

Registration number: 02235016

PA Holdings Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2020

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Company Information

Directors	C Barrett
	R Cameron
	K Janjua
	A Middleton
Company secretary	W Warner
Registered office	10 Bressenden Place
	London
	SW1E 5DN
Bankers	HSBC Bank plc
	West End CBC
	69 Pall Mall
	London
	SW1Y 5EY

Strategic Report for the Year Ended 31 December 2020

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

Principal activity

The principal activities of the Company continue to be that of holding investments and the supply of consultants' services.

Review of the business

The Company provides consulting and administrative staff to PA Consulting Services Limited, a fellow group company and derives all turnover from this. Turnover increased 16% to £294.8 million (2019: £254.8 million), in line with the trading performance of PA Consulting Services Limited resulting in a gross profit of £20.5 million (2019: £16.5 million).

During the year the Company received dividend income of £85 million (2019: £47 million) from its subsidiary PA Consulting Services Limited. No dividend was received from its subsidiary PA Knowledge Limited (2019: £17 million).

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

Principal risks and uncertainties

The Company is a member of the PA Consulting Group of companies ('the Group'). Business performance and principal risks and uncertainties of the Company are integrated with the performance and principal risks of the Group, and are not managed separately. For this reason, the Company's directors believe that further analysis is not necessary for an understanding of the development, performance, position or risks of the business. A detailed review of the business of the Group and a description of the risks and uncertainties facing it can be found in the PA Consulting Group Holdings Limited report and accounts for 2020.

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 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.

Approved by the Board on 24 June 2021 and signed on its behalf by:



.....
R Cameron
Director

Section 172(1) Statement for the Year Ended 31 December 2020

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

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

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

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 board behave with clients, with each other and with everyone else we meet through our work.

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

The governance and control framework which is in place across the PA Group ensures that our core values are upheld and that decisions made by the board of PA Holdings Limited give due regard to the long-term impact of those decisions, the interests of the Group and Company's stakeholders, and the impact of the Company's activities on the community, the environment and the Company's reputation.

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

The directors of PA Holdings Limited also have access to advice and guidance from the Group and Company Secretary, as well as PA's company secretariat and Group legal functions when discharging their duties. The Company Board has made a number of decisions during the year which are described in this report, including the payment of a £85 million dividend. Day-to-day management of client work is delegated to PA Partners, approving and overseeing the execution of the business strategy and related policies within a governance framework. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As part of those meetings the directors receive information which includes information relevant to section 172 matters when making relevant decisions. For example, during the year the directors considered the strength of the Company's balance sheet and future prospects before the payment of a dividend. The key stakeholders of the Company are its employees and shareholder.

Directors' Report for the Year Ended 31 December 2020

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

Directors of the Company

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

C Barrett
R Cameron
K Januah
A Middleton

Dividends

The directors recommended the payment of a £85 million dividend during the year (2019: £nil).

Employee involvement

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

Supporting colleagues with disabilities

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

Directors' Report for the Year Ended 31 December 2020

Social and community issues

Engagement with suppliers, customers and others

The business of the Company is that of an intermediate holding company and as such it has a more limited number of third-party business relationships than other companies within the group. Decision taken by directors are informed by the interests of its wider stakeholders. At PA we have 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. We continue to support many other good causes and aid social mobility through our Giving Back and Volunteering programme.

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

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

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

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

Governance

The Company is a subsidiary of PA Consulting Group Limited. The Group has established a governance structure which is appropriate for the business in terms of complexity and risk profile. Two directors of PA Holdings Limited sit on the board of PA Consulting Group Holdings Limited. As a subsidiary within the Group the Company did not apply a separate corporate governance code.

The board of PA Consulting Group Limited (The "Board") is the key governance body and is responsible for overall strategy, performance of the business and ensuring appropriate and effective risk management. The Board comprises executives, investor representatives and a non-executive chairman. The Board approves the Group's business plans and budgets. The Board has delegated responsibility for the day-to-day running to the CEO who has in turn established operating and client committees to assist in the management of the Group.

The Board has established three standing committees: the Audit Committee; the Succession & Compensation Committee; and the Partnership Review Committees. These committees, along with sub-committees of the Board and other executive committees, support effective governance of the Group and meet regularly to consider and review matters within their terms of reference.

The Group has a comprehensive framework of key policies in place, including our Code of Conduct. Each year all employees are required to complete our "Licence to Operate" training and assessment which builds on our Code of Conduct and our clear policies and procedures. The board of PA Holdings Limited operate in line with these central standards.

Directors' Report for the Year Ended 31 December 2020

Future developments

In 2021 the Company will continue to provide consulting and administrative staff to PA Consulting Services Limited, a fellow group company and derives, and will continue to derive, all of its turnover from this activity.

Going concern

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

The Company is a subsidiary of PA Consulting Group Limited. 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.

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 of the parent undertaking, PA Consulting Group Holdings Limited, 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 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 Company has the full support of its parent undertaking, PA Consulting Group Holdings Limited, so that the Company can meet its liabilities as they fall due and conclude that there are no significant doubts about the Company's ability to continue as a going concern.

Directors' liabilities

In accordance with the Articles of Association, the sole shareholder has provided to all the directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. The Group has taken out an insurance policy in respect of those liabilities for which directors may not be indemnified. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Directors' Report for the Year Ended 31 December 2020

Approved by the Board on 24 June 2021 and signed on its behalf by:



.....
R Cameron
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare the financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards, specifically FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland', and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income Statement for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	2	294,822,495	254,845,185
Cost of sales		<u>(274,325,842)</u>	<u>(238,320,210)</u>
Gross profit		20,496,653	16,524,975
Administrative expenses		(1,445,777)	(996,232)
Exceptional items	3	<u>(5,955,895)</u>	<u>(969,254)</u>
Operating profit	4	13,094,981	14,559,489
Income from shares in group undertakings	5	85,000,000	64,000,000
Net interest (payable)/receivable and similar items	6	<u>(874,244)</u>	<u>(2,862,646)</u>
Profit before tax		97,220,737	75,696,843
Taxation	9	<u>13,358,405</u>	<u>(281,971)</u>
Profit for the financial year		<u><u>110,579,142</u></u>	<u><u>75,414,872</u></u>

The notes on pages 14 to 34 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £	2019 £
Profit for the year	<u>110,579,142</u>	<u>75,414,872</u>
Actuarial gain/(loss) recognised on defined benefit pension arrangements	837,200	(957,300)
Movement on deferred tax relating to actuarial (loss)/gain on pensions	<u>(159,068)</u>	<u>147,204</u>
Total other comprehensive income/(loss)	<u>678,132</u>	<u>(810,096)</u>
Total comprehensive income for the year	<u><u>111,257,274</u></u>	<u><u>74,604,776</u></u>

Statement of Financial Position as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	10	302,291,695	302,289,673
Current assets			
Debtors: amounts falling due within one year	11	21,690,015	289,714
Debtors: amounts falling due after more than one year	12	15,285,176	5,868,102
Cash at bank and in hand	13	8,880	262
		<u>36,984,071</u>	<u>6,158,078</u>
Creditors: amounts falling due within one year	14	<u>(90,939,217)</u>	<u>(84,279,700)</u>
Net current liabilities		<u>(53,955,146)</u>	<u>(78,121,622)</u>
Total assets less current liabilities		248,336,549	224,168,051
Creditors: amounts falling due after more than one year	14	(3,749,937)	(6,981,581)
Provisions for liabilities	15	<u>(1,142,868)</u>	<u>-</u>
Net assets		<u>243,443,744</u>	<u>217,186,470</u>
Capital and reserves			
Called up share capital	17	13,455,679	13,455,679
Share premium reserve	18	35,968,626	35,968,626
Capital redemption reserve	18	415,000	415,000
Other reserves	18	3,491,472	3,491,472
Profit and loss account		<u>190,112,967</u>	<u>163,855,693</u>
Total equity		<u>243,443,744</u>	<u>217,186,470</u>

For the financial year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of the Company were authorised for issue by the Board of Directors on 24 June 2021 and signed on its behalf by:

The notes on pages 14 to 34 form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2020



.....
R Cameron
Director

PA Holdings Limited
Registration number: 02235016

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2020	13,455,679	35,968,626	415,000	3,491,472	163,855,693	217,186,470
Profit for the year	-	-	-	-	110,579,142	110,579,142
Other comprehensive income	-	-	-	-	678,132	678,132
Total comprehensive income	-	-	-	-	111,257,274	111,257,274
Dividends	-	-	-	-	(85,000,000)	(85,000,000)
At 31 December 2020	<u>13,455,679</u>	<u>35,968,626</u>	<u>415,000</u>	<u>3,491,472</u>	<u>190,112,967</u>	<u>243,443,744</u>

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2019	13,455,679	35,968,626	415,000	3,491,472	89,250,917	142,581,694
Profit for the year	-	-	-	-	75,414,872	75,414,872
Other comprehensive loss	-	-	-	-	(810,096)	(810,096)
Total comprehensive income	-	-	-	-	74,604,776	74,604,776
At 31 December 2019	<u>13,455,679</u>	<u>35,968,626</u>	<u>415,000</u>	<u>3,491,472</u>	<u>163,855,693</u>	<u>217,186,470</u>

The notes on pages 14 to 34 form an integral part of these financial statements.
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Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies

Statement of compliance

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

The Company's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland' as it applies to the financial statements of the Company for the year ended 31 December 2020.

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

In preparing financial statements, management develops estimates and judgements that affect the reported amount of assets and liabilities, revenues and costs, and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The financial statements have been prepared on the going concern basis of accounting under the historical cost convention, except for:

(i) pension assets and liabilities that are measured at fair value; and

(ii) the investments held in We Are Friday Limited, Sparkler Limited and PA Consulting Services Limited, where some of the cost of investment in We Are Friday Limited and Sparkler Limited have been re-allocated to the holding value of the investment in PA Consulting Services Limited to reflect the transfer of trade and assets from We Are Friday Limited and Sparkler Limited to PA Consulting Services Limited. The directors consider that there was no overall loss to the Company from the transfer of trade and assets between subsidiaries, so it would fail to give a true and fair view to charge the diminution in value of the investment in We Are Friday Limited and Sparkler Limited to the Company's profit and loss account for the year. The diminution in value of the investment in We Are Friday Limited and Sparkler Limited have instead been re-allocated to the investment recorded in PA Consulting Services Limited, so as to recognise in the Company's balance sheet the effective cost to the Company of its investments.

The financial statements are presented in pounds sterling.

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

Going concern

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

The Company is a subsidiary of PA Consulting Group Limited. 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.

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 of the parent undertaking, PA Consulting Group Holdings Limited, 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 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 Company has the full support of its parent undertaking, PA Consulting Group Holdings Limited, so that the Company can meet its liabilities as they fall due and conclude that there are no significant doubts about the Company's ability to continue as a going concern.

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

Summary of disclosure exemptions

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent company, PA Consulting Group Holdings Limited, which are publicly available.

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

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

The Company has taken advantage of the following exemptions:

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

Turnover

All turnover recognised within PA Holdings Limited is received from PA Consulting Services Limited, a fellow group company, via recharges under the revenue sharing agreement.

Government grants

Grants relating to revenue shall be recognised in income on a systematic basis over the periods in which the Company recognises the related costs for which the grant is intended to compensate.

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.

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

Foreign currency transactions and balances

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Such exchange differences are included in the profit and loss account under other administrative expenses. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

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

Tax

The tax charge/credit comprises current tax payable/receivable and deferred tax.

The current tax charge/credit represents an estimate of the amounts payable/receivable to tax authorities in respect of the Company's taxable profits and is based on an interpretation of existing tax laws. Taxable loss differs from loss before tax as reported in the income statement as it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries and associates 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.

Fixed asset investments

Fixed asset investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Subsequently, they are measured at fair value through profit and loss except for those equity investment that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

If a reliable measure of fair value is no longer available, the equity investment's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

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

Refer to the Basis of Preparation policy above in respect of cost of investment reallocation.

Financial instruments

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

Trade and other payables are not interest bearing and are stated at amortised cost.

Cash

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

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

Provisions

The Company 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.

Share capital

Ordinary shares are classified as equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are measured at the fair value of the cash or other proceeds received or receivable, net of direct issue costs, with the nominal value of the instrument credited to share capital and the excess to the share premium account.

Dividends

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

Employee benefits

Defined contribution pension obligation

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

Defined benefit pension obligation

The cost of providing benefits under the defined benefit 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 a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss that is recognised in the income statement during the period in which it occurs.

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

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

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

Exceptional items

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

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

Critical accounting judgements and estimation uncertainty

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

Taxation

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

Impairment of investments

Annually, the Company considers whether investments are impaired. This requires an estimation of the value-in-use of the underlying cash-generating units to which the investments relate. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash-generating unit and choice of suitable discount rate to calculate the present value of those cash-flows. If the actual cash flows are lower than estimated, impairments may be necessary.

Pension assets and liabilities

The present values of pension assets and liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions that are disclosed in note 16. Any change in these assumptions will impact on the carrying amount of pension liabilities. Note 16 describes the key assumptions used in the accounting for retirement benefit obligations.

2 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2020	2019
	£	£
Rendering of services	<u>294,822,495</u>	<u>254,845,185</u>

All revenue is derived from the rendering of services to PA Consulting Services Limited, a fellow group company.

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

3 Exceptional items

	Note	2020 £	2019 £
Pension adviser fees	3.1	(757,170)	-
Defined benefit pension scheme historic service cost	3.2	(1,000,000)	-
Acquisition-related costs	3.3	(3,855,356)	(613,514)
Business closure costs	3.4	(343,369)	(355,740)
		<u>(5,955,895)</u>	<u>(969,254)</u>

- (1) These costs were professional fees associated with the buy-in of the UK closed defined benefit scheme.
- (2) 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.
- (3) These costs comprise professional fees, consideration accounted for as employment costs and staff retention costs.
- (4) These costs relate to the closure of Spain and Netherlands businesses driven by the PA Group simplification initiative in the period.

4 Operating profit

Arrived at after charging

	2020 £	2019 £
Foreign exchange losses	<u>(19,220)</u>	<u>(3,693)</u>

5 Income from shares in group undertakings

	2020 £	2019 £
Income from shares in group undertakings	<u>85,000,000</u>	<u>64,000,000</u>

During the year the Company received dividend income of £85 million (2019: £47 million) from its subsidiary PA Consulting Services Limited. No dividend was received from its subsidiary PA Knowledge Limited (2019: £17 million).

6 Net interest (payable)/receivable and similar items

	2020 £	2019 £
Interest income on bank deposits	-	894
Interest payable on amounts owed to group undertakings	(860,244)	(3,086,440)
Interest on defined benefit pension arrangement	(14,000)	222,900
	<u>(874,244)</u>	<u>(2,862,646)</u>

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

7 Staff costs

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

	2020 £	2019 £
Wages and salaries	225,952,441	194,023,263
Social security costs	19,586,319	18,273,001
Pension costs for defined benefit pension arrangements	1,368,300	2,415,200
Pension costs for the defined contribution scheme	12,356,094	11,005,521
Other employee expense	15,062,688	12,603,225
	<u>274,325,842</u>	<u>238,320,210</u>

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

	2020 No.	2019 No.
Consultants	2,012	1,873
Administration and support	500	489
	<u>2,512</u>	<u>2,362</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Aggregate emoluments in respect of qualifying services	6,340,493	3,811,370
Company contributions to money purchase pension schemes	28,900	59,211
	<u>6,369,393</u>	<u>3,870,581</u>

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

	2020 No.	2019 No.
Directors in the defined contribution scheme	<u>2</u>	<u>4</u>

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

In respect of the highest paid director:

	2020	2019
	£	£
Remuneration	4,996,113	2,767,065
Company contributions to money purchase pension schemes	<u>-</u>	<u>17,498</u>

The emoluments of all of the directors of the Company are disclosed above including emoluments paid by other PA Group undertakings. Two directors were employed by and received emoluments from PA Consulting Management Services Limited, a fellow group company, and are included in the disclosure of directors remuneration in the accounts of that company. The other directors were employed by and received all emoluments in 2020 and 2019 from the Company. The directors perform duties for multiple entities in the PA Group. There is no allocation of their compensation between group entities as it is impractical to do so.

9 Taxation

(a) Tax on profit on ordinary activities

Tax (credited)/charged in the income statement

	2020	2019
	£	£
Current taxation		
UK corporation tax	1,121,355	6,032,116
UK corporation tax adjustment to prior periods	<u>(4,175,910)</u>	<u>(29,247)</u>
	<u>(3,054,555)</u>	<u>6,002,869</u>
Deferred taxation		
Arising from origination and reversal of timing differences	2,071,355	(5,720,898)
Deferred tax adjustment relating to previous years	<u>(12,375,205)</u>	<u>-</u>
Total deferred taxation	<u>(10,303,850)</u>	<u>(5,720,898)</u>
Tax (credit)/expense in the income statement	<u>(13,358,405)</u>	<u>281,971</u>

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

The differences are reconciled below:

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

	2020 £	2019 £
Profit before tax	<u>97,220,737</u>	<u>75,696,843</u>
Corporation tax at standard rate	18,471,940	14,382,400
Expenses not deductible for tax purposes	870,770	167,818
Effect of income exempt from taxation	(16,150,000)	(12,160,000)
Recognition of tax losses from previous years	1,773,552	(2,079,000)
Tax over provided in previous years	<u>(18,324,667)</u>	<u>(29,247)</u>
Total tax (credit)/charge	<u>(13,358,405)</u>	<u>281,971</u>

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2020		
Accelerated capital allowances	7,331	-
Pension costs	-	159,068
Recognition of tax losses	<u>15,277,845</u>	<u>-</u>
	<u>15,285,176</u>	<u>159,068</u>
2019		Asset £
Accelerated capital allowances		8,811
Pension costs		-
Recognition of tax losses		<u>5,859,291</u>
		<u>5,868,102</u>

As at 31 December 2020 there are unrecognised tax losses of £nil (2019 - £50,734,151).

(b) Factors that may affect future tax charges

For 2021 the UK's standard rate of corporation tax will remain at 19%. During 2021 it is expected that a Finance Bill will be substantively enacted that will increase the UK tax rate to 25% from April 2023.

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

10 Investments in subsidiaries

Subsidiaries	£
Cost or valuation	
At 1 January 2020	302,289,673
Additions	<u>2,022</u>
At 31 December 2020	<u>302,291,695</u>
Carrying amount	
At 31 December 2020	<u>302,291,695</u>
At 31 December 2019	<u>302,289,673</u>

During the year the trade and some assets and liabilities of Sparkler Limited (a subsidiary of the Company) were transferred to PA Consulting Services Limited (a subsidiary of the Company) at their book value which was less than their fair value. The cost of the Company's investment in Sparkler Limited reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in Sparkler Limited fell below the amount at which it was stated in the Company's accounting records. Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment in Sparkler Limited be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors consider that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the year and it should instead be re-allocated to the investment recorded in PA Consulting Services Limited, so as to recognise in the Company's balance sheet the effective cost to the Company of its investments. The effect of this departure is that the Company's profit for the financial year and the value of investments in subsidiaries in the Company's balance sheet at the end of the year are £13,626,507 higher than if the true and fair override had not been invoked.

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

Details of undertakings

The subsidiary undertakings as at 31 December 2020 are shown below. All 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
PA Consulting Services 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
Nyras Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Knowledge Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
7 Safe Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Perfect Cost Grid Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA International Consulting Group Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
Sparkler Limited	United Kingdom	3rd Floor, 58-60 Berners Street, London, W1T 3NQ	Founder shares, growth shares and ordinary shares	Consultancy
We Are Friday Limited	United Kingdom	50 Farringdon Road, London, EC1M 3HE	Ordinary	Dormant
PA Consulting Mexico Services S.A.de C.V.	Mexico	Torre Mayor, Paseo de la Reforma, No. 505, Piso 2, Col. Cuauhtemoc, Cuauhtemoc, 06500 Mexico City	Ordinary	Consultancy

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

Indirectly held

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group A/S	Denmark	Portland Towers, Göteborg Plads 1, K-1250 Copenhagen	Ordinary	Consultancy
PA Consulting Holdings ApS	Denmark	Portland Towers, Göteborg Plads 1, DK-2150 Copenhagen	Ordinary	Holding company
PA Consulting Group GmbH	Germany	An der Welle 3, 60322 Frankfurt, Germany	Ordinary	Consultancy
PA Consulting Group Limited	Hong Kong	Suite 1106-B, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary	Consultancy
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnel Road, Murugeshpalya, Bangalore 560017	Ordinary	Dormant
PA Consulting Group, S de RL de CV	Mexico	Torre Mayor, Paseo de la Reforma, No. 505, Piso 2, Col. Cuauhtemoc, Cuauhtemoc, 06500 Mexico City	Quota	Consultancy
PA Consulting Services BV	Netherlands	Gebouw B, Papendorpsweg 97, 3528 BJ Utrecht	Ordinary	Consultancy
PA International Holdings BV	Netherlands	Gebouw B, Papendorpsweg 97, 3528 BJ Utrecht	Ordinary	Holding company
PA Consulting Group BV	Netherlands	Gebouw B, Papendorpsweg 97, 3528 BJ Utrecht	Ordinary	Holding company
PA Holdings BV	Netherlands	Gebouw B, Papendorpsweg 97, 3528 BJ Utrecht	Ordinary and preference	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	Verktedsveien 1, PO Box 150, Skoyen, 0277 Oslo	Ordinary	Consultancy
PA Consulting Group (Qatar) LLC	Qatar	Level 14, Commercial Bank Plaza, West Bay, Doha	Ordinary	Consultancy
PA Consulting Group AB	Sweden	Jakobsbergsgatan 17, 111 44 Stockholm	Ordinary	Consultancy
Nyras Capital LLP	United Kingdom	10 Bressenden Place, London, SW1E 5DN		Consultancy
PA Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Group Treasury Services Limited ¹	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
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 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
PA Pension Trustees Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Dormant
PA Consulting Group Inc	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference	Consultancy
PA US Holdings Inc	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference	Holding company
Cooper Perkins Inc	USA	10 Maguire Road, Building 4, Lexington MA 02421	Common stock of no-par value	Consultancy
Essential Inc	USA	143 South Street, 6th Floor, Boston MA 02111	Common	Dormant

¹ 49% holding in accordance with IASB Consolidated Companies Ltd.

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

11 Debtors: amounts falling due within one year

	2020 £	2019 £
Amounts owed by group undertakings	21,456,368	166,438
Prepayments	80,831	94,772
VAT asset	152,816	28,504
	<u>21,690,015</u>	<u>289,714</u>

12 Debtors: amounts falling due after one year

	2020 £	2019 £
Deferred tax	<u>15,285,176</u>	<u>5,868,102</u>

13 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	<u>8,880</u>	<u>262</u>

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	135,259	6,140
Amounts owed to group undertakings	81,000,371	79,189,201
Other payables	-	7,944
Accrued expenses	375,415	442,334
Corporation tax liability	2,091,220	-
Deferred income	26,250	26,250
Deferred consideration on acquisition of subsidiaries	7,310,702	4,607,831
	<u>90,939,217</u>	<u>84,279,700</u>

Due after one year

Deferred income	157,500	183,750
Deferred consideration on acquisition of subsidiaries	3,592,437	6,797,831
	<u>3,749,937</u>	<u>6,981,581</u>

Deferred income relates to Government grants received, £262,500 (2019: £262,500) and released to the Income Statement over the periods the grant is extended to compensate, ending 31 December 2027.

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

15 Provisions for liabilities

	Deferred tax £	Pension £
At 1 January 2020	-	-
Increase in existing provisions	159,068	983,800
At 31 December 2020	<u>159,068</u>	<u>983,800</u>

16 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £12,356,094 (2019 - £11,005,521).

Defined benefit pension scheme

UK closed defined benefit pension scheme

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. In June 2021 Pension Insurance Corporation issued individual buy out policies to all members, following which the main UK scheme ceased to hold the liabilities for those members and the liabilities no longer sit under the Group. The main UK scheme will be fully wound up with by September 2021.

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 million as at 31 December 2020. This liability will be transferred to the new defined benefit scheme by September 2021 and paid out over a 3 year period.

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

Analysis of amounts recognised in the statement of comprehensive income

	2020 £	2019 £
Actual return on assets less interest	82,934,600	55,043,400
Actuarial loss on liability	(82,963,600)	(57,804,800)
Restriction to apply on recognition of surplus	<u>866,200</u>	<u>1,804,100</u>
Actuarial gain/(loss) recognised on defined benefit pension arrangements	837,200	(957,300)
Deferred taxation	<u>(159,068)</u>	<u>147,204</u>
Total recognised in the statement of other comprehensive income	<u><u>678,132</u></u>	<u><u>(810,096)</u></u>

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

	2020 £	2019 £
Fair value of scheme assets	723,139,700	654,930,500
Present value of defined benefit obligation	<u>(724,123,500)</u>	<u>(654,081,700)</u>
	(983,800)	848,800
Restriction to apply on recognition of surplus	<u>-</u>	<u>(848,800)</u>
Defined benefit pension scheme deficit	<u><u>(983,800)</u></u>	<u><u>-</u></u>

Reconciliation of present value of scheme liabilities

Changes in the defined benefit obligation are as follows:

	2020 £
Present value at start of year	654,081,700
Past service cost and settlements	1,000,000
Interest cost	13,132,800
Benefits paid	(27,054,600)
Experience gains	(6,802,800)
Changes in financial assumptions losses	<u>89,766,400</u>
Present value at end of year	<u><u>724,123,500</u></u>

Reconciliation of fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

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

	2020 £
Fair value at start of year	654,930,500
Interest income	13,136,200
Return on plan assets, excluding amounts included in interest income/(expense)	82,934,600
Employer contributions	561,300
Benefits paid	(27,054,600)
Running costs	(1,368,300)
Fair value at end of year	<u>723,139,700</u>

Analysis of scheme assets

The major categories of scheme assets are as follows:

	2020 £	2019 £
Buy-in insurance policy	723,123,500	654,081,700
Cash and cash equivalents	555,900	1,348,800
Net current liabilities	(539,700)	(500,000)
	<u>723,139,700</u>	<u>654,930,500</u>

Actual return on scheme assets

	2020 £	2019 £
Return on scheme assets	<u>(96,100,000)</u>	<u>(72,100,000)</u>

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2020 %	2019 %
Discount rate applied to section liabilities	1.20	2.10
Rate of increase in pensionable salaries	4.70	4.70
Rate of increase in pensions in payment and deferred pensions	2.40	2.10
Inflation assumption - RPI	<u>3.20</u>	<u>3.20</u>

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

Post retirement mortality assumptions

	2020 Years	2019 Years
Current UK pensioners at retirement age - male	29.2	29.1
Current UK pensioners at retirement age - female	30.3	30.1
Future UK pensioners at retirement age - male	30.0	29.9
Future UK pensioners at retirement age - female	<u>31.0</u>	<u>30.9</u>

17 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>134,556,790</u>	<u>13,455,679</u>	<u>134,556,790</u>	<u>13,455,679</u>

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

18 Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption

This reserve is the result of the purchase of own shares and subsequent cancellation of those shares.

Other reserve

This reserve records the capital contribution from the parent company as a result of share-based payments.

19 Dividends

	2020 £	2019 £
Interim dividend of £0.6317 (2019 - £Nil) per ordinary share	<u>85,000,000</u>	<u>-</u>

20 Parent and ultimate parent undertaking

Relationship between entity and parents

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

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

The Company's immediate parent is PACG2 Limited, incorporated in England and Wales.

The most senior parent entity producing financial statements for the year ended 31 December 2020 is PA Consulting Group Holdings Limited. These financial statements are available upon request from 10 Bressenden Place, London, SW1E 5DN.

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.

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

21 Post balance sheet events

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

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

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