were updated on financial and economic factors affecting the performance of the Company. A significant number of employees held shares in the Company and, subsequent to year end, became shareholders in the new holding company.

Supporting colleagues with disabilities

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

Post balance sheet events

Other than those described in Note 26, no other events have occurred since 31 December 2020 that require reporting or disclosing in the financial statements.

Going concern

The Group's long-term financing is a combination of debt, equity and retained earnings. The Group previously had external financing in place, however since the year-end, and following the Jacobs investment, the Group's external debt has been repaid and replaced by financial support from its new majority investor, Jacobs Engineering Group Inc. This provides the Group with access to sufficient long-term funding and the ultimate lender has appropriate backing and headroom to support the lending for the foreseeable future. The term loan facility matures on 2 March 2028.

At an operating level, the Group has historically been sufficiently cash generative to cover its day-to-day requirements and other than for precautionary purposes has had no need to draw on its Revolving Credit Facility. The directors have reviewed revised financial budgets and cashflows taking into consideration the impacts of the Jacobs investment alongside the strategic five-year business plan and have no reason to believe that the Group's ability to self-fund its operations will deteriorate. The revolving credit facility matures on 2 March 2027.

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 reflect this. The models cover the period from 1 January 2021 to 30 June 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. The Congressional Budget Office (CBO) is projecting the US economy continuing to strengthen during the next five years with real GDP growth of 3.7% by end of Q4 2021 and further 2.4% growth in 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, as detailed in our Principal risks and uncertainties.

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 Group's business model is robust and flexible. The directors are further satisfied that the Group has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there are no significant doubts about the Group's ability to continue as a going concern.

Financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Further information about the most significant financial risks faced by the Group and how these are managed can be found in the strategic review and in Note 13 of these financial statements.

Research and development

PA is committed to new knowledge creation and innovation through the provision of research and development for clients and through investing in projects internally.

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

Disclosure of information to auditors

Each director has taken steps in order to make themself aware of any relevant audit information and to establish that the Group'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' 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 financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and Financial Reporting Standard 101 Reduced Disclosure Framework. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities statement

Each of the directors who is listed on page 20 confirms that to the best of their knowledge and belief:

- the financial statements for the financial year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards and United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the Company respectably
- the strategic review includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This directors' report was approved by the board on 15 April 2021 and signed on its behalf by:

Ruairidh Cameron
Chief Financial Officer

PA Consulting Group Holdings Limited
Company number: 09761378

INDEPENDENT AUDITOR'S REPORT

to the members of PA Consulting Group Holdings Limited (formerly PA Consulting Group Limited)

Opinion

We have audited the financial statements of PA Consulting Group Holdings Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise consolidated statement of profit or loss, the consolidated and parent company statement of financial position, consolidated statement of cash flows, the consolidated statement of other comprehensive income, the consolidated and parent statement of changes in shareholder's equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group 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. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Group's financial close process, to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors were considered in their assessment.
- Obtaining management's going concern assessment, including the cash forecasts and covenant calculations for the going concern period which covers the period from 1 January 2021 to 30 June 2022, then performing procedures to confirm the clerical accuracy and appropriateness of the of the underlying model. The Group has modelled a base case and a reverse stress test scenario in their cash forecast and covenant calculation in order to incorporate unexpected changes to the forecasted liquidity of the Group.
- Performing procedures on the cashflow forecasts to trace repayment of the term loan facility and accrued interest, as described in note 26, and to trace the receipt and interest payment profile of the new financing facilities.
- Assessing the factors and assumptions included in each modelled scenario for the cash forecast and covenant calculation including testing the impact of COVID-19. We considered the appropriateness of the methods used to calculate the cash forecasts and covenant calculations and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.

- Considering the mitigating factors included in the cash forecasts and covenant calculations that are within control of the Group. This includes review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required. We also verified credit facilities available to the Group.
- Performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- Reading the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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 Group and parent 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 4 to 22, 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 Group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, 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 Group's and the parent 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 Group or the parent 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.

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 Group and determined that the most significant are those that relate to the reporting framework (IAS, FRS 101 and the Companies Act 2006), direct and indirect tax compliance regulations in the jurisdictions in which the Group operates and Miscellaneous Reporting Regulations 2018. In addition, the Group 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 Group complies with those frameworks by making enquiries of management, internal audit and internal and external legal counsel to understand how the Group 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 Group 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 Group'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 Group'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.

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 Group's accounting policies.

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.

Ernst & Young LLP.

Christabel Cowling
(Senior statutory auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

16 April 2021

FINANCIAL STATEMENTS

Consolidated statement of profit or loss

for the year ended 31 December 2020

	Note[i]	2020 £m	2019 £m
Fee income	4	558.7	500.5
Project costs recharged	4	91.2	67.5
Revenue	4	649.9	568.0
Personnel and direct costs	5	(481.7)	(433.2)
Exceptional personnel and direct costs	6	(15.4)	(12.5)
Gross profit		152.8	122.3
Other administrative expenses		(64.6)	(74.2)
Other operating income	7.1	0.3	0.1
Exceptional administrative costs	6	(7.2)	(4.0)
Operating profit	7	81.3	44.2
Net finance costs	8	(40.8)	(58.2)
Profit/(loss) on ordinary activities before taxation		40.5	(14.0)
Taxation	9	(12.1)	(6.4)
Profit/(loss) for the financial year		**28.4**	**(20.4)**
Adjusted EBITDA[ii]	6	**137.7**	**94.6**

i. The accompanying notes are an integral part of the financial statements.

ii. Adjusted EBITDA is operating profit before interest, taxation, depreciation, amortisation and exceptional items. The directors also add back the running costs of the two closed UK defined benefit pension schemes as they consider these to be a non-cash cost to the Group as the schemes were in surplus when the costs were incurred. A reconciliation between operating profit and adjusted EBITDA is provided in note 6.

Consolidated statement of other comprehensive income

for the year ended 31 December 2020

	Note[i]	2020 £m	2019 £m
Profit/(loss) for the financial year		**28.4**	**(20.4)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) recognised on defined benefit pension arrangements	21	0.2	(1.5)
Movement on deferred tax relating to actuarial gain/(loss) on pensions	21	(0.2)	0.1
		28.4	(21.8)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on retranslation of net assets and results of overseas subsidiaries		0.5	(0.9)
		0.5	(0.9)
Total comprehensive profit/(loss) relating to the year		**28.9**	**(22.7)**

i. The accompanying notes are an integral part of the financial statements.

Consolidated statement of financial position

at 31 December 2020

	Note[i]	2020 £m	2019 £m
Non-current assets			
Goodwill	10	213.4	207.2
Other intangible assets	10	232.6	251.7
Property, plant and equipment	11	28.0	28.7
Right-of-use assets	12	40.6	46.0
Derivative financial instruments	18	-	0.1
Deferred tax assets	9	3.8	5.8
Other non-current assets		1.3	1.3
		519.7	**540.8**
Current assets			
Trade receivables	4	62.3	72.7
Contract assets	4	34.1	21.9
Derivative financial instruments	18	0.1	0.1
Other current assets	15	16.3	15.2
Cash and cash equivalents		162.2	90.7
		275.0	**200.6**
Total assets		**794.7**	**741.4**
Current liabilities			
Trade and other current liabilities	16	(204.2)	(135.5)
Contract liabilities	4	(27.0)	(22.2)
Derivative financial instruments	18	-	(0.1)
Lease liabilities	12	(9.1)	(9.6)
Borrowings	19	(99.4)	-
Current tax liabilities		(3.9)	(2.4)
		(343.6)	**(169.8)**
Net current (liabilities)/assets		**(68.6)**	**30.8**
Non-current liabilities			
Borrowings	19	(437.2)	(545.2)
Lease liabilities	12	(45.9)	(53.0)
Derivative financial instruments	18	-	(0.1)
Pension and other post-employment liabilities	21	(4.5)	(2.7)
Deferred tax liabilities	9	(20.1)	(28.7)
Other non-current liabilities	17	(5.7)	(29.5)
		(513.4)	**(659.2)**
Total liabilities		**(855.5)**	**(829.0)**
Net liabilities		**(62.3)**	**(87.6)**
Equity			
Share capital	20	0.9	0.9
Share premium	20	9.9	9.9
Own shares reserve	20	(4.1)	(0.3)
Foreign currency translation reserve	20	(0.2)	(0.7)
Retained earnings		(68.8)	(97.4)
Total equity		**(62.3)**	**(87.6)**

i. The accompanying notes are an integral part of the financial statements.

The financial statements were approved and authorised for issue by the board of directors on 15 April 2021.

Ruairidh Cameron
Chief Financial Officer

PA Consulting Group Holdings Limited
Company number: 09761378

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2020

	Note[i]	Share capital £m	Share premium £m	Own share reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
At 01 January 2019		**0.9**	**8.0**	**-**	**0.2**	**(84.9)**	**(75.8)**
Total comprehensive loss for the year							
Loss for the financial year		-	-	-	-	(20.4)	(20.4)
Actuarial loss recognised on defined benefit pension arrangements	21	-	-	-	-	(1.5)	(1.5)
Movement on deferred tax relating to actuarial gain on pensions	21	-	-	-	-	0.1	0.1
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	(0.9)	-	(0.9)
Total comprehensive loss		-	-	-	(0.9)	(21.8)	(22.7)
Transactions with owners of the Company							
Issue of ordinary shares	20	-	1.9	-	-	-	1.9
Movement in own shares held by employee trusts	20	-	-	(0.3)	-	-	(0.3)
Cash consideration received for disposal of shares		-	-	-	-	9.3	9.3
Total transactions with owners of the Company		**-**	**1.9**	**(0.3)**	**-**	**9.3**	**10.9**
At 31 December 2019		**0.9**	**9.9**	**(0.3)**	**(0.7)**	**(97.4)**	**(87.6)**
Total comprehensive profit for the year							
Profit for the financial year		-	-	-	-	28.4	28.4
Actuarial loss recognised on defined benefit pension arrangements	21	-	-	-	-	0.2	0.2
Movement on deferred tax relating to actuarial gain on pensions	21	-	-	-	-	(0.2)	(0.2)
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	0.5	-	0.5
Total comprehensive profit		-	-	-	0.5	28.4	28.9
Transactions with owners of the Company							
Movement in own shares held by employee trusts	20	-	-	(3.8)	-	-	(3.8)
Cash consideration received for disposal of shares		-	-	-	-	0.2	0.2
Total transactions with owners of the Company		**-**	**-**	**(3.8)**	**-**	**0.2**	**(3.6)**
At 31 December 2020		**0.9**	**9.9**	**(4.1)**	**(0.2)**	**(68.8)**	**(62.3)**

i. The accompanying notes are an integral part of the financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Operating profit	7.2	**81.3**	**44.2**
Add back:			
Amortisation of intangible fixed assets	6, 7.2, 10	20.2	20.5
Depreciation of property, plant and equipment	6, 7.2, 11	5.0	3.7
Depreciation of right-of-use assets	6, 7.2, 12	7.0	7.1
Loss on disposal of property, plant and equipment	6, 7.2	0.3	0.2
Gain on disposal of right-of-use assets	6, 7.2	(0.1)	-
Gain on disposal of a subsidiary	6	(3.0)	-
Net foreign exchange differences		0.7	0.8
Difference between pension charge and cash contributions		0.8	11.8
Operating cash flows before movements in working capital		112.2	88.3
Decrease in trade and other receivables and contract assets		(1.5)	1.7
Increase in trade and other payables and contract liabilities		64.0	1.5
Operating cash flows before payments for taxes		**174.7**	**91.5**
Taxation paid		(18.8)	(6.8)
Net cash flows from operating activities		**155.9**	**84.7**
Investing activities			
Purchase of property, plant and equipment	11	(4.6)	(5.2)
Purchase of acquired intangible assets	10	(0.3)	(1.6)
Purchase of subsidiary undertakings (net of cash acquired)	25.1.2	(5.0)	(2.1)
Net cash on disposal of subidiary undertaking		2.7	-
Interest received		0.3	0.6
Net cash flow from investing activities		**(6.9)**	**(8.3)**
Financing activities			
Issue of ordinary shares	20.1.1	-	1.8
Repayment of 5% loan notes	19	-	(119.9)
Repayment of lease principal	12	(11.6)	(6.3)
Interest paid		(4.8)	(9.4)
Net cash from (purchase)/sale of own shares		(60.5)	17.5
Staff loans issued		(1.2)	(0.3)
Net cash flow from financing activities		**(78.1)**	**(116.6)**
Net increase/(decrease) in cash and cash equivalents		**70.9**	**(40.2)**
Cash and cash equivalents at 1 January		90.7	132.2
Net foreign exchange difference		0.6	(1.3)
Cash and cash equivalents at 31 December		**162.2**	**90.7**

i. The accompanying notes are an integral part of the financial statements.

Net funds include £0.1m (2019: £14.6m) held by Employee Benefit Trusts that are not under the Group's control.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

General information

PA Consulting Group Holdings Limited is a limited liability company incorporated in England. The registered office is 10 Bressenden Place, London, SW1E 5DN.

Statement of compliance

The Group's financial statements have been prepared in compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The principal accounting policies used in preparing these financial statements are set out below. These policies have been consistently applied to the periods 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 under the historical cost convention, except for pension assets and liabilities and revaluation to fair value of certain financial instruments, business combination assets and contingent consideration.

The financial statements are presented in pounds sterling, and unless otherwise indicated, values are presented in million pounds (£m) rounded to one decimal place.

Going concern

The Group's long-term financing is a combination of debt, equity and retained earnings. The Group previously had external financing in place, however since the year-end, and following the Jacobs investment, the Group's external debt has been repaid and replaced by financial support from its new majority investor, Jacobs Engineering Group Inc.

This provides the Group with access to sufficient long-term funding and the ultimate lender has appropriate backing and headroom to support the lending for the foreseeable future. The term loan facility matures on 2 March 2028.

At an operating level, the Group has historically been sufficiently cash generative to cover its day-to-day requirements and other than for precautionary purposes has had no need to draw on its Revolving Credit Facility. The directors have reviewed revised financial budgets and cashflows taking into consideration the impacts of the Jacobs investment alongside the strategic five-year business plan and have no reason to believe that the Group's ability to self-fund its operations will deteriorate. The revolving credit facility matures on 2 March 2027.

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 reflect this. The models cover the period from 1 January 2021 to 30 June 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. The Congressional Budget Office (CBO) is projecting the US economy continuing to strengthen during the next five years with real GDP growth of 3.7% by end of Q4 2021 and further 2.4% growth in 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, as detailed in our Principal risks and uncertainties.

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 Group's business model is robust and flexible. The directors are further satisfied that the Group has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there are no significant doubts about the Group's ability to continue as a going concern.

2. Principal accounting policies

2.1 Basis of consolidation

The Group financial statements include the results, financial position and cash flows of PA Consulting Group Holdings Limited (the 'Company') and all of its subsidiary undertakings (together, the 'Group'). Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control arises when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Businesses acquired or disposed during the period are accounted for using acquisition method principles from, or up to, the date control passed. Intra-Group transactions and balances are eliminated on consolidation. All subsidiaries use uniform accounting policies for like transactions and other events and similar circumstances.

2.2 Employee benefit trusts

The Group's trusts are separately administered discretionary trusts for the benefit of employees. The trusts are funded by loans from the Group, with their assets mainly comprising shares in the ultimate parent of the Group. The Group recognises the assets and liabilities of the trusts in its own accounts because, although they are administered by independent trustees and their assets are held separately from those of the Group, in practice the Group's recommendations on how the assets are used for the benefit of employees are normally followed.

The carrying value of the Company's ordinary shares held by the trusts is recorded as a deduction in arriving at shareholders' funds until such time as the shares transfer to employees.

Consideration received for the sale of such shares is also recognised in shareholders' funds, with any difference between the proceeds from sale and the carrying value taken to the profit and loss reserve. No gain or loss is recognised on the purchase, sale or cancellation of equity shares. The Company's preference shares held by the trusts are recorded as financial assets at amortised cost.

2.3 Foreign currencies

Functional and presentation currency

The functional currency of each Group entity is the currency of the primary economic environment in which each entity operates. The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency of the entity using the exchange rates prevailing at the date of the transaction. 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 Group income statement within 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.

Consolidation

For the purpose of presenting consolidated financial statements, the results and financial position of all the Group entities (none of which have 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 financial position 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 foreign entities are recognised in the Group's foreign currency translation reserve.

2.4 Revenue

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

For each client assignment, the Group considers whether there are promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for each client assignment, the Group considers the effects of variable consideration. The Group does not have client contracts with significant financing components or non-cash consideration.

Revenue 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 and disbursements are incurred.

For long-term, fixed-price contracts, provided the Group has an enforceable right to payment for performance completed to date, revenue is recognised over the contract term using the percentage of completion method (input method). An input method has been selected as there is a direct relationship between the Group's effort, as measured by the Group's costs incurred, and the transfer of service to the customer.

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 (primarily consultant time) are reviewed regularly and, where necessary, revised.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for services rendered to the client. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur when the associated uncertainty of the variable consideration is subsequently resolved. Gain share contracts are treated as variable revenue, with revenue recognition constrained until it is highly probable that a significant reversal will not occur.

No revenue 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 Group income statement.

For the majority of contracts, revenue is recognised over time as services are performed. The Group has client contracts that require payments in advance of services performed, resulting in contract liability balances, and client contracts that require payment after services are performed, resulting in contract asset balances.

2.5 Employee benefits

2.5.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan 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 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.

2.5.2 Defined contribution plans

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

2.5.3 Deferred employee remuneration

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

The Group 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 Group recognises deferred employee remuneration liabilities and expenses where there is a past practice that has created a constructive obligation or there is a contractual obligation. Deferred employee remuneration due in more than one year relates to the deferral of remuneration for certain employees from three to five years after they have been awarded.

2.5.4 Short-term compensated absences

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

2.6 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 that it is probable that the expected future economic benefits attributable to the intangible asset created will flow to the Group and the cost of the intangible asset can be measured reliably. Where these criteria are met, the expenditure is deferred and amortised over the period during which the Group is expected to benefit.

2.7 Leases

Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

2.7.1 Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2.7.2 Lease liability

The lease liability is initially measured at the present value of the lease payments for the lease term that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise fixed payments, variable payments dependent on an index or a rate and amounts expected to be paid under a residual value guarantee.

The lease term is from the commencement date through to the end of the contracted initial lease duration except where the Group has an option to terminate or extend the term and is reasonably certain to exercise that option, in which case the lease term will be restricted to the termination date or extended to include the extension period.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a modification, a change in the lease term, a change in the lease payments (e.g. from resetting an index or rate) or a change in the assessment of an option to purchase the underlying asset.

2.7.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption and the leases of low-value assets recognition exemption. As a result, the Group recognises lease payments on short-term leases (leases expiring within 12 months of commencement date) and leases of low-value assets (underlying asset value less than $5,000) on a straight-line basis over the lease term.

2.8 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.

2.9 Adjusted EBITDA and exceptional items

The directors believe that adjusted EBITDA provides additional useful information for shareholders on the underlying performance of the business. This measure is consistent with how the underlying business performance is measured internally.

Items are disclosed as exceptional if by virtue of their size or nature they distort the underlying trading performance.

Adjustment is made for the running costs of the two closed UK defined benefit pension schemes that the directors consider to be non-cash costs to the Group as the schemes were in surplus when the costs were incurred.

2.10 Tax

The tax charge comprises current tax payable and deferred tax.

2.10.1 Current tax

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Group's taxable profits and is based on an interpretation of existing tax laws. Taxable profit differs from profit before tax as reported in the Group 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.

2.10.2 Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial purposes and the amounts used for taxation purposes.

- Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- Deferred tax assets and liabilities are offset against each other where there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

2.11 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method.

The cost of a business combination is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in exceptional items.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date as a financial liability. Contingent consideration is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill arising on an acquisition of a business is initially measured at cost, being the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Group has one cash-generating unit (CGU), consultancy, and goodwill is allocated to that CGU for impairment testing. Goodwill is assessed annually for impairment.

2.12 Intangible assets

Intangible assets include trade name, customer relationships, non-compete agreements and investment in new software.

The trade name, customer relationships and non-compete agreements were acquired as part of the Group's acquisitions and are classified separately from goodwill where the fair value can be measured reliably on initial recognition, subject to the constraint that unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase negative goodwill arising on the acquisition.

Intangible assets acquired separately from a business are measured on initial recognition at cost and amortised over the period during which the Group is expected to benefit.

The costs capitalised for investment in new software represent costs of development by an external company and are amortised over a useful life of three years. Internal costs of development of the new software are expensed as incurred as it is not possible to reliably measure the internal costs of this development.

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The following useful economic lives are applied:

Asset category	Useful economic life
Software	3 years
Non-compete	2 to 3 years
Trademarks	5 to 20 years
Customer relationships	3 to 21 years

The carrying value of intangible assets is reviewed for impairment annually.

2.13 Property, plant and equipment

Property, plant and equipment 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 expensed as incurred.

Depreciation is calculated so as to write off the cost, less estimated residual value, 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 following useful economic lives are applied:

Asset category	Useful economic life
Computer equipment	2 to 5 years
Office furniture, equipment	3 to 10 years
Freehold property	10 to 50 years
Leasehold property	the remaining period of lease unless the economic life of the asset is determined to be less than that of the lease

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.14 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.15 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs services for a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section 2.16.2 Financial assets – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group satisfies its performance obligation under the contract.

2.16 Financial instruments

2.16.1 Classification

The Group's financial instruments are classified under the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For an asset to be measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss (FVTPL) irrespective of the business model.

Financial liabilities are classified as measured at amortised cost or (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL *are measured at fair value, and net gains and* losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

2.16.2 Financial assets

Initial recognition

The Group measures financial assets initially at fair value plus, in the case of a financial asset not classified as at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVTPL *are* expensed in profit or loss.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income depending on the nature of the asset and the Group's election at recognition:

- For investments in debt instruments, this will depend on the business model in which the investment is held.
- For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income, otherwise gains and losses are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset, or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets only, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16.3 Financial liabilities

Initial recognition

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including lease liabilities, the Group's issued preference shares, contingent consideration and derivative financial instruments.

Subsequent measurement

The Group's financial liabilities are mainly classified as measured at amortised cost.

After initial recognition, these liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included as finance costs in the statement of profit or loss.

Financial liabilities at FVTPL are those which are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. See section 2.16.4 Derivative instruments.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.16.4 Derivative instruments

Initial recognition and subsequent measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated (cash flow hedge, fair value hedge or hedges of a net investment in a foreign operation).

For those derivatives to be designated as a hedging instrument, the Group documents at the inception of the hedging transaction the economic relationship between the hedging instrument and hedged item, including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss. The movement in the Group's forward currency contracts are recognised in administrative expenses, and the movement on the interest rate swap is recognised in finance income.

2.17 Provisions for liabilities

The Group recognises a provision when it has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit 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.

2.18 Share capital

Issued share capital is classified as equity instruments or financial liabilities according to the substance of the contractual arrangement entered into.

2.18.1 Preference shares

The liability for the preference shares arises because their rights oblige the Company to pay accrued dividends (12%) and capital in certain events. As a result, the preference shares are recorded as financial liabilities.

2.18.2 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 issued by the Company are recorded as the proceeds received net of direct issue costs, with the nominal value of the instrument credited to share capital and the excess to the share premium account.

The Company's preference shares are considered to be financial liabilities and presented separately within liabilities.

All other classes of shares of the Company are considered to be equity instruments and are classified as share capital because they do not contain contractual obligations to deliver cash or other financial assets, or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable, or to deliver a variable number of the Company's own equity instruments or a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments.

2.19 Government benefits

In an attempt to mitigate the impact of the Covid-19 pandemic, governments in many countries have introduced measures to aid entities. These measures include direct subsidies, tax exemptions, tax reductions and credits, extended expiry period of unused tax losses, reduction of public levies, rental reductions or deferrals and low interest loans. The Group benefitted from VAT deferral during the year, however paid up all of its deferred amounts before the year end and therefore no deferred VAT was outstanding at 31 December 2020.

2.20 New and amended standards and interpretations

The Group applied for the first-time the following standards and amendments, which are effective for annual periods *beginning on or after 1 January 2020. These changes have* not had a significant impact on the financial statements.

- Amendments to the Conceptual Framework
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.21 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Amendments to References to the Conceptual Framework in IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
- Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (Amendments to IFRS 9)
- Taxation in fair value measurements (Amendments to IAS 41)

3. 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 Group 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.

3.1 Revenue from long-term contracts

Revenue 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 revenue and profit reported in future periods.

3.2 Leases

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. In evaluating whether it is reasonably certain to exercise an option, the Group considers the factors that create an economic incentive to exercise.

The Group included the renewal period as part of the lease term for property leases with shorter non-cancellable periods (up to 10 years) in the locations contributing a significant portion of the Group's performance. Renewal periods were not included for leases in other geographical locations except where the Group's real estate team identify the local property market as restricted.

The Group typically leases motor vehicles for less than five years and hence has not included any renewal options within the lease term.

Estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in its leases, it uses its incremental borrowing rate (IBR) to measure the related lease liabilities. Establishing an appropriate IBR requires estimation when no observable rates are available or when they need to be adjusted to reflect the specific terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market risk-free rates) as the basis and adjusts these to take into consideration entity-specific status (such as the subsidiary's stand-alone credit rating).

3.3 Impairment of intangible assets

The Group has a significant level of intangible assets, including goodwill. Assessing the appropriateness of the carrying value is based on estimating the value in use of intangible assets which is dependent on assumptions of future trading growth, profitability and cash flows (note 10).

4. Revenue from contracts with customers

4.1 Disaggregation of revenue

All revenue is derived from the provision of consulting services:

	For the year ended 31 December 2020		
	Consultant fees £m	Project costs recharged £m	Total £m
Geographical markets, based on the billing location of the client			
UK	427.8	81.0	508.8
Americas	58.9	3.6	62.5
Scandinavia	55.2	4.3	59.5
Europe	14.0	0.7	14.7
Rest of world	2.8	1.6	4.4
Total revenue from contracts with customers	**558.7**	**91.2**	**649.9**
Contract duration			
One year or less	383.0	47.4	430.4
Over one year	175.7	43.8	219.5
Total revenue from contracts with customers	**558.7**	**91.2**	**649.9**

	For the year ended 31 December 2019		
	Consultant fees £m	Project costs recharged £m	Total £m
Geographical markets, based on the billing location of the client			
UK	360.0	54.9	414.9
Americas	57.5	4.7	62.2
Scandinavia	54.8	1.0	55.8
Europe	19.8	3.7	23.5
Rest of world	8.4	3.2	11.6
Total revenue from contracts with customers	**500.5**	**67.5**	**568.0**
Contract duration			
One year or less	350.0	31.8	381.8
Over one year	150.5	35.7	186.2
Total revenue from contracts with customers	**500.5**	**67.5**	**568.0**

Revenue from time and materials, fixed-price and milestone contracts of £646.4m (2019: £566.4m) was recognised on the basis of time worked and expenses incurred. For time and materials contracts revenue directly reflects time worked and expenses incurred; for fixed-price and milestone contracts revenue was recognised through the percentage completion method using the time worked and expenses incurred as a proportion of the estimated total costs of the contract. Gain share contract revenue of £1.4m (2019: £1.6m) was recognised at a point in time.

4.2 Trade receivables and other contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers. Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers.

	Note	2020 £m	2019 £m
Trade receivables	4.2.1	62.3	72.7
Contract assets	4.2.2	34.1	21.9
Contract liabilities	4.2.3	(27.0)	(22.2)

4.2.1 Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2020 the acquisition of businesses resulted in increase in trade receivables of £0.8m. There was no impact on trade receivables from the acquisition of the trade and assets of 4iNNO in 2019. In 2020, £3.0m (2019: £4.0m) was recognised as provision for expected credit losses on trade receivables.

	2020		**2019**	
	Gross carrying amount £m	Provision for expected credit losses £m	Gross carrying amount £m	Provision for expected credit losses £m
Current (not past due)	46.8	-	50.9	-
1-30 days past due	12.5	-	13.6	-
31-60 days past due	2.0	-	4.8	-
61-90 days past due	0.4	-	1.1	-
91-180 days past due	0.4	-	1.2	-
More than 180 days past due	0.2	-	1.2	(0.1)
Credit-impaired trade receivables	3.0	(3.0)	3.9	(3.9)
	65.3	**(3.0)**	**76.7**	**(4.0)**

Movement on expected credit loss on trade receivables	2020 £m	2019 £m
At 1 January	(4.0)	(7.7)
Net remeasurement of expected credit loss allowance	0.7	3.5
Amounts written off	0.3	0.2
At 31 December	**(3.0)**	**(4.0)**

4.2.2 Contract assets

	2020 £m	2019 £m
Gross carrying amount	34.2	22.1
Expected credit loss allowance	(0.1)	(0.2)
Net contract asset	**34.1**	**21.9**

Movement on contract assets	2020 £m	2019 £m
At 1 January	21.9	20.2
Transfer to trade receivables	(21.2)	(19.1)
Increases as a result of services performed but not invoiced during the year	33.7	21.8
Movement in provision and amounts written off in the year	(0.3)	(1.0)
At 31 December	**34.1**	**21.9**

The amounts written off in the year relate to changes in estimates of the stage of completion of long-term projects and not customer default. This is therefore not representative of the expected credit losses on contract assets.

4.2.3 Contract liabilities

Movement on contract liabilities	2020 £m	2019 £m
At 1 January	(22.2)	(17.8)
Increases due to invoicing, excluding amounts recognised as revenue during the period	(26.0)	(21.6)
Revenue recognised that was included in the contract liability balance at the beginning of the period	21.2	17.2
At 31 December	**(27.0)**	**(22.2)**

4.3 Contracted performance obligations

The Group has taken advantage of the practical expedient provided by IFRS 15 paragraph 121 to not disclose:

a. performance obligations that are part of a contract that has an original expected duration of one year or less; and
b. performance obligations from contracts where the Group has the right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

In the directors' opinion the performance obligations that do not meet either of the practical expedient criteria are not material and are therefore not disclosed.

5. Employee information

5.1 Employee numbers

The average monthly number of people employed by the Group during the year was:

	2020 Number	2019 Number
Consultants	2,710	2,536
Support	628	585
Total average number of employees	**3,338**	**3,121**

5.2 Employee remuneration

The aggregate remuneration of these persons was:

	2020 £m	2019 £m
Wages and salaries	(229.4)	(220.1)
Deferred remuneration	(88.3)	(62.7)
Social security costs	(27.2)	(25.8)
Contributions to defined contribution pension arrangements	(17.0)	(15.9)
Running costs for defined benefit pension arrangements	(1.4)	(2.4)
Other payroll costs	(35.6)	(30.1)
Total aggregate employee benefits	**(398.9)**	**(357.0)**

Included in other payroll costs is £10.5m (2019: £11.2m) exceptional employment costs related to business combinations.

6. Alternative financial measures

As well as GAAP measures, the directors use certain adjusted financial measures to assess the performance of the business, the primary measures being EBITDA and adjusted EBITDA. The directors believe that adjusted EBITDA provides additional useful information for shareholders on the underlying performance of the business. This measure is consistent with how the underlying business performance is measured internally and seeks to remove unusual items of a non-trading nature of quantum.

Items are disclosed as exceptional if by virtue of their size or nature they distort the underlying trading performance.

Adjustment is made for the running costs of the two closed UK defined benefit pension schemes that the directors consider to be non-cash costs to the Group as the schemes were in surplus when the costs were incurred.

		2020			2019	
		Adjustments	Adjusted		Adjustments	Adjusted
	£m	£m	£m	£m	£m	£m
Group operating profit	81.3	24.0	105.3	44.2	18.9	63.1
Amortisation of other intangible assets	20.2	-	20.2	20.5	-	20.5
Depreciation of property, plant and equipment	5.0	-	5.0	3.7	-	3.7
Depreciation of right-of-use assets	7.0	-	7.0	7.1	-	7.1
Loss on disposal of tangible fixed assets	0.3	-	0.3	0.2	-	0.2
Gain on disposal of right of use assets	(0.1)	-	(0.1)	-	-	-
EBITDA	**113.7**	**24.0**	**137.7**	**75.7**	**18.9**	**94.6**

The adjustments relate to the following items	Note	2020 Personnel and direct costs £m	2020 Administrative costs £m	2020 Total adjustment £m	2019 Personnel and direct costs £m	2019 Administrative costs £m	2019 Total adjustment £m
Non-trading items							
Pension adviser fees	a	-	(0.8)	(0.8)	-	-	-
Defined benefit pension scheme historic service cost/(credit)	b	-	(1.0)	(1.0)	-	-	-
Acquisition-related costs	c	(10.5)	(0.2)	(10.7)	(11.2)	(0.1)	(11.3)
One-off advisory costs	d	-	(6.8)	(6.8)	-	(2.7)	(2.7)
Business closure costs	e	(3.0)	(0.7)	(3.7)	(1.0)	(0.1)	(1.1)
Finance systems upgrade	f	(0.2)	(0.4)	(0.6)	(0.3)	(0.3)	(0.6)
Gain on disposal of a subsidiary	g	-	3.0	3.0	-	-	-
Other (costs)/income		(1.7)	(0.3)	(2.0)	-	(0.8)	(0.8)
Total non-trading items		(15.4)	(7.2)	(22.6)	(12.5)	(4.0)	(16.5)
Non-cash items							
Defined benefit pension scheme running costs	h	-	(1.4)	(1.4)	-	(2.4)	(2.4)
Total adjusting items		**(15.4)**	**(8.6)**	**(24.0)**	**(12.5)**	**(6.4)**	**(18.9)**

During the period the Group incurred certain costs and income that the directors believe are of an exceptional nature and quantum and should be separately disclosed.

a. These costs were professional fees associated with the insurance buy-in to the UK closed defined benefit scheme.

b. Following the Lloyds case ruling in November, this is the estimated cost of the additional uplift required for the equalisation of guaranteed minimum pension for historic transfers out of the scheme.

c. These costs comprise professional fees, consideration accounted for as employment costs and staff retention costs.

d. These costs relate to professional fees incurred in preparing information memorandum for prospective investors (2019: fees related to reviewing the Group's financing structure).

e. These costs relate to the closure of businesses driven by the Group simplification initiative in the period.

f. These costs relate to the upgrade of the Group's core legacy back office systems.

g. On 20 April 2020 the Group sold its subsidiary, PA Defense Inc, to its management team. The net assets of PA Defense Inc on disposal were nil, consideration was £3.2m and professional fees of £0.2m were incurred, resulting in a gain on disposal of £3.0m.

h. During the period the Group incurred pension running costs for the two closed UK defined benefit pension schemes. These schemes were in surplus when these costs were incurred and as such the running costs are a non-cash cost to the Group.

7. Income and expenses

7.1 Other operating income

	2020 £m	2019 £m
Rental income from property subleases	0.3	0.1

7.2 Included in operating profit

Operating profit is stated after charging/(crediting):	Note	2020 £m	2019 £m
Depreciation of property, plant and equipment	11	5.0	3.7
Loss on disposal of property, plant and equipment	11	0.3	0.2
Depreciation of right-of-use assets	12	7.0	7.1
Gain on disposal of right of use assets		(0.1)	-
Total depreciation charge		**12.2**	**11.0**
Amortisation of intangible assets	10	20.2	20.5
Charges in relation to short-term leases and lease of low-value assets		0.7	1.9
Foreign currency differences		0.7	1.7
R&D expenditure		10.7	8.3

7.3 Auditor's remuneration

	2020 £'000	2019 £'000
Audit of the Company and Group financial statements	401	366
Fees payable to the Group's auditor for other services:		
Tax services	16	11
Other assurance services	10	17
Total non-audit services	**26**	**28**
	427	**394**

Included in audit of the financial statements is £96,615 (2019: £87,938) relating to the Company.
The auditor of PA Consulting Group Holdings Limited is Ernst & Young LLP.

8. Net finance costs

	Note	2020 £m	2019 £m
Finance income			
Interest income on cash and cash equivalents		0.2	0.6
Net discounting impact of long-term liabilities		-	0.1
Interest on defined benefit pension arrangement	21	-	0.2
		0.2	**0.9**
Finance costs			
Net preference shares		(3.5)	(22.8)
Investor loan notes		(28.1)	(25.0)
Vendor loan notes		-	(3.4)
Senior debt		(4.7)	(4.6)
Amortisation of debt issue costs	19	(0.7)	(0.7)
Net discounting impact of long-term liabilities		(1.6)	-
Discounting impact of lease liabilities	12	(2.3)	(2.5)
Interest on defined benefit pension arrangement liabilities	21	(0.1)	(0.1)
		(41.0)	**(59.1)**
Net finance costs		**(40.8)**	**(58.2)**

9. Tax

9.1 Tax on profit/(loss) on ordinary activities

	2020 £m	2019 £m
Current tax		
United Kingdom		
UK corporation tax at 19% (2019: 19%)	(13.6)	(5.7)
UK tax (under)/overprovided in previous years	(2.1)	0.4
UK corporation tax	(15.7)	(5.3)
Foreign tax		
Corporation taxes	(3.1)	0.3
Foreign tax underprovided in previous years	(0.3)	(1.7)
Foreign tax	(3.4)	(1.4)
Total current tax charge	(19.1)	(6.7)
Deferred tax		
Origination and reversal of timing differences	4.4	(1.1)
Deferred tax adjustment relating to previous years	2.6	1.4
Total deferred tax	7.0	0.3
Total tax charge on profit/loss on ordinary activities	**(12.1)**	**(6.4)**

9.2 Tax included in statement of other comprehensive income

	2020 £m	2019 £m
Deferred tax		
Deferred tax relating to the pension surplus	(0.2)	0.1
Total tax (charge)/credit	(0.2)	**0.1**

9.3 Factors affecting current tax credit

The Group's total current tax charge is £19.0m (2019: £6.7m). The three main items affecting this charge are:

i. interest payable on senior debt, preference shares and loan notes, which is partly tax-deductible in 2020
ii. effect of change of tax rate on deferred tax asset
iii. expenses not deductible for tax purposes.

The Group's total tax charge is higher than the standard rate of UK corporation tax for the year, 19% (2019: 19%). The differences are explained below.

	2020 £m	2019 £m
Profit/(loss) on ordinary activities before taxation	40.5	(14.0)
(Profit)/loss on ordinary activities multiplied by the standard corporation tax in the UK of 19% (2019: 19%)	(7.7)	2.7
Effects of:		
Expenses not deductible for tax purposes	(1.3)	(1.1)
Amounts payable relating to business combinations	(0.7)	(1.6)
Non-deductible preference share interest	(4.9)	(4.4)
Non-deductible loan interest	(0.9)	(1.9)
Revaluation of preference shares in employee trust	4.0	-
Overseas losses arising in the year not relievable against current tax	(1.1)	(1.4)
Use of tax losses which are relievable against current tax	0.3	0.2
Tax overprovided in previous years	3.3	0.1
Effect of change of tax rate on deferred tax asset	(3.0)	0.6
Differential on overseas tax rates	(0.1)	0.4
Total tax charge for the year	**(12.1)**	**(6.4)**

9.4 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. If the group's UK deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax charge of £6.5m.

9.5 Deferred tax

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances after offset:

	2020 £m	2019 £m
Included in non-current assets	3.8	5.8
Included in non-current liabilities	(20.1)	(28.7)
	(16.3)	**(22.9)**

The major deferred tax (liabilities)/assets recognised by the Group and movements thereon during the current and prior financial years are:

	Deferred employee remuneration £m	Pension costs £m	Tax losses £m	Intangible assets £m	Provisions £m	Property, plant and machinery £m	Other £m	Total £m
At 1 January 2019	**7.3**	**(2.5)**	**17.5**	**(45.9)**	**(1.3)**	**1.6**	**0.2**	**(23.1)**
(Charged)/credited								
- to profit or loss[i]	(2.5)	2.5	(3.3)	3.5	-	0.2	(0.1)	0.3
- recognised on business combinations	-	-	-	-	-	-	-	-
- to other comprehensive income[i]	-	0.1	-	-	-	-	-	0.1
- foreign exchange and other movements	(0.1)	0.4	(0.3)	-	(0.1)	-	(0.1)	(0.2)
At 31 December 2019 and 1 January 2020	**4.7**	**0.5**	**13.9**	**(42.4)**	**(1.4)**	**1.8**	**-**	**(22.9)**
(Charged)/credited								
- to profit or loss	4.6	-	2.5	(1.4)	1.3	-	-	7.0
- recognised on business combinations	-	-	-	(0.2)	-	-	-	(0.2)
- to other comprehensive income	-	(0.2)	-	-	-	-	-	(0.2)
- foreign exchange and other movements	(0.1)	-	0.1	-	-	-	-	-
At 31 December 2020	**9.2**	**0.3**	**16.5**	**(44.0)**	**(0.1)**	**1.8**	**-**	**(16.3)**

9.6 Unrecognised temporary differences

PA Consulting Services (India) Private Limited has undistributed earnings of GBP 1,796,000 (2019: GBP 1,767,000) which, if paid out as dividends, would be subject to tax. An assessable temporary difference exists, but no deferred tax liability has been recognised because the parent entity is able to control the timing of the distributions from this subsidiary.

9.7 Unrecognised deferred tax assets

Deferred tax assets in relation to continuing operations have not been recognised in respect of the following items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits in the relevant locations:

	2020 £m	2019 £m
Tax losses	13.4	7.1

10. Intangible assets

		Goodwill	Other intangible assets					
	Note	£m	Software £m	Non-compete £m	Trademarks £m	Customer relationships £m	Other intangible assets total £m
Cost							
At 1 January 2019		**205.4**	**6.6**	**7.3**	**121.2**	**199.2**	**334.3**
Additions		-	1.6	-	-	-	1.6
Acquired on subsidiary acquisitions	25	2.0	-	-	-	0.3	0.3
Effect of movement in exchange rates		(0.2)	-	-	-	-	-
At 31 December 2019		**207.2**	**8.2**	**7.3**	**121.2**	**199.5**	**336.2**
Additions		-	0.3	-	-	-	0.3
Acquired on subsidiary acquisitions	25	6.7	-	0.5	0.1	0.3	0.9
Effect of movement in exchange rates		(0.5)	-	(0.1)	-	-	(0.1)
At 31 December 2020		**213.4**	**8.5**	**7.7**	**121.3**	**199.8**	**337.3**
Accumulated amortisation							
At 1 January 2019		**-**	**(4.1)**	**(6.1)**	**(18.3)**	**(35.5)**	**(64.0)**
Charge for the year	7.2	-	(1.6)	(0.7)	(6.3)	(11.9)	(20.5)
At 31 December 2019		**-**	**(5.7)**	**(6.8)**	**(24.6)**	**(47.4)**	**(84.5)**
Charge for the year	7.2	-	(1.5)	(0.4)	(6.3)	(12.0)	(20.2)
At 31 December 2020		**-**	**(7.2)**	**(7.2)**	**(30.9)**	**(59.4)**	**(104.7)**
Net book amount							
At 31 December 2019		207.2	2.5	0.5	96.6	152.1	251.7
At 31 December 2020		213.4	1.3	0.5	90.4	140.4	232.6

The software intangible asset is the Group's investment in a new enterprise resource planning system that replaced the Group's core legacy back office systems. The asset is being amortised over a useful life of three years.

Non-compete represents non-solicitation agreements with key management personnel and are being amortised over two or three years as driven by the duration of the agreement.

Trademarks represent the value of the royalty streams associated with the PA brand, the brands of acquisitions made during 2018, Sparkler Limited and Essential Inc and the brand of Astro Studios, acquired in 2020, and are being amortised evenly over the directors' estimate of their useful economic life of between 5 and 20 years.

Customer relationships represent the acquired customer base that is expected to continue to support the business. These customer relationships are being amortised over their useful economic lives of 7 and 21 years depending on the sector in which the customer belongs. These useful economic lives represent the period over which the Group is expected to benefit from the relationships.

The goodwill intangible asset relates entirely to acquired goodwill through business combinations and is tested for impairment whenever there is an indication of impairment and at least annually.

See note 25 for details of intangibles acquired in the period.

Impairment of goodwill

For impairment testing, goodwill and other intangible assets are allocated to the consultancy CGU.

During the year impairment losses of £nil (2019: £nil) and impairment reversals of £nil (2019: £nil) were recognised.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount of the consultancy CGU as at December 2020 and December 2019 has been determined based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. The pre-tax discount rate applied to cash flow projections is 15.3% (2019: 12.3%) and cash flows beyond this period are extrapolated using a 1.5% growth rate (2019: 1.5%) that is within the range of the long-term average growth rate for the consultancy industry, 1 to 2%.

Sensitivity to changes in assumptions

The level of impairment is predominantly dependent upon judgement used in arriving at future growth rates and the discount rates applied to cash flow projections. The impact on the impairment charge of applying a reasonably possible change in assumptions to increases in revenue and cost of sales in the five-year business plan, growth rates used in the five-year business plans and the pre-tax discount rates would not lead to an incremental impairment charge.

The calculation of value in use is most sensitive to the following assumptions:

- revenue and cost of sales
- discount rates
- growth rates.

Revenue and cost of sales are based on past experiences and historical knowledge of the CGU. It was built on a highly detailed bottom-up approach, and examples of considerations that were taken into account are in respect of variations in growth by geography and the Group continually growing in scale.

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate estimates are based on management's forecast using a third-party valuation model.

11. Property, plant and equipment

	Note	Freehold land and buildings £m	Short leasehold and property £m	Office furniture equipment and machinery £m	Computer equipment £m	Total £m
Cost						
At 1 January 2019		**18.1**	**8.2**	**3.5**	**3.7**	**33.5**
Effect of movements in exchange rates		-	-	(0.1)	(0.1)	(0.2)
Additions at cost		0.2	0.3	1.3	3.4	5.2
Acquired on subsidiary acquisitions	25	-	-	-	-	-
Disposals		-	(0.1)	(0.2)	(0.7)	(1.0)
At 31 December 2019		**18.3**	**8.4**	**4.5**	**6.3**	**37.5**
Effect of movements in exchange rates		-	-	-	-	-
Additions at cost		1.9	0.4	0.3	1.9	4.5
Acquired on subsidiary acquisitions	25	-	-	0.1	-	0.1
Disposals		-	(0.3)	(0.4)	(0.7)	(1.4)
At 31 December 2020		**20.2**	**8.5**	**4.5**	**7.5**	**40.7**
Accumulated depreciation						
At 1 January 2019		**(2.7)**	**(0.9)**	**(0.6)**	**(1.8)**	**(6.0)**
Effect of movements in exchange rates		-	-	0.1	-	0.1
Charge for the year	7.2	(0.4)	(0.7)	(1.1)	(1.5)	(3.7)
Disposals		-	-	0.2	0.6	0.8
At 31 December 2019		**(3.1)**	**(1.6)**	**(1.4)**	**(2.7)**	**(8.8)**
Effect of movements in exchange rates		-	-	-	-	-
Charge for the year	7.2	(0.9)	(0.7)	(0.8)	(2.6)	(5.0)
Disposals		-	0.2	0.3	0.6	1.1
At 31 December 2020		**(4.0)**	**(2.1)**	**(1.9)**	**(4.7)**	**(12.7)**
Net book amount						
At 1 January 2019		15.4	7.3	2.9	1.9	27.5
At 31 December 2019		15.2	6.8	3.1	3.6	28.7
At 31 December 2020		16.2	6.4	2.6	2.8	28.0

12. Leases

Group as a lessee

The Group has lease contracts for various items of property, vehicles and other equipment used in its operations. Leases of property generally have lease terms between 2 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of office space with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Note	Property £m	Motor vehicles £m	Total £m
At 1 January 2019		**52.2**	**0.5**	**52.7**
Additions		0.5	0.5	1.0
Depreciation charged in year	7.2	(6.7)	(0.4)	(7.1)
Foreign exchange impact		(0.6)	-	(0.6)
As at 31 December 2019		**45.4**	**0.6**	**46.0**
Additions		1.3	0.2	1.5
Acquisitions		2.0	-	2.0
Disposals		(2.1)	(0.1)	(2.2)
Depreciation charged in year	7.2	(6.7)	(0.3)	(7.0)
Foreign exchange impact		0.2	0.1	0.3
As at 31 December 2020		**40.1**	**0.5**	**40.6**

The carrying amounts of the Group's lease liabilities and the movements during the period are as follows:

	Note	Property £m	Motor vehicles £m	Total £m
At 1 January 2019		**(65.5)**	**(0.5)**	**(66.0)**
Additions		(0.5)	(0.5)	(1.0)
Interest charged	8	(2.5)	-	(2.5)
Payments made		5.9	0.4	6.3
Foreign exchange impact		0.6	-	0.6
As at 31 December 2019		**(62.0)**	**(0.6)**	**(62.6)**
Additions		(1.3)	(0.2)	(1.5)
Acquisitions		(2.0)	-	(2.0)
Disposals		2.2	0.1	2.3
Interest charged	8	(2.3)	-	(2.3)
Payments made		11.3	0.3	11.6
Foreign exchange impact		(0.4)	(0.1)	(0.5)
As at 31 December 2020		**(54.5)**	**(0.5)**	**(55.0)**
Current		**(8.9)**	**(0.2)**	**(9.1)**
Non-current		**(45.6)**	**(0.3)**	**(45.9)**

Expenses recognised in profit or loss during the period in relation to leases not shown in the above tables are:

	2020 £m	2019 £m
Expense relating to short-term leases and leases of low-value assets		
- property assets	0.2	1.7
- non-property assets	0.5	0.2
Expense relating to service and other related charges	1.5	1.4

The Group had total cash outflows for leases in the year of £12.3m (2019: £8.1m).

13. Financial risk management

The Group is exposed to financial risks arising from its financial instruments as part of its day-to-day operations. These broadly fall within four categories: liquidity risk, credit risk, foreign currency risk and interest rate risk. The areas of exposure and the Group's approach to management of the risk are detailed below.

13.1 Liquidity risk

Liquidity risk occurs from a lack of available funding in the location or currency required, when required.

The Group is sufficiently cash generative to cover its operational requirements and has significant cash reserves available on a daily basis. Cash is held as easily accessible in interest-bearing current accounts, liquidity funds or short-term deposits. As at 31 December 2021 the Group had a £50m undrawn revolving credit facility available. This was cancelled after year end in relation to the acquisition of the Group by Green Consulting Solutions Limited (see note 26).

To manage this risk, the Group's central treasury team monitors global cash requirements via short- and medium-term rolling forecasts which are reviewed by management on a regular basis. This takes into consideration receipts and payments in each of the Group's various local currencies. A certain level of operational funds is maintained locally taking into account the liquidity of the local market to cover any unforeseen or emergency payments. Due to the central control, the Group treasury team has ability to move funds quickly around the Group should further resource be required.

The Group has access to currency trading lines to enable conversion of funds from/to all the Group's trading currencies as necessary within the agreed settlement limits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities and represents the gross, undiscounted contractual cash flows.

At 31 December 2020	< 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total contractual cash flows £m	Carrying value £m
Trade and other payables	(199.9)	(5.4)	(0.1)	0.0	(205.4)	(205.4)
Borrowings	(100.0)	0.0	(610.2)	0.0	(710.2)	(536.6)
Lease liabilities	(10.0)	(7.5)	(19.4)	(30.2)	(67.1)	(55.0)
Deferred consideration	(2.2)	0.0	0.0	0.0	(2.2)	(2.2)
Total financial liabilities	**(312.1)**	**(12.9)**	**(629.7)**	**(30.2)**	**(984.9)**	**(799.2)**

At 31 December 2019	< 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total contractual cash flows £m	Carrying value £m
Trade and other payables	(135.3)	(9.7)	(19.8)	-	(164.8)	(163.1)
Borrowings	-	(100.0)	(698.0)	-	(798.0)	(545.2)
Lease liabilities	(9.6)	(8.4)	(20.8)	(37.1)	(75.9)	(62.6)
Trading derivatives – forward currency contracts	(0.1)	(0.1)	-	-	(0.2)	(0.2)
Deferred consideration	(0.6)	-	-	-	(0.6)	(0.6)
Total financial liabilities	**(145.6)**	**(118.2)**	**(738.6)**	**(37.1)**	**(1,039.5)**	**(771.7)**

13.2 Credit risk

For cash management and investment purposes, credit risk is managed centrally on a Group basis. The Group's treasury policy requires a minimum long-term rating of A (Standard & Poor's) or A2 (Moody's) for any banking or financial institution. New counterparties require approval by a subcommittee of the board and ratings are reviewed on a regular basis. Limits are set for the maximum amount that can be held per counterparty to reduce the Group's exposure to any one institution. Investment products such as liquidity funds require a long-term rating of AAA/Aaa with any exception to this needing approval from the Chief Financial Officer.

For derivative financial instruments, the Group maintains multiple foreign currency trading lines only with financial institutions that meet the ratings as noted above. Trading limits are established so that, at any time, the fair value of favourable contracts outstanding with any individual counterparty does not exceed the approved maximum exposure thresholds.

The Group manages its credit risk in relation to its trade receivables through well-established and communicated project management policies which those responsible for contracting with new clients on behalf of the Group are required to adhere to. These policies require customer creditworthiness to be established prior to entering into a contractual relationship through a combination of company history and historical financial data checks, a public search of information and in some instances obtaining an external credit report to facilitate the decision-making. Where there is a lack of information available or information may suggest a higher level of default risk, the Group requires mitigation through advance payment, obtaining parental guarantees or bank guarantees. Further detail on the Group's assessment of expected credit losses is included in note 4.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets as shown in notes 4 and 14.

13.3 Foreign currency risk

The Group has an international footprint and consequently as part of its day-to-day operations is exposed to foreign exchange risk arising from various currencies but primarily the US dollar, euro, Swedish krona and Danish and Norwegian krone. This exposure arises when commercial transactions and related financial assets and liabilities are denominated in a currency that is not the entity's functional currency. While the Group's currency inflows provide a natural offset against local expenses, they are generally in excess of the costs and result in net currency inflows for the Group whose administrative cost base is predominantly sterling denominated.

The Group uses simple derivatives (forward contracts and swaps) to help manage this risk at a project level or for significant non-project financial assets or liabilities. Requirements reviewed on a project-by-project basis take into consideration size and duration of the project as well as the contracted billing currency. Parameters and limits for trading are defined in the Group's treasury policies as approved by the board of directors and can only be performed by the Group treasury team.

Hedge accounting is not currently applied for these instruments. Details of the Group's open forward contracts is included in note 18.

The remaining currency exposure is monitored and managed centrally primarily through forecasting net currency requirements in each of the trading currencies and selling excess currency into GBP, the Group's functional currency, on a regular spot basis. The effect of foreign currency differences on profit before tax is disclosed in note 7.2.

Sensitivity

The Group has a number of foreign currency-denominated financial assets and financial liabilities held within its subsidiaries which create exposure to translation risk. The Group's exposure at the reporting date by key currency is noted below, translated into sterling at the closing rate:

At 31 December 2020	USD £m	EUR £m	DKK £m	Other £m	Total £m
Financial assets	14.7	11.5	3.6	8.4	38.2
Financial liabilities	(3.6)	(5.7)	(14.0)	(9.8)	(33.1)
Net exposure	**11.1**	**5.8**	**(10.4)**	**(1.4)**	**5.1**

At 31 December 2019	USD £m	EUR £m	DKK £m	Other £m	Total £m
Financial assets	17.1	6.9	2.7	12.0	38.7
Financial liabilities	(0.7)	(1.4)	(3.8)	(5.4)	(11.3)
Net exposure	**16.4**	**5.5**	**(1.1)**	**6.6**	**27.4**

As shown above, the Group is primarily exposed to changes in USD/GBP and EUR/GBP. These exposures go to the Group's profit or loss and are predominantly generated from the Group's treasury entity which holds cash and intra-Group loans in a variety of currencies. If exchange rates fluctuated by +/- 10%, this would result in the following impact on the Group's income statement:

2020	USD £m	EUR £m	DKK £m	Other £m	Total £m
+10%	(1.2)	(0.6)	0.9	0.0	(0.9)
-10%	1.6	0.7	(1.1)	0.1	1.3

13.4 Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The principal amount of the Group's total long-term borrowings at 31 December 2020 was £544m (2019: £496m) of which 82% was fixed interest rate instruments (2019: 80%).

The variable rate borrowings consisted solely of the Group's £100m senior term loan in both the current and comparative years. Repayment was due in December 2021, within one year of the balance sheet date. The senior term loan was repaid after the balance sheet date (see note 26). The Group fixes interest rates on its variable rate borrowings in compliance with contractual requirements or where it is considered economically beneficial to do so based on the remaining maturity of the borrowing, indicative price to fix and market expectation on future interest rate increases. The Group's treasury policy allows the use of floating-to-fixed interest rate swaps to achieve this when necessary.

With the continued low volatility in the reference interest rates, management have assessed the interest rate risk exposure to be low and therefore no specific hedging necessary. This position is reviewed on a quarterly basis by obtaining indicative floating-fixed swap pricing for a range of terms up to the repayment date.

Interest rate risk on fixed-rate borrowings exists where the Group is locked into rates which are adverse to current market rates if the differential impacts the Group's ability to be competitive in comparison to other participants in the market.

All of the Group's borrowing instruments are held at amortised cost and consequently there is no balance sheet exposure to fair value fluctuations.

Sensitivity

Profit or loss is sensitive to the interest expense on the Group's borrowings. An adverse movement in LIBOR by 0.5% would increase the interest charge by less than £0.1m (2019: less than £0.1m).

13.5 Capital risk

The Group's objectives when managing capital are to maximise shareholder value while safeguarding the Group's ability to continue as a going concern. In common with other private equity portfolio companies, the Group carries a high level of net debt compared to equity. Total capital is calculated as total equity as shown in the consolidated statement of financial position, plus net debt. Net debt is calculated as the total of borrowings as shown in the consolidated statement of financial position, less cash and cash equivalents.

14. Financial assets and liabilities

The Group holds the following financial instruments:

Financial assets	2020 £m	2019 £m
Held at amortised cost		
Trade receivables	62.3	72.7
Loans to key management personnel	0.3	0.3
Own preference shares held by Employee Benefit Trust	40.9	1.3
Other receivables*	2.5	1.3
Cash and cash equivalents	162.2	90.7
Held at fair value through profit or loss		
Derivative financial instruments - forward currency contracts	0.1	0.2
	268.3	166.5

Financial liabilities	2020 £m	2019 £m
Held at amortised cost		
Trade and other payables*	(188.7)	(163.1)
Borrowings	(600.2)	(546.5)
Held at fair value through profit or loss		
Derivative financial instruments - forward currency contracts	-	(0.1)
Deferred consideration	(2.2)	(0.8)
Payable in a fixed number of PA Share Units	(5.5)	-
	(791.1)	(710.5)

* Excluding non-financial assets or liabilities

14.1 Fair values

For instruments held at amortised cost, management consider that the carrying amounts approximate to the fair values due to the short-term maturities of these instruments, except for certain of the Group's borrowing instruments as disclosed in note 19.

For instruments held at fair value, the carrying amount in the table above is the fair value.

The Group is required to classify each instrument held at fair value into one of the hierarchy levels (as prescribed in accounting standards) to reflect the source and reliability of inputs used in determining fair value.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The classification of Group's financial instruments held at fair value is shown in the table below.

At 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments – forward currency contracts	-	0.1	-	0.1
Total financial assets	**-**	**0.1**	**-**	**0.1**
Financial liabilities				
Deferred consideration	-	-	(2.2)	(2.2)
Payable in a fixed number of PA Share Units	-	-	(5.5)	(5.5)
Total financial liabilities	**-**	**-**	**(7.7)**	**(7.7)**

At 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments - forward currency contracts	-	0.2	-	0.2
Total financial assets	**-**	**0.2**	**-**	**0.2**
Financial liabilities				
Derivative financial instruments - forward currency contracts	-	(0.1)	-	(0.1)
Deferred consideration	-	-	(0.8)	(0.8)
Total financial liabilities	**-**	**(0.1)**	**(0.8)**	**(0.9)**

Level 2 derivative financial instruments consist of the Group's foreign exchange forward contracts and an interest rate swap which matured during the year. The fair value of both types of instruments are remeasured on a monthly basis with reference to available forward market rates, interest rates and comparative instrument pricing. The counterparties are strong financial institutions and therefore no adjustment is considered to be required for counterparty credit risk.

The Group's level 3 financial instruments are deferred consideration recognised from the Group's acquisition in the current year and amounts payable in respect of business acquisitions that will be settled with a fixed number of PA Share Units (see note 25). The value paid out is dependent on meeting certain financial performance criteria. The fair value is determined using management's financial forecasts against those targets to ascertain the most likely level of payment in line with the contract.

Further details of the Group's financial instruments are included in the following notes 15 to 19.

15. Other current assets

	2020 £m	2019 £m
Prepayments	6.3	6.2
Taxation	5.0	4.0
Loans to staff	1.5	0.3
Withholding tax debtor	0.9	0.9
Other debtors	2.6	3.8
	16.3	15.2

16. Trade and other current liabilities

	2020 £m	2019 £m
Trade payables	(3.5)	(1.8)
Other taxes and social security	(30.5)	(23.1)
Deferred employee remuneration	(116.6)	(78.4)
Accrued interest on senior debt	(0.2)	(0.3)
Other payables	(53.4)	(31.9)
	(204.2)	(135.5)

17. Other non-current liabilities

	2020 £m	2019 £m
Deferred employee remuneration	(0.6)	(6.8)
Other payables	(5.1)	(22.7)
	(5.7)	(29.5)

Included in other payables is £4.7m (2019: £6.5m) related to the Group's acquisitions, £nil (2019: £16.0m) payable to former shareholders and a provision of £0.3m (2019: £0.3m) in respect of claims against the Group.

18. Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' and are accounted at fair value through profit or loss. During the year the Group used non-complex derivatives as noted in the following sections.

18.1 Forward currency contracts

The Group uses forward contracts to buy foreign currency to hedge its deferred employee remuneration liability and to sell foreign currency in relation to certain of its foreign currency-denominated commercial contracts. The fair value of outstanding forward contracts at the reporting date is shown in the table below. This represents the market value if the Group were to close the contracts out at the reporting date.

As at 31 December 2020

	Buy		Sell		
	Average rate	Currency CCY'000	Average rate	Currency CCY'000	Fair value £'000
Current					
US dollar	1.4487	1,050	1.3276	(3,254)	113
Euro	1.0914	404	1.1082	(793)	(4)
Danish krone	8.0636	2,903	-	-	(10)
Norwegian krone	10.8762	1,207	-	-	(7)
Swedish krona	10.7996	680	-	-	(2)
Swiss Franc	-	-	1.2064	(142)	0
Singapore dollar	1.7866	120	1.7821	(120)	0
					90

As at 31 December 2019

	Buy		Sell		
	Average rate	Currency CCY'000	Average rate	Currency CCY'000	Fair value £'000
Current					
US dollar	1.4197	1,226	1.2428	(2,656)	68
Euro	1.1442	203	1.1511	(528)	5
Danish krone	8.6372	6,364	-	-	(14)
Norwegian krone	11.2304	2,164	11.1413	(5,394)	14
Swiss franc	1.2047	110	1.2820	(301)	(6)
					67
Non-current (between 1 and 2 years)					
US dollar	1.4487	1,050	-	-	61
Euro	1.0865	277	-	-	(16)
Danish krone	8.0636	2,903	-	-	(24)
Norwegian krone	10.8762	1,207	-	-	(8)
Swedish krona	10.7996	680	-	-	(7)
					6

19. Borrowings

At 31 December 2021 the Group had borrowings comprising senior debt, preference shares and investor loan notes. The senior debt was repaid after the balance sheet date (see note 26).

The Group has loans and other interest-bearing debt instruments as detailed in the table below.

	Principal £m	Interest rate	Maturity
Senior debt	(100.0)	LIBOR + 3.25%	Dec 2021
Senior debt arrangement fees	4.2	N/A	Dec 2021
Senior debt, net of fees	(95.8)		
Redeemable preference shares	(134.5)		
Redeemable preference shares owned by employee trust	35.5		
Net redeemable preference shares	(99.0)	12%	
Investor loan notes	(147.4)	12%	Dec 2023
Total borrowings, net of fees	(342.2)		

	As at 31 December 2020			As at 31 December 2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Senior debt	(100.0)	-	(100.0)	-	(100.0)	(100.0)
Senior debt arrangement fees	0.6	-	0.6	0.7	0.6	1.3
Senior debt, net of fees	(99.4)	-	(99.4)	0.7	(99.4)	(98.7)
Redeemable preference shares	-	(238.6)	(238.6)	-	(213.0)	(213.0)
Redeemable preference shares owned by employee trust	-	63.0	63.0	-	-	-
Net redeemable preference shares	-	(175.6)	(175.6)	-	(213.0)	(213.0)
Investor loan notes	-	(261.6)	(261.6)	-	(233.5)	(233.5)
Total Borrowings, net of fees	(99.4)	(437.2)	(536.6)	0.7	(545.9)	(545.2)

The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flow method applying a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values are considered to be materially the same as the carrying values noted above except for the investor loan notes and preference shares which have been assessed as £34.8m and £31.8m respectively (2019: £274.4m and £250.2m. The own non-performance risk as at 31 December 2020 was assessed to be insignificant in all cases.

Specific terms and conditions of the debt instruments are noted below.

Senior debt and related arrangement fees

The senior debt is a term loan secured by a charge over the entities within the banking group whose parent is PA Consulting Group Finance Ltd. Fees of £4.2m incurred as part of arranging the facility have been capitalised and are being amortised over the life of the loan. Amortisation charged in the year totalled £0.7m (2019: £0.7m).

The loan contains certain financial covenants and restrictions on providing security over the banking group's assets to any party outside of that group. Compliance with the covenants is reported on a quarterly basis. There has been no notifiable event of default during the current or prior year.

Investor loan notes

The loan notes are unsecured and transferable. They accrue interest at 12%, compounded on an annual basis.

Redeemable preference shares

The preference shares were issued at £1 each. Dividends accrue at the rate of 12% per annum, compounded on an annual basis. The shares are mandatorily redeemable at the date of exit of the Group's investor. While currently this is not a defined date, it does represent a requirement for redemption outside of the shareholder's control and therefore the shares have been recognised as liabilities.

Vendor loan notes

The 5% loan notes were repaid in full during 2019, total repayment of £119.9m, along with £4.8m of outstanding interest.

20. Capital and reserves

20.1 Share capital

20.1.1 Authorised shares

	2020 Thousands	2019 Thousands
Ordinary A shares of £0.01 each	38,250	38,250
Ordinary B shares of £0.01 each	34,887	34,887
Ordinary C shares of £0.01 each	25,000	25,000
	98,137	98,137

	Ordinary A shares		Ordinary B shares		Ordinary C shares	
Issued and fully paid	Thousands	Nominal value £m	Thousands	Nominal value £m	Thousands	Nominal value £m
At 1 January 2019	38,250	0.4	34,887	0.3	15,046	0.2
Issued on 20 June 2019	-	-	-	-	2,028	-
At 31 December 2019 and 31 December 2020	38,250	0.4	34,887	0.3	17,074	0.2

20.1.2 Class rights

Share class	Voting rights	Dividend rights
Ordinary A shares	Full voting rights	The right to all dividends
Ordinary B shares	Full voting rights	The right to all dividends
Ordinary C shares	No voting rights	The right to all dividends

20.1.3 Priority on a return of capital or sale

Share class	Amount
Ordinary shares (A and B)	Entitled to the balance of the surplus assets in proportion to the amount paid up.
Ordinary shares (C)	Entitled to a calculated share of the surplus assets as defined in the Company's articles of association.

20.2 Own shares held by employee trust

	2020 Thousands	2019 Thousands
Ordinary B shares	9,210	194
Ordinary C shares	2,755	-
	11,965	194

The purpose of the PA 2004 ESOP is to facilitate and encourage the ownership of shares by employees by holding shares for subsequent sale or grant. Own shares held are treated as a deduction from shareholders' funds. During the year the Group elected to run a repurchase programme to buyback shares held by previous employees. These shares remain in the employment trust at the year end.

20.3 Event after the end of the reporting period

Subsequent to the year end, 100% *of the issued share capital of the Group was acquired by* Green Consulting Solutions Limited as part of the Carlyle divestment (see note 26).

20.4 Nature and purpose of reserves

20.4.1 Own share reserve

The own share reserve comprises the cost of the Company's shares held by the PA 2004 ESOP.

20.4.2 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

21. Retirement benefits

Group

The Group operates a number of pension arrangements throughout the world, the forms and benefits of which vary with conditions and practices in the countries concerned. The largest arrangements are self-administered and their assets are held independently of the Group's finances in either separate trustee-administered funds or insurance-based schemes. The principal arrangements are in the United Kingdom and comprise both defined contribution and defined benefit schemes.

In September 2020 the defined contribution section of the UK scheme was replaced with an externally administered arrangement with Legal & General (the Master Trust).

On 14 June 2018 the Pension Trustees completed a pension buy-in transaction for the Group's main UK defined benefit pension scheme obligation on a fully insured basis. As part of the transaction, the assets of the plan were invested in a bulk-purchase annuity policy with Pension Insurance Corporation plc. The completion of the transaction transfers the pension risk in relation to the scheme to the insurer and therefore the Group no longer has the exposure to movements in the scheme obligations and is no longer required to make contributions into the scheme. By May 2021 Pension Insurance Corporation will issue individual buy out policies to all members, following which the main UK scheme will be wound up and the liabilities will no longer sit under the Group.

The exception to this relates to a small number of pensioner members of the defined benefit scheme who would lose tax protections on buy out with Pension Insurance Corporation. To resolve this issue, PA and the Trustee have transferred those members to a new defined benefit scheme which remains fully insured with Pension Insurance Corporation. Members will be bought out when they no longer rely on the tax protection. This broadly means that the scheme will reduce in size by a third every 5 years, with the scheme fully bought out with Pension Insurance Corporation in 16 years' time.

In November 2020, there was a consequential hearing in the Lloyds case regarding whether the schemes needed to revisit historical transfers and provide top-ups to address the effect of unequal GMPs. It has been estimated that this gives rise to a liability of £1.0m. This liability will be transferred to the new defined benefit scheme and paid out over a 3 year period.

21.1 Defined contribution pension arrangements

The total pension costs for the Group relating to employer contributions to defined contribution pension arrangements were £17.0m (2019: £15.9m). At 31 December 2020 there were outstanding unpaid contributions of £3.3m (2019: £2.8m).

21.2 Defined benefit pension arrangements

21.2.1 Analysis of defined benefit pension arrangements with net assets and liabilities included in the Group statement of financial position

As at 31 December 2020	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Defined benefit pension arrangements with gross assets (liabilities)	(1.0)	0.2	(3.5)	(4.3)
Restriction to apply on recognition of surplus	-	(0.2)	-	(0.2)
Total pension liabilities included in the Group statement of financial position	(1.0)	-	(3.5)	(4.5)

As at 31 December 2019	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Defined benefit pension arrangements with gross assets/ (liabilities)	0.8	0.2	(2.7)	(1.7)
Restriction to apply on recognition of surplus	(0.8)	(0.2)	-	(1.0)
Total pension liabilities included in the Group statement of financial position	-	-	(2.7)	(2.7)

21.2.2 Analysis of amounts recognised in the Group income statement

As at 31 December 2020	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Current service cost	-	-	-	-
Historical service costs	(1.0)	-	-	(1.0)
Use of pension asset for defined contribution scheme	-	-	-	-
Running costs	(1.4)	-	-	(1.4)
Recognised in arriving at operating profit	(2.4)	-	-	(2.4)
Other finance costs	-	-	(0.1)	(0.1)
Total recognised in the Group income statement	(2.4)	-	(0.1)	(2.5)

As at 31 December 2019	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Current service cost	-	-	(0.1)	(0.1)
Use of pension asset for defined contribution scheme	(12.3)	-	-	(12.3)
Running costs	(2.4)	-	-	(2.4)
Recognised in arriving at operating profit	(14.7)	-	(0.1)	(14.8)
Other finance costs	0.2	-	(0.1)	0.1
Total recognised in the Group income statement	(14.5)	-	(0.2)	(14.7)

21.2.3 Analysis of amounts recognised in the Group statement of other comprehensive income

As at 31 December 2020	Note	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Actual return on assets less interest		82.9	0.1	-	83.0
Actuarial loss on liability		(83.0)	(0.2)	(0.6)	(83.8)
Restriction to apply on recognition of surplus		0.9	0.1	-	1.0
Actuarial gain/(loss) recognised on defined benefit pension arrangements		0.8	-	(0.6)	0.2
Deferred taxation	9.5	(0.2)	-	-	(0.2)
Total recognised in the Group statement of other comprehensive income		0.6	-	(0.6)	-

As at 31 December 2019	Note	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Actual return on assets less interest		55.0	0.1	-	55.1
Actuarial loss on liability		(57.8)	(0.1)	(0.5)	(58.4)
Restriction to apply on recognition of surplus		1.8	-	-	1.8
Actuarial loss recognised on defined benefit pension arrangements		(1.0)	-	(0.5)	(1.5)
Deferred taxation	9.5	0.1	-	-	0.1
Total recognised in the Group statement of other comprehensive income		(0.9)	-	(0.5)	(1.4)

21.3 PA pension scheme UK closed

The PA pension scheme UK is a defined benefit scheme and has been closed to new entrants with effect from 1 January 1998, and new employees are invited to join a defined contribution scheme or a stakeholder arrangement. From 1 April 2007 all active members of the scheme became members of the defined contribution scheme. From 1 April 2007 to 31 March 2012 (or date of leaving if earlier) all active members with accrued benefits received a salary link through to 31 March 2012, and enhanced statutory revaluation rates thereafter plus an additional 1.5%. In September 2020 the defined contribution section of the scheme was replaced with an externally administered arrangement with Legal & General (the Master Trust). The Group continues to pay 8% of contributory pay on behalf of the employees, as well as the administration costs of the Master Trust.

Due to the insurance buy-in, the Group no longer bears the liability for ensuring the defined benefit scheme is fully funded. Up to the date of buy-in no contributions were necessary due to the scheme's net asset position. Until the buy-in progresses to a buyout in June 2021, the valuation of the assets and liabilities will continue to be updated on an annual basis.

21.3.1 Principal assumptions

The most recent actuarial funding valuation has been updated by Lane Clark & Peacock LLP in order to assess the liabilities of the scheme at 31 December 2020 for the purposes of IAS 19 Employee Benefits. Scheme assets are stated at their market value at 31 December 2020.
The principal assumptions used in this valuation by the actuaries were:

	2020 %	2019 %
Rate of increase in pensionable salaries	4.7	4.7
Rate of increase in pensions in payment and deferred pensions	2.4	2.1
Discount rate applied to section liabilities	1.2	2.1
Rate of inflation	3.2	3.2

The post-retirement mortality assumptions used were as follows:

	2020 Years	2019 Years
Longevity at 60 for current pensioners		
• Men	29.2	29.1
• Women	30.3	30.1
Longevity at 60 for future pensioners		
• Men	30.0	29.9
• Women	31.0	30.9

21.3.2 Scheme assets and liabilities

	2020 £m	2019 £m
Buy-in insurance policy	723.1	654.1
Cash	0.6	1.3
Net current liabilities	(0.6)	(0.5)
Total fair value of assets	723.1	654.9
Present value of scheme liabilities	(724.1)	(654.1)
(Deficit)/surplus in the section	(1.0)	0.8
Restriction to apply on recognition of surplus	-	(0.8)
Pension deficit	(1.0)	-

As part of the buy-in, the scheme's assets were sold to purchase a bulk-purchase annuity. The scheme assets are valued at bid market value for quoted securities plus cash balances held in the trustee's bank account.

The scheme has not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group. The major categories of scheme assets as a percentage of the total scheme assets are as follows:

	2020 %	2019 %
Buy-in insurance policy	100.0	99.9
Cash	0.1	0.2
Net current liabilities	(0.1)	(0.1)
	100.0	100.0

21.3.3 *Reconciliation of fair value of scheme assets*

	2020 £m	2019 £m
At 1 January	654.9	627.8
Interest on assets	13.2	17.3
Benefits paid	(27.1)	(30.5)
Running costs	(1.4)	(2.4)
Actual return plan assets less interest	82.9	55.0
Group payments towards historic guaranteed minimum pension equalisation	0.6	(12.3)
At 31 December	723.1	654.9

The actual return on scheme assets was a loss of £72.1m (2018: a loss of £155.1m).

21.3.4 Reconciliation of present value of scheme liabilities

	2020 £m	2019 £m
At 1 January	(654.1)	(609.8)
Interest on obligation	(13.1)	(17.0)
Benefits paid	27.1	30.5
Past service credit and settlements	(1.0)	-
Actuarial gains/(losses) due to:		
Experience gain	6.8	2.3
Changes in financial assumptions	(89.8)	(60.1)
At 31 December	(724.1)	(654.1)

21.3.5 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2020		31 December 2019	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(11.1)	11.4	(9.6)	9.9
Inflation rate (0.1% movement)	9.6	(9.4)	8.3	(8.1)

21.4 Other defined benefit arrangements

At 31 December 2019 the Group had a closed defined benefit scheme in the UK (Prudential Platinum scheme) with net assets of £nil (2019: £nil) and a closed defined benefit scheme in Germany with a net liability of £3.5m (2019: £2.7m). The full disclosures as required by IFRS are not provided because, in the directors' opinion, these arrangements are immaterial to the net assets of the Group.

22. Capital and other financial commitments

There were capital commitments of £1.5m contracted for but not provided in the financial statements at 31 December 2020 (2019: £0.8m).

The Group has guaranteed bid, performance and rent bonds issued by its banks on its behalf in the ordinary course of business totalling £2.1m as at 31 December 2020 (2019: £2.2m). These are not expected to result in any material financial loss.

23. Subsidiary undertakings

The subsidiary undertakings as at 31 December 2020 are shown below. All are included in the Group financial statements and are wholly owned either directly or indirectly by the Company unless otherwise stated. All subsidiaries prepare accounts up to 31 December each year except for PA Consulting Services (India) Private Limited, Nyras Limited and Nyras Capital LLP, which prepare accounts up to 31 March.

Directly held

Name	Country	Registered office address	Class of share held	Nature of business
Garden Midco 1 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company

Indirectly held

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group A/S	Denmark	Portland Towers, Goteborg Plads 1, K-1250 Copenhagen	Ordinary	Consultancy
PA Consulting Holdings ApS	Denmark	Portland Towers, Goteborg Plads 1, DK-2150 Copenhagen	Ordinary	Holding company
PA Consulting Group GmbH[i]	Germany	An der Welle 3, 60322 Frankfurt, Germany	Ordinary	Consultancy
PA Consulting Group Limited	Hong Kong	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary	Consultancy
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnell Road, Murugeshpalya, Bangalore 560017	Ordinary	Dormant
PA Consulting Group, S.de R.L. de C.V	Mexico	c/o Velderrain Sáenz y Asociados, S.C., Avenida Insurgentes Sur 1915-602, Col. Guadalupe Inn, Alvaro Obregon, 01020 Mexico City	Quota	Consultancy
PA Consulting Mexico Services S.A.de C.V.	Mexico	c/o Velderrain Sáenz y Asociados, S.C., Avenida Insurgentes Sur 1915-602, Col. Guadalupe Inn, Alvaro Obregon, 01020 Mexico City	Ordinary	Consultancy
PA Consulting Group BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary	Holding company
PA Consulting Services BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary	Consultancy
PA Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary and preference	Holding company
PA International Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary	Holding company
PA Consulting Group Limited	New Zealand	BDO Auckland, Level 4, BDO Centre, 4 Graham Street, Auckland Central 1010	Ordinary	Consultancy
PA Consulting Group AS	Norway	Verkstedveien 1, PO Box 150, Skøyen, 0277 Oslo	Ordinary	Consultancy

Continued.

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group (Qatar) LLC[ii]	Qatar	Level 14, Commercial Bank Plaza, West Bay, Doha	Ordinary	Consultancy
PA Consulting Group AB	Sweden	Jakobsbergsgatan 17, 111 44 Stockholm	Ordinary	Consultancy
7 Safe Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
Garden Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
PA Consluting Group Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
Nyras Capital LLP	United Kingdom	10 Bressenden Place, London, SW1E 5DN		Consultancy
Nyras Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Consulting Government Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Consulting Group Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
PA Consulting Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Consulting Management Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Management services
PA Consulting Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Group Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PA Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA International Consulting Group Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company

Name	Country	Registered office address	Class of share held	Nature of business
PA Knowledge Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Middle East Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Netherlands Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PA Overseas Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Pension Trustees Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Dormant
PA Perfect Cost Grid Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Technology Solutions Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Treasury Services (US) Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PACG2 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
Sparkler Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Founder shares, growth shares and ordinary shares	Consultancy
We Are Friday Limited	United Kingdom	50 Farringdon Road, London, EC1M 3HE	Ordinary	Dormant
Cooper Perkins Inc	USA	10 Maguire Road, Building 4, Lexington MA 02421	Common stock of no par value	Consultancy
PA Consulting Group Inc.	USA	143 South Street, 6th Floor, Boston, MA 02111	Common and preference	Consultancy
PA US Holdings Inc.	USA	143 South Street, 6th Floor, Boston, MA 02111	Common and preference	Holding company
Essential Inc	USA	143 South Street, 6th Floor, Boston MA 02111	Common	Dormant

i. The company has exercised its right of exemption under section 264(3) German Handelsgesetzbuch (HGB)

ii. 49% holding in accordance with Qatar Commercial Companies Law.

24. Related party transactions

Key management personnel compensation

	2020 £m	2019 £m
Short-term employee benefits	10.3	7.5
Company contributions to money purchase pension schemes	0.1	0.1
Non-executive directors' fees	0.2	0.3
	10.6	7.9

Directors

	2020 £m	2019 £m
Aggregate emoluments	5.6	3.2
Non-executive directors' fees	0.2	0.3
	5.8	3.5

Directors accruing benefits under defined benefit schemes	-	-
Directors in the defined contribution scheme	2	2

Highest-paid director

	2020 £m	2019 £m
Aggregate emoluments	5.0	2.8

Loans to key management personnel

	2020 £m	2019 £m
At 1 January	0.3	-
Loans advanced	-	0.3
At 31 December	0.3	0.3

	Sales to related party £'000	Purchase from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
2020	-	17	-	-
2019	-	13	-	-

Transactions with entities affiliated with the controlling shareholder

During the year the Group entered into transactions, in the ordinary course of business, with entities affiliated with the controlling shareholder. 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 arm's-length basis. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to related party £'000	Purchase from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
2020	932	175	308	(117)
2019	46	138	32	(81)

25. Business combinations

25.1 Business combinations in 2020

On 19 June 2020 the Group acquired the trade and assets of Astro Studios Inc for a total consideration of £0.8m ($1.0m). The acquired business provides brand strategy and product design consulting services, operating from its San Francisco office.

On 23 October 2020 the Group acquired control of Cooper Perkins Inc through purchase of 100% of the share capital for a total consideration of £7.2m ($9.4m). Cooper Perkins Inc provides technology development and engineering consulting services, operating from its Boston and San Francisco US offices.

The Group acquired the businesses to strengthen its end-to-end innovation offering in the US. The acquisitions have been accounted for as business combinations.

For the period from the date of acquisition to 31 December 2020 the aggregate turnover of the acquired businesses was £2.3m and the aggregate loss after tax of the acquired businesses was £0.3m. If the acquisitions had occurred on 1 January 2020, the Group's revenue and profit for the year would have been £646.4m and £8.2m respectively.

Acquisition costs of £0.2m have been recognised in exceptional items in the Group income statement.

The following table summarises the fair value of assets acquired and liabilities assumed at the acquisition date.

25.1.1 Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value recognised on acquisition £m
Non-current assets	
Intangible assets	0.9
Right-of-use assets	2.0
Property, plant and equipment	0.1
	3.0
Current assets	
Trade receivables	0.8
Contract assets	0.4
Other current assets	0.1
Cash and cash equivalents	0.8
	2.1
Current liabilities	
Trade payables	-
Lease liabilities	(0.9)
Contract liabilities	(0.2)
Other current liabilities	(0.9)
	(2.0)
Non-current liabilities	
Deferred tax liabilities	(0.2)
Lease liabilities	(1.1)
Other non-current liabilities	(0.5)
	(1.8)
Total identifiable net assets	1.3
Goodwill	6.7
Total consideration	**8.0**

The adjustments arising on acquisition were in respect of the following:

i. the recognition of intangible assets in respect of the customer relationships, non-compete agreements and trade name (if applicable)
ii. the recognition of right-of-use assets and lease liabilities in respect of the offices leases
iii. deferred tax provision arising as a result of the acquisition adjustments.

The goodwill of £6.7 comprises the value of the workforce and expected synergies arising from the acquisitions.

25.1.2 Consideration at acquisition date

	Total value £m
Total consideration	**8.0**
Less:	
Amounts unpaid at 31 December 2020	(2.2)
Cash and cash equivalents acquired	(0.8)
Net cash outflow on current year purchase of subsidiary undertakings	**5.0**

25.1.3 Acquisition-related costs

The total amounts payable in relation to the Group's acquisitions consist of a number of elements, including consideration, transaction costs, amounts that the Group considers consideration but which are linked to continued employment and therefore are accounted for as employment costs amounts payable to key staff for retention purposes, which are detailed in the following table:

Payable in	2020 £m	2021 £m	2022-2023 £m	Total £m
Initial consideration	5.8	2.2	-	8.0
Transaction costs	0.2	-	-	0.2
Employment-related consideration and staff retention payments	-	1.1	2.6	3.7
Total acquisition-related costs	**6.0**	**3.3**	**2.6**	**11.9**

Transaction costs are expensed as exceptional costs as incurred. Employment-related consideration and staff retention payments are subject to specific performance targets and are expensed as exceptional costs over the period they relate to. They are included in other payroll costs in note 5.

25.2 Business combination in 2019

On 27 June 2019 the Group acquired the trade and assets of 4iNNO Inc for a total consideration of £2.3m ($3.1m). The acquired business delivers new product platforms to drive major innovations and top-line growth for leading global brands and is based in Cincinnati. The Group acquired the business to bring new and diverse skills to the Group. The acquisition has been accounted for as a business combination.

The fair value of the assets recognised on acquisition of £0.3m relates to customer relationships and non-compete agreements. The Group has recognised goodwill of £2.0m in respect of the acquisition, which is attributable to the inherited workforce and expected synergies arising from the acquisition. The full disclosures as required by IFRS are not provided because, in the directors' opinion, the acquisition is not material in size to the Group.

26. Events after the end of the reporting period

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 in a transaction which valued PA at £1.85 billion.

The scheme of arrangement was court sanctioned and effective on 2 March 2021, after which 100% of the ordinary and preference share capital was acquired by a newly incorporated UK company, initially named Green Consulting Solutions Limited, for £1,576m consideration. As part of the scheme, existing employee shareholders obtained a 35% holding in the new company, alongside the Group's new majority investor, Jacobs, owning a 65% holding.

Ahead of the scheme effective date, the Group repaid its £100m term loan and £0.9m related accrued interest in full and settled £18m of transaction fees. At the effective date, the Group's issued investor loan notes were transferred to Green Consulting Solutions Limited from Carlyle and are therefore now owed to the Group's new parent.

As a consequence of the scheme, the Group's employee benefit trust received £248m proceeds for the Company shares it held, resulting in a significant cash holding, although this is restricted in use for the Group.

After the effective date, the Group settled £7.9m of stamp duty on behalf of its new parent in relation to the additional share capital issued by that company as part of the scheme, in return for promissory notes issued by its parent.

On 12 March 2021, the Company changed its name to PA Consulting Group Holdings Limited and the following business day Green Consulting Solutions Limited adopted the name of PA Consulting Group Limited.

Consequently at the date of signing the accounts, the Group's parent is PA Consulting Group Limited (formerly Green Consulting Solutions Limited) and ultimate beneficial owner is Jacobs Engineering Group Inc.

27. Controlling party

On 31 December 2020 the controlling shareholder of PA Consulting Group Holdings Limited was CEP IV Participations Sarl SICAR and the ultimate controlling entity was Carlyle Europe Partners IV, LP. On the date of signing this report the controlling shareholder of PA Consulting Group Holdings Limited is PA Consulting Group Limited and the ultimate controlling entity is Jacobs Engineering Group, Inc.

Company statement of financial position

at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Investments in subsidiaries	C5	15.6	15.6
Loans receivable	C6	185.4	165.6
Deferred tax assets		1.1	-
Other non-current assets		-	1.3
Total non-current assets		**202.1**	**182.5**
Current assets			
Loans receivable	C6	38.4	34.3
Other current assets	C7	1.1	0.5
Cash and cash equivalents	C8	0.1	14.6
Total current assets		**39.6**	**49.4**
Total assets		**241.7**	**231.9**
Liabilities			
Current liabilities			
Trade and other current liabilities	C9	(22.2)	(10.0)
Current tax liabilities		(4.1)	(4.0)
Total current liabilities		**(26.3)**	**(14.0)**
Net current assets		**13.3**	**35.4**
Borrowings	C10	(224.5)	(220.0)
Other non-current liabilities	C11	-	(12.1)
Total non-current liabilities		**(224.5)**	**(232.1)**
Total liabilities		**(250.8)**	**(246.1)**
Net liabilities		**(9.1)**	**(14.2)**
Equity			
Called-up share capital	C12	0.9	0.9
Share premium		9.9	9.9
Own shares reserve		(4.1)	(0.3)
Retained earnings		(15.8)	(24.7)
Total equity		**(9.1)**	**(14.2)**

The financial statements were approved and authorised for issue by the board of directors on 15 April 2021.

Ruairidh Cameron
Chief Financial Officer
PA Consulting Group Holdings Limited
Registered number 09761378

Company statement of changes in shareholders' equity

for the year ended 31 December 2019

	Note	Share capital £m	Share premium £m	Own shares reserve £m	Retained earnings £m	Total £m
At 1 January 2019		**0.9**	**8.0**	**-**	**(26.7)**	**(17.8)**
Loss for the financial year		-	-	-	(7.3)	(7.3)
Transactions with owners of the Company						
Issue of ordinary shares	21	-	1.9	-	-	1.9
Movement in own shares held by employee trusts		-	-	(0.3)	-	(0.3)
Cash consideration received for disposal of shares					9.3	9.3
Total transactions with owners of the Company		-	1.9	(0.3)	9.3	10.9
At 31 December 2019		**0.9**	**9.9**	**(0.3)**	**(24.7)**	**(14.2)**
Profit for the financial year					8.7	8.7
Transactions with owners of the Company						
Issue of ordinary shares	21					
Movement in own shares held by employee trusts				(3.8)		(3.8)
Cash consideration received for disposal of shares					0.2	0.2
Total transactions with owners of the Company		-	-	(3.8)	0.2	(3.6)
At 31 December 2020		**0.9**	**9.9**	**(4.1)**	**(15.8)**	**(9.1)**

C1. Basis of preparation

The Company is incorporated in the United Kingdom and the separate financial statements of the Company have been presented as required by the Companies Act 2006.

The financial statements have been prepared under the historical cost convention (as modified to include revaluation of certain financial instruments to fair value) and on the going concern basis (see note 1 to the consolidated financial statements). The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework except for the departure explained in note C4 and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- IFRS 7 Financial Instruments: Disclosures
- paragraphs 91 to 99 of IFRS 13 Fair Value Management (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- paragraph 38 of IAS 1 Presentation of Financial Statements - comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and at the end of the period)
- the following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B–D (additional comparative information)
  - 111 (cash flow statement information)
  - 134–136 (capital management disclosures)
- IAS 7 Statement of Cash Flows
- paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

The basis for the above exemptions is because equivalent disclosures are included in the Group financial statements in which the entity is consolidated.

The adopted principal accounting policies, which have been applied consistently, are the same as those set out in note 2 to the consolidated financial statements except as noted below in respect of those which are Company specific.

C2. Investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

C3. Critical accounting judgements and estimates

The preparation of Company financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Company financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The critical accounting judgements and estimates have been set out in note 3 of the consolidated financial statements. These judgements have been applied consistently within the Company financial statements.

C4. Income statement

In accordance with the exemption permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement or statement of comprehensive income for the year.

C5. Investments in subsidiaries

	2020 £m	2019 £m
At 1 January and 31 December	15.6	15.6

A list of subsidiary undertakings is included in note 23.

C6. Loans receivable

	2020 £m	2019 £m
Amounts owed by subsidiary undertakings		
Within 12 months	38.4	34.3
After more than 12 months	185.4	165.6
	223.8	199.9

	Borrower	Principal £m	Repayment date	Interest rate	2020 £m	2019 £m
Unsecured transferable shareholder loan notes	Garden Midco 1 Limited	104.5	11 Dec 2023	12%	185.4	165.6
Unsecured transferable shareholder loan	Garden Midco 1 Limited	21.6	On demand	12%	38.4	34.3
					223.8	199.9

Interest on each loan compounds annually.

C7. Other current assets

	2020 £m	2019 £m
Prepayments	0.5	0.4
Other current assets	0.6	0.1
	1.1	0.5

C8. Cash and cash equivalents

	2020 £m	2019 £m
Cash and cash equivalents	0.1	14.6

Cash and cash equivalents include £0.1m (2019: £14.6m) held by Employee Benefit Trusts that are not under the Company's control.

C9. Trade and other current liabilities

	2020 £m	2019 £m
Amounts owed to subsidiaries	(16.3)	(7.5)
Accruals	(5.9)	(2.5)
	(22.2)	(10.0)

C10. Borrowings

	2020 £m	2019 £m
Redeemable preference shares	(238.6)	(213.0)
Redeemable preference shares owned by employee trust	63.0	-
Net redeemable preference shares	(175.6)	(213.0)
Loan from subsidiary	(48.9)	(7.0)
Total Borrowings	(224.5)	(220.0)

C11. Other non-current liabilities

	2020 £m	2019 £m
Amounts payable to former shareholders	-	(12.1)

Other non-current liabilities comprise amounts payable to former shareholders payable on The Carlyle Group's exit from its investment in the PA Consulting Group.

C12. Share capital and reserves

Details of share capital and reserves are set out in note 20 to the Group financial statements.

C13. Commitments

Other than as disclosed in note C15, the Company has no commitments contracted for but not provided.

C14. Related party transactions

Directors' transactions

The remuneration of the directors and related party transactions relating to directors of the Company are shown in note 24.

C15. Audit exemptions - s479A

The Company has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the period ended 31 December 2020:

Name	Registered office address	Reg No	Class of share held	Proportion of ownership interest	Nature of business
7 Safe Limited	10 Bressenden Place, London, SW1E 5DN	04274874	Ordinary	100%	Consultancy
Nyras Capital LLP	10 Bressenden Place, London, SW1E 5DN	OC304109		100%	Consultancy
Nyras Limited	10 Bressenden Place, London, SW1E 5DN	06195106	Ordinary	100%	Consultancy
PA Consulting Group Finance Limited	10 Bressenden Place, London, SW1E 5DN	09763513	Ordinary	100%	Holding company
PA Consulting Holdings Limited	10 Bressenden Place, London, SW1E 5DN	08249452	Ordinary	100%	Holding company
PA Consulting Management Services Limited	10 Bressenden Place, London, SW1E 5DN	09763551	Ordinary	100%	Holding company
PA Finance Limited	10 Bressenden Place, London, SW1E 5DN	04001488	Ordinary	100%	Holding company
PA Group Treasury Services Limited	10 Bressenden Place, London, SW1E 5DN	01984216	Ordinary	100%	Treasury services company
PA Holdings Limited	10 Bressenden Place, London, SW1E 5DN	02235016	Ordinary	100%	Holding company
PA International Consulting Group Limited	10 Bressenden Place, London, SW1E 5DN	00854631	Ordinary	100%	Holding company
PA Knowledge Limited	10 Bressenden Place, London, SW1E 5DN	05196589	Ordinary	100%	Consultancy
PA Middle East Limited	10 Bressenden Place, London, SW1E 5DN	06600426	Ordinary	100%	Consultancy
PA Netherlands Treasury Services Limited	10 Bressenden Place, London, SW1E 5DN	05790697	Ordinary	100%	Treasury services company
PA Overseas Holdings Limited	10 Bressenden Place, London, SW1E 5DN	02289193	Ordinary	100%	Holding company
PA Perfect Cost Grid Limited	10 Bressenden Place, London, SW1E 5DN	08339738	Ordinary	100%	Consultancy
PA Treasury Services (US) Limited	10 Bressenden Place, London, SW1E 5DN	08101083	Ordinary	100%	Treasury services company
PACG2 Limited	10 Bressenden Place, London, SW1E 5DN	06555894	Ordinary	100%	Holding company
Sparkler Limited	10 Bressenden Place, London, SW1E 5DN	04197111	Founder shares, growth shares and ordinary shares	100%	Consultancy
We Are Friday Limited	50 Farringdon Road, London, EC1M 3HE	07107161	Ordinary	100%	Dormant

As a condition of the exemption, the Company has guaranteed the period-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £118.8m. This is the first year that the Company has provided this guarantee (and therefore the contingent liability) has existed.

About PA

We believe in the power of ingenuity to build a positive human future in a technology-driven world.

As strategies, technologies and innovation collide, we create opportunity from complexity.

Our diverse teams of experts combine innovative thinking and breakthrough use of technologies to progress further, faster. Our clients adapt and transform, and together we achieve enduring results.

An innovation and transformation consultancy, we are 3,300 specialists in consumer and manufacturing, defence and security, energy and utilities, financial services, government, health and life sciences, and transport. Our people are strategists, innovators, designers, consultants, digital experts, scientists, engineers and technologists. We operate globally from offices across the UK, US, Netherlands and Nordics.

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