CRA International (UK) Limited

Annual report and financial statements

Registered number 04007726

For the year ended

1 January 2022

Annual report and financial statements

Contents

Officers and professional advisers

Directors

C Holmes
P Maleh
D Mahoney

Secretary

D Mahoney

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Bankers

Bank of America
2 King Edward Street
London
EC1A 1HQ
United Kingdom

Registered office

8 Finsbury Circus
London
EC2M 7EA
United Kingdom

Strategic Report

Company No: 04007726

Principal activity and review of the business

The principal activity of the Company is that of consulting in two areas: litigation, regulatory, and financial consulting and management consulting. These financial statements include the results of the Company's branches in Australia, Belgium, France and Czech Republic.

The results for the Company show a profit of £5,245,960 (year to 2 January 2021: profit of £3,988,456) and turnover of £72,150,862 (year to 2 January 2021: £67,163,076).

Turnover and profit or loss are key indicators that are used to measure operating performance.

Business review and future outlook

The Company traded healthily through the year and recorded a substantial increase in turnover year on year. The Company goes into the next financial year looking for ways to improve its level of growth and profitability.

Because the Company derives the majority of its revenues from hourly billings by employee consultants, utilisation of those consultants is one key indicator that is used to measure operating performance. Utilisation is calculated by dividing the total hours worked by the consultants on client engagements during the measurement period by the total number of hours that the consultants were available to work during that period. Utilisation was 77% for the year to 1 January 2022 and 75% for the year to 2 January 2021.

Principal risk and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of key risks. The risks associated with COVID-19 and its effects on the business are described in the Strategic Report.

Business risk

Overall global economic conditions and global market and credit conditions in the industries the Company services could impact the market for the Company's services. A number of factors outside the Company's control include the availability of credit, the costs and terms of borrowings, merger and acquisition activity and general economic factors and business conditions. The Company is not able to predict the positive or negative effects that future events or changes to the business environment could have on its operations.

The Company's business consists primarily of the delivery of professional services, and accordingly, the Company's success depends heavily on the efforts, abilities, business generation capabilities, and project execution capabilities of the Company's employee consultants. In particular, the consultants' personal relationships with the Company's clients are a critical element in obtaining and maintaining client engagements. If the Company loses the services of any employee consultant or group of employee consultants, or if our employee consultants fail to generate business or otherwise fail to perform effectively, that loss or failure could adversely affect the Company's revenues and results of operations. In the event that employees leave, some clients may decide that they prefer to continue working with the employee rather than the Company. In the event that an employee departs and acts in a way that the Company believes violates their non-competition or non-solicitation agreement, the Company will consider any legal remedies the Company may have against such person on a case-by-case basis. The Company may decide that preserving cooperation and a professional relationship with the former employee or client, or other concerns, outweigh the benefits of any possible legal recovery.

The Company's ability to secure new engagements and hire qualified consultants as employees depends heavily on its overall reputation as well as the individual reputations of our employee consultants and non-employee experts. Because we obtain a majority of new engagements from existing clients, any client that is dissatisfied with the Company's performance on a single matter could impair our ability to secure new engagements. Given the frequently high-profile nature of the matters on which the Company works, including work on behalf of government agencies, any factors that diminish the Company's reputation or the reputation of any of our employee consultants or non-employee experts could make it substantially more difficult to compete successfully for both new engagements and qualified consultants.

Strategic Report *(continued)*

Apart from COVID-19, the breadth of the portfolio of services provided by the Company and the consistent efforts of management mitigates the impact on the Company from any adverse economic conditions, consultant underperformance and failure to secure new engagements.

Competitive risk
The market for litigation, regulatory, financial and management consulting services is intensely competitive, highly fragmented, and subject to rapid change. We may be unable to compete successfully with our existing competitors or with any new competitors. In general, there are few barriers to entry into our markets, and CRA expects to face additional competition from new entrants into the economic and management consulting industries. In the litigation, regulatory, and financial consulting markets, CRA competes primarily with other economic consulting firms and individual academics. The Company believes the principal competitive factors in this market are reputation, analytical ability, industry expertise, size, and service. In the management consulting market, CRA competes primarily with other business and management consulting firms, specialized or industry-specific consulting firms, the consulting practices of large accounting firms, and the internal professional resources of existing and potential clients. The principal competitive factors in this market are reputation, industry expertise, analytic ability, service, and price. The Company's remuneration policies are designed to retain and motivate its' talent. Any factors that diminish the Company's reputation or the reputation of any consultants or non-employee consultants, the quality of its services or the loss of specific expertise, could impair its ability to secure new engagements. CRA has quality control policies and procedures which are consistent with industry practice.

Currency risk
The Company is exposed to currency risk from its exposure to foreign denominated debtors, primarily in US Dollars and Euros, and its foreign currency denominated cash balances. The Company manages its foreign currency exposure through frequent settling of intercompany account balances. The Company does not use derivative instruments for trading or speculative purposes.

Credit risk
The Company's trade debtors consist of a broad range of clients in a variety of industries located in the UK and in other countries. To minimise the risk of collectability, the Company performs a credit evaluation of its clients prior to entering into contracts with such customers. The Company also maintains a provision for doubtful debts for estimated losses resulting from clients' failure to make required payments. The Company bases its estimates on historical collection experience, current trends and credit policy.

Liquidity risk
The Company carries a liquidity risk in that it could encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation through its operations and reviewing cash collection targets. It also manages its liquidity risk through the access to an external revolving credit facility, though has not required the use of this in the current or preceding year.

Political risk
Overall global economic, business and political conditions, as well as conditions specific to the industries we or our clients serve, can affect our clients' businesses and financial condition, their demand or ability to pay for our services, and the market for our services. These conditions, all of which are outside of our control, include but are not limited to merger and acquisition activity levels, the availability, cost and terms of credit, Brexit, the state of the United States and global financial markets, including the impact of rising inflation rates, the levels of litigation and regulatory and administrative investigations and proceedings, global health crises and pandemics, and general economic and business conditions. In addition, many of our clients are in highly regulated industries, and regulatory and legislative changes affecting these industries could impact the market for our service offerings, render our current service offerings obsolete, or increase the competition among providers of these services. Although we are not able to predict the positive or negative effects that general changes in global economic, business and political conditions will have on our individual practice areas or our business as a whole, any specific changes in these conditions could have a material adverse impact on our revenues, results of operations and financial condition.

Strategic Report *(continued)*

Pandemic risk
In March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The pandemic has adversely impacted global health and the economic environment. In response, many governments implemented travel restrictions and other measures to reduce the spread of COVID-19. Many businesses, including those of our clients, responded with work from home policies and procedures. Our offices remain open and capable of hosting our colleagues and clients. We have continued to provide our services to our clients for the duration of the pandemic and related government-imposed restrictions. The ultimate impact of COVID-19 or a similar health epidemic or pandemic is highly uncertain and subject to change. A pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. A pandemic poses the risk that our employees, our non-employee experts, governmental agencies, clients, and parties otherwise engaged in the delivery of our services may be prevented from conducting business activities in the ordinary course for an indefinite period. As a result, the COVID-19 pandemic may in the future affect our operating and financial results in a manner that is not presently known to us.

Section 172 Statement

The following disclosures describe how the directors have had regard to the matters set out in section 172(I)(a)-(f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

Engagement with employees
The Directors recognise the success of our business depends on attracting, retaining and motivating employees. The Company is committed to ensuring that they remain a responsible employer, from pay and benefits to promoting the health and safety in the workplace environment. The Company very quickly moved to a remote working environment at the start of the pandemic. The Directors engage with employees through regular group meetings and conducting employee surveys. The wellbeing of staff is also promoted through use of regular newsletters and hosting of meetings with useful information.

Business relationships
The Company is committed to acting ethically and with integrity in all business dealings and relationships. Fostering business relationships with key stakeholders, customers and suppliers is important to the Company's success. We maintain close working relationships with a select group of non-employee experts who, depending on client needs, are utilised for their specialised expertise.

Company reputation
The Company's reputation is vitally important both for attracting and retaining clients as well as ensuring we can hire the best talent available for our employees. A strong controls environment is operated with regular reports made and actions taken to ensure standards are maintained at a high level.

Long-term decision making
The Directors consider the likely consequences of any decision in the long-term, and any significant decisions are made with due thought to long term growth targets set within the Group.

By order of the Board

Dan Mahoney

Daniel K Mahoney

Director

7 September 2022

Directors' Report

Company No: 04007726

The directors present their report and financial statements for the year to 1 January 2022.

Results and dividends

The directors paid a dividend of £11,842,542 in the year (year to 2 January 2021: £nil).

Directors

The directors who held office during the year and at the date of this report were, as follows:

P Maleh
C Holmes
D Mahoney

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to business, competitive, currency, credit, liquidity, political and pandemic risk are described in the Strategic Report on Pages 2 to 4.

The Company and its wider group have considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook, and the current COVID -19 situation.

The Board considered the impact on going concern when reviewing and approving the financial statements. The following matters were concluded:

- The business activities of the Company have continued to be operational since the COVID-19 outbreak and provide continuity of services to customers, with increased use of technology in order to keep engagement and service high
- Financial performance of the Company has not been impacted to a material extent

Looking forward, whilst the unpredictable nature of the impact of COVID-19 means there is uncertainty surrounding future trading activity, the Company does not expect demand for its services to be materially impacted. However, the Company prepared and reviewed forecasts up to 30th September 2023, including a sensitised downside scenario and a reverse stress test designed to indicate the level of deterioration in performance that would cause the available funds to be depleted. Management concluded that the scenarios modelled that could give rise to concerns about the ability of the Company to remain a going concern are of a remote likelihood and therefore do not consider that a material uncertainty exists in relation to the Company's ability to remain a going concern for a period of at least 12 months from the date of approving these financial statements.

Subsequent events

There are no events subsequent to the reporting date requiring adjustment or disclosure in the financial statements.

Directors' Report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' responsibilities statement

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

By order of the board

Dan Mahoney

Daniel K Mahoney
Director

8 Finsbury Circus
London
EC2M 7EA
United Kingdom

7 September 2022

Independent auditor's report to the members of CRA International (UK) Limited

Opinion

We have audited the financial statements of CRA International (UK) Ltd (the 'company') for the year ended 1 January 2022 which comprise the Profit and Loss Account, Statement of Changes in Equity, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 January 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from COVID-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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 material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the company operates.
- We assessed the susceptibility of CRA International (UK) Limited's Financial Statements to material misstatement, including how fraud might occur, by making enquires of management, those charged with governance and legal advisers. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment. We considered the risk of fraud to be higher through the potential for management override of controls and in relation to revenues recognised in relation to unbilled services at the year end.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the applicable statutory provisions

  - the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator

- Audit procedures performed by the engagement team included:
  - evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
  - challenging assumptions and judgments made by management in its significant accounting estimates, particularly in relation to unbilled revenues
  - identifying and testing journal entries, in particular, journal entries which we considered were high impact or unusual.
- We enquired of management on any non-compliance, notification from the local governing authorities and/or legal notices received during the year. During the course of our audit procedures we have not identified any specific non-compliance.
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the client operates
  - understanding of the legal and regulatory requirements specific to the entity.

  These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.

Grant Thornton UK LLP

Peter Gamson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
7 September 2022

Profit and Loss Account

for the year ended 1 January 2022

	Note	**1 January 2022**	2 January 2021
		£	£
Turnover	*2*	**72,150,862**	67,163,076
Other expense		**(2,079,262)**	(4,028,872)
Cost of sales		**(51,598,792)**	(49,047,910)
Gross profit		**18,472,808**	14,086,294
Administrative expenses		**(11,756,720)**	(9,349,099)
Operating profit	*3*	**6,716,088**	4,737,195
Other interest receivable and similar income	*6*	**2,734**	53,343
Profit on ordinary activities before taxation		**6,718,822**	4,790,538
Tax on profit on ordinary activities	*7*	**(1,472,862)**	(802,082)
Profit on ordinary activities after taxation		**5,245,960**	3,988,456
Other comprehensive income for the year		**-**	-
Total comprehensive income		**5,245,960**	3,988,456

All amounts relate to continuing activities.

The notes on pages 14 to 26 form part of the financial statements.

Statement of changes in equity
for the year ended 1 January 2022

	Share capital	Share premium reserve	Capital reserve	Profit and loss account	Total
	£	£	£	£	£
At 28 December 2019	**40**	**6,680,247**	**30,122,569**	**(13,042,312)**	**23,760,544**
Share issue	20,000,000	-	(20,000,000)	-	-
Share cancellation	(20,000,000)	-	-	20,000,000	-
Comprehensive income for the period					
Profit for the period	-	-	-	3,988,456	3,988,456
Share based payment transactions	-	-	-	25,058	25,058
Share based payment recharge	-	-	-	(25,058)	(25,058)
At 2 January 2021	**40**	**6,680,247**	**10,122,569**	**10,946,144**	**27,749,000**
Dividends paid 2 February 2021				(7,000,000)	(7,000,000)
Dividends paid 9 March 2021				(5,000,000)	(5,000,000)
Dividend in excess of value of distributable reserves				157,458	157,458
Share issue	16,802,816				16,802,816
Share cancellation	(16,802,816)	(6,680,247	(10,122,569)	16,802,816	(16,802,816)
Comprehensive income for the period					
Profit for the period				5,245,960	5,245,960
Share based payment transactions				24,609	24,609
Share based payment recharge				(24,609)	(24,609)
At 1 January 2022	**40**	**-**	**-**	**21,152,378**	**21,152,418**

The notes on pages 14 to 26 form part of the financial statements.

Balance sheet

As at 1 January 2022

	Note	**1 January 2022**	2 January 2021
		£	**£**
Fixed assets			
Intangible assets	*8*	**23,529**	34,815
Tangible assets	*9*	**4,895,173**	5,637,236
Investment in subsidiary	*10*	**2,832**	2,832
		4,921,534	5,674,883
Current assets			
Debtors	*11*		
Amounts falling due within one year		**31,580,948**	27,209,881
Amounts falling due after one year		**3,381,703**	4,628,996
		34,962,651	31,838,877
Cash and cash equivalents		**16,989,094**	21,678,699
Restricted cash	*12*	**8,107**	8,269
		51,959,852	53,525,845
Creditors: amounts falling due within one year	*13*	**(34,368,337)**	(30,255,951)
Net current assets		**17,591,515**	23,269,894
Total assets less current liabilities		**22,513,049**	28,944,777
Provisions for liabilities	*14*	**(1,360,631)**	(1,195,777)
Net assets		**21,152,418**	27,749,000
Capital and reserves			
Called up share capital	*16*	**40**	40
Share premium reserve		**-**	6,680,247
Capital reserve		**-**	10,122,569
Profit and loss account		**21,152,378**	10,946,144
Equity shareholders' funds		**21,152,418**	27,749,000

The notes on pages 14 to 26 form part of the financial statements.

These financial statements were approved by the board of directors on 7 September 2022 and were signed on its behalf by:

Dan Mahoney

Daniel K Mahoney
Director

Company No: 04007726

Notes
(forming part of the financial statements)

1 Accounting policies

Statement of compliance

CRA International (UK) Limited is a limited liability company incorporated in England. The Registered Office is 8 Finsbury Circus, London, EC2M 7EA.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 1 January 2022.

The Company has taken advantage of the reduced disclosure exemptions in FRS 102 Section 33 as it is a qualifying entity as a member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss, and that member is included in the consolidation. The Company has taken advantage of the following disclosure exemptions in preparing these financial statements:

- as permitted by FRS 102 paragraph 1.12b, the Company has not prepared a cashflow statement;
- as permitted by FRS 102 paragraph 33.1a, the Company has not disclosed any related party transactions with wholly owned subsidiaries;
- as permitted by FRS 102 paragraph 1.12e, the Company has not disclosed key management personnel compensation;
- as permitted by FRS 102 paragraph 1.12d, the Company has not disclosed any requirements of share-based payments except paragraph 26.18a.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £.

The directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from preparing consolidated financial statements on the basis that the results of the Company and all of its subsidiary undertakings are included in the consolidated financial statements of the ultimate parent undertaking, CRA International, Inc., which are prepared on an equivalent manner to the provisions of the EU seventh directive. These financial statements present information about the Company and not about its group.

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to business, competitive, currency, credit, liquidity, political and pandemic risk are described in the Strategic Report on Pages 2 to 4.

The group has considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook, and the current COVID-19 outbreak, detailed in post balance sheet events below.

Notes *(continued)*

The Board considered the impact on going concern when reviewing and approving the financial statements. The following matters were concluded:

- The business activities of the Company have continued to be operational since the COVID-19 outbreak and provide continuity of services to customers, with increased use of technology in order to keep engagement and service high

- Financial performance of the Company has not been impacted to a material extent

On this basis, the Board continues to the support that the Company will continue to operate as a going concern for a period of at least twelve months from the date of approving these financial statements.

Tangible fixed assets and depreciation

Property, plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets, less their residual value over their estimated useful lives, using the straight-line method.

Leasehold improvements	-	Over the lease term.
Machinery & equipment	-	3 years
Furniture, fixtures and fittings	-	10 years
Computer equipment	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'interest receivable and similar income' in the Profit and Loss Account.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible fixed assets

Intangible fixed assets are capitalised, classed as an asset on the balance sheet and amortised on a straight-line basis over their useful economic life.

Computer software	-	3 to 10 years

The carrying values of intangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes (continued)

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Profit and Loss Account represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- 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; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Revenue

Turnover, which excludes value added tax, represents fees billable to clients inclusive of direct expenses for the provision of professional services.

The contracts into which the Company enters and under which the Company operates specify whether the engagement will be billed on a time-and-materials or fixed-price basis. Turnover from time-and-materials service contracts are recognised as the services are provided based upon hours worked at contractually agreed upon hourly rates. Turnover from fixed price engagements is recognised using a proportional performance method based on the ratio of costs incurred, substantially all of which are labour related, to the total estimated costs for completing a performance obligation. Provision is made for any losses during the period in which such losses become probable.

Foreign currencies

Transactions in foreign currencies are recorded at the spot rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Profit and Loss Account.

Operating leases: Lessee

Operating leases are those where all the risk of ownership is retained by the lessor.

Rental expense under operating leases is charged to the Profit and Loss Account on a straight-line basis over the period of the lease. Lease incentives are recognised over the lease term on a straight-line basis.

Share based payment

The cost of share-based payment employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options of the ultimate parent company, is recognised as an employee benefit expense in the Profit and Loss Account with a corresponding increase in equity.

Notes *(continued)*

The total expense to be apportioned over the vesting period of the award is determined by reference to the fair value at the grant date of the award and the number of shares or share options that are expected to vest. The assumptions underlying the number of awards expected to vest are adjusted to reflect conditions prevailing at each balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

Cash

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits.

Judgements and key sources of estimation uncertainty

The directors make estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing an adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

- Revenue recognition on fixed price contracts – We base our fees on our estimates of the costs and timing for completing a performance obligation. Revenue is recognised using a proportional performance method, which is based on the ratio of costs incurred to the total estimated costs for completing a performance obligation.
- Deferred compensation – We account for performance-based and service-based cash awards using an accrual method where changes in estimates are accounted for prospectively over the remaining service period.

2 Turnover and segmental information

Turnover represents amounts invoiced to third parties and is attributable to the principal activity, as stated in the Strategic Report. In the directors' opinion, the Company provides services to one business market and accordingly, no segmental analysis of business activity is considered necessary.

An analysis of turnover is given below:

	Year to 1 January 2022	Year to 2 January 2021
	£	£
By origin		
UK	**62,686,806**	62,206,345
France	**4,282,803**	2,418,789
Belgium	**4,401,680**	2,142,777
Australia	**779,573**	374,359
Czech Republic	**-**	20,806
	72,150,862	67,163,076

Notes *(continued)*

3 Notes to the Profit and Loss Account

	Year to 1 January 2022	Year to 2 January2021
	£	£
Operating profit/ (loss) is stated after charging:		
Auditor's remuneration in respect of:		
- The audit of these financial statements	**71,341**	73,949
Foreign exchange (gains)/losses	**715,263**	(392,759)
Amortization of intangible assets (note 8)	**15,641**	21,390
Depreciation of fixed assets (note 9)	**1,006,372**	1,066,950
Loss on disposal of fixed assets	**-**	2,752
Operating lease rentals	**2,205,670**	2,226,590

4 Staff numbers and costs

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

	Number of employees	
	Year to 1 January 2022	Year to 2 January 2021
Administrative staff	**35**	33
Research	**162**	156
Professional and administration	**197**	189

The aggregate payroll costs of these persons were as follows:

	Year to 1 January 2022	Year to 2 January 2021
Wages and salaries	**35,297,564**	35,380,443
Social security costs	**5,998,863**	4,884,122
Share based payment expense	**24,609**	25,058
Pension costs	**896,697**	806,006
	42,217,733	41,095,629

Notes *(continued)*

5 Directors' emoluments

No director received emoluments in respect of his services to the Company or for loss of office during the year (Year to 2 January 2021 - £nil). The directors did not recharge any remuneration from the other fellow group undertakings during the year in respect of their services to the Company. The directors believe that it is impractical to apportion the amount paid by other fellow group undertakings to the directors of this Company between their services as directors of this Company and their services as directors of other fellow group undertakings. Directors' emoluments are disclosed by the Company's parent, CRA International, Inc.

6 Interest income / (expense)

	Year to 1 January 2022	Year to 2 January 2021
	£	£
Interest receivable and similar income – other	**2,734**	53,343

7 Taxation

The tax charge is made up as follows:

	Year to 1 January 2022	Year to 2 January 2021
	£	£
Current tax reconciliation		
UK corporation tax for the year	**1,195,568**	753,627
Adjustments in respect of prior periods	**(1,003)**	(19,807)
	1,194,565	733,820
Double taxation relief	**(113,957)**	(142,697)
After double taxation relief	**1,080,608**	591,123
Foreign taxes	**267,395**	119,000
Adjustments in respect of prior periods (foreign tax)	**1,997**	-
Total current tax	**1,350,000**	710,123
Deferred tax		
Origination and reversal of timing differences	**81,158**	87,241
Effect of tax rate change on opening balances	**41,704**	4,718
Taxation on profit/(loss) on ordinary activities	**1,472,862**	802,082

Notes *(continued)*

The tax assessed for the year is higher than (2 January 2021 lower than) the standard rate of corporation tax in the UK of 19% (2 January 2021 – 19%). The differences are explained below.

	Year to 1 January 2022	Year to 2 January 2021
	£	£
Profit/(loss) on ordinary activities before taxation	**6,718,822**	4,790,538
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2 January 2021: 19%)	**1,276,576**	910,202
Fixed asset differences	**23,301**	26,774
Expenses not deductible for tax purposes	**15,966**	13,465
Adjustments to brought forward values	**65,697**	-
Other permanent differences	**(152,194)**	(94,358)
Adjustments to tax charge in respect of previous periods	**994**	(19,807)
Remeasurement of deferred tax for changes in tax rates	**68,094**	-
Movement in deferred tax not recognized	**(27,971)**	-
Unrelieved foreign tax	**153,4440**	(23,697)
Foreign timing differences	**56,152**	(16,022)
Adjustments to rate of deferred tax	**-**	5,525
Capital allowance super deduction	**(7,193)**	-
Total tax expense	**1,472,862**	802,802

Deferred tax liability

The Company has recognised its deferred tax balances at the rate at which it expects the balances to reverse; either 19% or 25% (Year to 2 January 2021: 19%). The UK budget on the 3 March 2021 announced that the UK rate of corporation tax will rise from 19% to 25% effective 1 April 2023.

The deferred tax included in the balance sheet is as follows:

	Year to 1 January 2022	Year to 2 January 2021
	£	£
Accelerated capital allowances	**281,874**	279,808
Other short-term timing differences	**(26,982)**	(147,748)
Included in provisions	**254,892**	132,060
At 2 January 2021	**132,060**	
Deferred tax debit in profit and loss account	**122,862**	
Difference in movement between balance sheet and profit and loss account for the period	**(30)**	
At 1 January 2022	**254,892**	
Deferred tax liability not recognized	**28,804**	

Notes *(continued)*

8 Intangible fixed assets

	Computer software
	£
Cost	
At beginning of year	82,417
Additions	4,358
Disposals	-
Foreign exchange	(295)
At 1 January 2022	**86,480**
Amortization	
At beginning of year	47,602
Charged during the year	15,641
Disposals	-
Foreign exchange	(292)
At 1 January 2022	**62,951**
Net book value	
At 1 January 2022	**23,529**
At 2 January 2021	34,815

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements	Equipment	Furniture and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At beginning of year	5,619,134	671,045	1,191,784	1,402,466	8,884,429
Additions	5,399	105,886	2,085	171,488	284,858
Disposals	-	(50,963)	-	(302,979)	(353,942)
Foreign exchange	(18,631)	(15,796)	(2,198)	(494)	(37,119)
At 1 January 2022	**5,605,902**	**710,172**	**1,191,671**	**1,270,481**	**8,778,226**
Depreciation					
At beginning of year	1,509,729	510,880	391,651	834,933	3,247,193
Charged during the year	437,928	128,616	118,978	320,850	1,006,372
Disposals	-	(50,963)	-	(302,979)	(353,942)
Foreign exchange	(11,049)	(4,646)	(573)	(302)	(16,570)
At 1 January 2022	**1,936,608**	**583,887**	**510,056**	**852,502**	**3,883,053**
Net book value					
At 1 January 2022	**3,669,294**	**126,285**	**681,615**	**417,979**	**4,895,173**
At 2 January 2021	4,109,405	160,165	800,133	567,533	5,637,236

Notes *(continued)*

10 Investments

	£
At 1 January 2022 and 2 January 2021	**2,832**

The principal undertakings in which the Company's interest at the year-end is more than 20% are as follows

	Country of incorporation	**Principal Activity**	**Class and Percentage of shares Held**
CRA International (Norway) AS	Norway	Consulting	Ordinary 100%
CRA International (Saudi Arabia) LLC	Saudi Arabia	Dormant	Ordinary 95%

As at 1 January 2022 CRA International (Saudi Arabia) LLC is in the process of being liquidated.

11 Debtors

	Year to 1 January 2022 £	Year to 2 January 2021 £
Trade debtors	**28,859,453**	22,644,245
Amounts due from parent undertaking	**634,533**	1,742,559
Amounts due from group undertakings	**141,240**	653,353
Other debtors	**3,822,694**	5,059,426
Prepayments and accrued income	**1,504,731**	1,359,509
Corporation tax receivable	**-**	379,785
	34,962,651	31,838,877
Amounts falling due after more than one year included above are:		
Other debtors	**3,381,703**	4,628,996

Notes *(continued)*

Other debtors includes balances for Forgivable Loans

In order to attract and retain highly skilled professionals, CRA International (UK) Ltd may issue forgivable loans to employees and non-employee experts. The forgivable loans have terms that are generally between two and six years with interest accruing at the HM Revenue & Customs official rate, currently 2.0% per annum. The principal amount of forgivable loans and accrued interest is forgiven by the Company over the term of the loans, so long as the employee or non-employee expert continues employment or affiliation with the Company and complies with certain contractual requirements. The expense associated with the forgiveness of the principal amount of the loans is recorded as compensation expense over the service period, which is consistent with the term of the loans. The Company has not typically recorded an allowance for doubtful accounts for these loans due to its collection experience and its assessment of collectability.

Post year end, an agreement was reached in relation to a forgivable loan which led to an amount of £2.4m, which is shown as being due in more than one year, being settled in less than one year.

Amounts due from parent undertaking and amounts due from group undertakings are interest free and repayable on demand.

12 Restricted cash

Bank of America hold a letter of credit or CHF 10,000 which has been converted at the end of year exchange rate to £8,107 (year to 2 January 2021: £8,269).

13 Creditors: amounts falling due within one year

	Year to 1 January 2022 £	Year to 2 January 2021 £
Trade creditors	**662,849**	1,036,372
Corporation tax	**94,172**	-
Taxation and social security	**1,241,108**	1,075,202
Accruals and deferred income	**32,370,208**	28,144,367
	34,368,337	30,255,941

An immaterial amount of £132k relating to deferred tax as at 2 January 2021 has now been presented as a separate line item within Note 14. The 2 January 2021 totals for Notes 13 and 14 have therefore been updated by this amount. Net assets remain unchanged.

The Company has access to an external revolving credit facility with a limit of $35 million. The facility has been contracted and it is secured entirely by the parent entity, CRA International, Inc. The Company did not use this facility during the year. On 19 August 2022 CRA International, Inc. contracted a new facility and CRA International (UK) Limited has access to an unsecured $35 million credit facility.

Amounts owed to group undertakings are interest free and repayable on demand.

Notes *(continued)*

14 Provisions for liabilities:

	Dilapidations Provision £	Deferred Tax Provision £	Total Provisions £
At 2 January 2021	**1,063,717**	**132,060**	**1,195,777**
Additions/movement during the year	42,022	122,832	164,854
At 1 January 2022	**1,105,739**	**254,892**	**1,360,631**

The balance at 1 January 2022 includes provisions for dilapidations in value of £1,105,739 (2 January 2021: £1,063,717). The provision for dilapidations represents the net present value of the Company's best estimate of the costs on removing the leasehold improvements at the end of the property leases. The provision has been discounted to its present value at 4.28% to 4.56% (year to 2 January 2021: 4.28% to 4.56%).

15 Share based payment

CRA International, Inc., the ultimate holding company, maintains share-based compensation plans that use restricted stock units and stock options to provide incentives to the directors, employees and independent contractors of its group companies.

Options have been granted over the common stock of the parent Company at an exercise price equal to the fair market value of the shares of common stock at the date of grant. Vesting terms were determined at the discretion of the Board of Directors of the parent and generally range up to five years. In general, options terminate 7 years after the date of grant.

Since 2006, CRA International, Inc. has granted time-vesting restricted stock units awards to some of its group employees subject to the execution of a restricted stock agreement. Generally, these shares vest over 4 or 5 years in equal instalments beginning on the first anniversary of date of the award.

Full disclosure is given in the statutory financial statements of CRA International, Inc..

16 Called up share capital

	Year to 1 January 2022	Year to 2 January 2021
	No.	No.
Authorised		
Ordinary shares of £1 each	**99**	99
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**40**	40

Notes *(continued)*

17 Commitments under operating leases

At 1 January 2022 the Company had total commitments under non-cancellable operating leases as set out below:

	1 January 2022		2 January 2021	
	Land and buildings	**Other**	**Land and buildings**	**Other**
	£	**£**	**£**	**£**
Operating leases which expire:				
Within 1 year	2,485,935	1,971	2,402,524	13,478
In two to five years	8,916,510	-	9,037,214	1,971
Over 5 years	9,113,816	-	9,369,223	-
	20,516,261	**1,971**	20,808,961	15,449

18 Related party transactions

In accordance with paragraph 33.1A of FRS 102 "Related Party Transactions", the Company is exempt from disclosing details of arrangements with other wholly owned companies in the group.

19 Ultimate parent company

The directors consider the ultimate parent undertaking and controlling party to be CRA International, Inc., a company incorporated in the USA.

The parent undertaking of the group of undertakings for which group financial statements are drawn up and of which the Company is a member is CRA International, Inc., incorporated in the USA.

Copies of the financial statements can be obtained from CRA International, Inc.'s website, the address of which is www.crai.com.

20 Reserves

Reserve	**Description and Purpose**
Share capital	Nominal value of subscribed shares.
Share premium reserve	Amount subscribed for share capital in excess of nominal value.
Capital reserve	A non-distributable reserve created by the conversion of long-term loans due to the Company's parent, CRA International, Inc. to equity.
Profit and loss account	All other net gains and losses and transactions with owners not recognised elsewhere.

In the financial period bonus shares were issued to the Company's parent, CRA International, Inc, of total value £20m. This was done out of the Capital reserve. After issue these were subsequently cancelled for no proceeds, with the value then recognised in the Profit and loss account.