PARENT COMPANY ACCOUNTS FOR:-
PA PERFECT COST GAIS LIMITED
(#: 08339738)

Registration number: 13035335

PA Consulting Group Limited

Annual Report and Financial Statements

for the Period from 20 November 2020 to 31 December 2021

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

We believe in the power of ingenuity to build a positive human future.

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

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

PA. Bringing Ingenuity to Life.

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

PA employs over 3,500 specialists in consumer and manufacturing, defence and security, energy and utilities, financial services, government, health and life sciences, and transport.

The board of directors of PA Consulting Group Limited present their financial and strategic reviews for the period ended 31 December 2021 on pages 5 to 21.

These financial statements comprise PA Consulting Group Limited's consolidated and company results for the period to 31 December 2021.

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

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

FINANCIAL REVIEW

2021 financial highlights

£588.8m	£175.4m	£137.8m
Fee income	*Adjusted EBITDA**	*Adjusted* operating cash generation***
£691.5m	£200.1m	
Proforma**	Proforma**	

*Adjusted EBITDA is profit before interest, tax, depreciation, amortisation and exceptional items.

**Proforma numbers represent the Group results had a full 12 months of the PA Consulting Group been consolidated.

***Adjusted operating cash generation is net cash flows from operating activities removing the exceptional distribution made by the Group's EBT following the acquisition transaction and transaction related stamp duty costs.

This is the first set of results for PA Consulting Group Limited (formerly Green Consulting Solutions Limited) and the PA Consulting Group, which cover the period from the Company's incorporation on 20 November 2020 to 31 December 2021. Consequently, no financial comparatives are presented. The Group started trading from the date of acquisition of the former PA Consulting Group and therefore results are for 10 months of trading.

The Company was incorporated with the strategic purpose of acquiring 100 per cent ownership of PA Consulting Group Holdings Limited (formerly PA Consulting Group Limited) and the former PA Consulting Group, enabling the divestment of Carlyle at the end of their investment cycle (the previous majority shareholder of the Group) and new investment of Jacobs Engineering Group Inc (Jacobs) as the replacement majority shareholder. This is therefore the first year of a new investment cycle and collaboration and consistent with the previous group's ownership structure, shareholding in PA Consulting Group Limited is jointly between investor and employees, 65 per cent held by Jacobs and 35 per cent by current employees under a private equity-style capital structure.

Acquisition of PA Consulting

The Company completed the acquisition of the former PA Consulting Group on 2 March 2021 for a total amount of £1,842.7 million (£1,575.9 million consideration to acquire 100 per cent of the total issued equity and £266.8 million to repurchase outstanding loan notes from Carlyle), funded predominantly by £1,832.2 million of debt in the form of a £650 million term loan and £1,182.2 million 12 per cent preference shares, with the remaining £10.5 million from the issue of ordinary share equity. This funding ratio results in the typical private-equity balance sheet profile of significant non-current liabilities and interest expense.

The transaction has shaped other areas of the Group's balance sheet too with recognition at acquisition of £1,755.9 million intangible assets mainly consisting of £720.9 million separately identifiable brand and customer relationship assets reflective of the unique position and reputation that PA Consulting has in its sector combined with its strong customer base, and £1,035.0 million of goodwill representing the assembled workforce that has been acquired. As is inherent in a people-centric business a substantial portion of its value is in its team.

Further details of the transaction are included in note 25 to the accounts.

Results and performance

The reported consolidated results for the Group's initial trading period only include PA Consulting's trading for the 10 months since acquisition. A proforma set of results to represent a full 12 months of the acquired Group's trade is included at the end of this review.

The Group has produced a strong first set of financial results, a reflection of the stability and quality of the acquired PA Consulting business. With the Group's robust customer portfolio and gradual diminishing of COVID-19 uncertainties marking the beginning of business life returning to something near normal we look forward to these strong results continuing into 2022.

Fee income

The Group's main revenue performance measure is fee income which represents the fair value of consideration received or receivable for consulting services provided, excluding rechargeable project costs but inclusive of any margin on such items. Fee income generated in the reporting period was £588.8 million (£691.5 million on a proforma 12-month basis).

The Group has delivered some crucial and forward-thinking projects for our clients during the period, and has been involved with supporting international governments in establishing and developing their COVID-variant responses and continued vaccine rollout programmes, particularly in the UK and Netherlands, and helping set best practice for data privacy in the financial services sector, an area where we help financial services firms understand, evolve and meet the disruptive forces of regulation, technology and changing customer expectations through new business models and technology.

Coupled with this, there has also been a significant focus on working with our clients on their environmental and sustainability issues; designing a new EV chargepoint as part of the UK Government's decarbonisation plan, partnering with a client to enhance their sustainable packaging production method, and assisting a variety of clients with realising the sustainability benefits of implementing organisational agility in their businesses. It is expected that more business opportunities will come in these areas over the coming year and will help to drive the Group's results post-COVID.

Our client work over the period reflects our belief that unprecedented changes in society and technology are creating new opportunities to make a positive impact. We have a distinct brand, market positioning and competitive differentiation. As we go from strength-to-strength, we're hiring incredible world-class senior talent, winning exciting work that directly addresses the biggest challenges and opportunities our clients face, and further strengthening key capabilities in areas like digital and design.

While the UK is the Group's dominant geographic market, we moved to scale in the US on both revenue and headcount, with consulting heads up 33 per cent and our stock of work up 13 per cent. The benefits of the previous PA Consulting acquisitions made in 2020 are starting to be realised and with a new senior management position focusing specifically on US growth, the Group is well positioned to continue its growth strategy in the region.

Investment has focussed on organic growth during the period, with increases in the size of fee-earning teams in all of our key geographies. Our closing consultant headcount represents a 14 per cent increase since the acquisition in March 2021 and while recruitment remains competitive in the market, we are confident we will be continuing this team-build through 2022.

Overall, the Group has ended the period with a healthy stock of work of £264.7 million and a good sales pipeline of opportunities as we head into the next year.

Total revenue, which is inclusive of income from rechargeable project costs, was £676.8 million for the period (£793.8 million proforma for 12 months).

Adjusted EBITDA

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

The Group's adjusted EBITDA was £175.4 million (£200.1 million proforma for 12 months). This has been a strong underlying performance which has resulted from a combination of cost efficiencies, the team still predominantly working remotely throughout the period and consequently global travel and related costs have been abnormally low, and the demand in the market for our skills, which has meant our utilisation rates have been in excess of historical levels. We are expecting our focus on growing the team to remedy this as we go through 2022 and are also expecting global travel to steadily resume as we, and our clients, move to a more normal hybrid way of working.

Adjusted EBITDA excludes net costs of £199.8 million. In May 2021 the Group's employee benefit trust (EBT) made an exceptional distribution of £188.4 million to employees in connection with the acquisition of PA Consulting. To be eligible for this distribution, employees were required to remain in employment until the payment date and consequently accounting standards require this distribution to be recorded as employment cost rather than a consideration payment despite the close proximity to the transaction. In addition, £7.9 million of stamp duty was incurred as part of acquiring the share capital of PA Consulting Group Holdings Limited.

The remaining adjusting items totalling £3.5 million mainly relate to costs connected with PA Consulting's prior acquisitions, share-based payment charge, or have been incurred as part of business wind-down in geographical locations which sit outside of the Group's strategic footprint. Full details of these adjusted items are disclosed in note 6.

Loss before tax

Inherent with the private equity-style capital structure created to enable the Company to complete the acquisition, the interest charges that the Group incurs are significant due to the 12 per cent preference shares which are treated as debt for accounting purposes due to their terms and conditions. These shares accumulated £115.5 million of dividends during the period (treated as finance cost) with £21.3 million attributable to the Group's £650 million variable rate term loan. The interest obligation on the preference shares accumulates on an annual basis unless settled, therefore the interest expense will be considerably higher each year until settlement is made. As these are capital instruments, there is no obligation on the Company to cash-settle this amount in the period and consequently the Group's interest cashflow is significantly lower than the charge incurred.

The total net financing costs of £138.5 million include a further £1.7 million of interest-like charges in relation to the Group's leases offset by £0.1 million of interest income.

After net financing costs, the Group generated a reported loss on ordinary activities before tax of £227.0 million for the period.

Cash flow

The Group's cashflow in the period is heavily impacted by the acquisition with consideration cash payment of £1,256.3 million being funded through the £650 million term loan drawdown and £901.4 million of capital issuance. The resulting net inflow relates to the £294.1 million of cash held by the PA Consulting Group at the time of the acquisition. The Group also issued £292.3 million of share units directly to the former shareholders in exchange for their previous shares which is treated as non-cash consideration for the purposes of cashflow reporting. Stamp duty of £7.9 million was settled in connection with the acquired shares.

The Group's net operating cash outflow of £58.5 million is due to the exceptional £188.4 million EBT distribution made shortly after the acquisition. The £7.9 million stamp duty cost incurred as part of acquiring the shares is also not related to trading activities and both items obscure the true underlying cash generation of the business which would have been £137.8 million inflow for the period without these disbursements.

The majority of the Group's other £6.4 million investment spend has been focused on refreshing the IT hardware and infrastructure used by our employees in delivering their projects and roles and on the final rollout of the Group's new CRM system which went live during the period and will allow us better visibility and tracking of client opportunities.

During the period, the Group conducted various transactions in its own shares resulting in a net outflow of £25.9 million. The main transaction was a £26.5 million share buy-back in December to repurchase shares from leavers. Full settlement was made for all shares held and therefore no further amounts are payable to these leavers. The shares were held within the Group's EBT at the period end. Further financing activities include paying rent obligations of £7.3 million mainly from property leases, the majority of which relates to the Group's UK head office, and £14.1 million of interest on the £650 million term loan. Throughout the period the Group maintained significant headroom on its loan covenant.

After these investing and financing activities, the Group had an overall inflow of £183.1 million resulting in a closing cash and cash equivalents balance of £183.2 million.

Statement of financial position

Non-current assets and liabilities

As a result of the acquisition of the former PA Consulting Group, as noted earlier, the Group's balance sheet is dominated by long-term items recognised as part of the transaction. These items remain broadly the same at the reporting date as at the date of acquisition, resulting in non-current assets of £1,786.1 million and non-current liabilities of £2,110.5 million, the main movements since the acquisition date being a reduction in intangible assets of £51.6 million predominantly due to the amortisation charged for the period (closing net book value of £669.3 million), £89.2 million increase in borrowings from the accumulation of dividends on the 12 per cent preference shares offset by shares repurchased and held at the period end (closing book value of £1,921.4 million) and £20.0 million increase in deferred tax liability in relation to the acquired intangible assets (closing book value of £139.7 million).

The Group's repurchase of 4,664,399 share units (a share unit being a stapled ratio of one ordinary B share and 5.6 preference shares) and a small number of ordinary C shares from former employees close to the period end, as described previously, has meant that these shares remained within the EBT and consequently within the Group at the reporting date. The £0.3 million attributable to ordinary shares is disclosed within equity and £26.1 million attributable to preference shares is offset against the related borrowings within non-current liabilities.

Current assets and liabilities

The Group ended the period with a £70.6 million net current asset position. Whilst the Group has significant trade and other current liabilities, £222.5 million at the reporting date, it also holds significant levels of easily available cash resources, including capacity through its revolving credit facility. In addition, the Group has £99.4 million of trade receivables which have a healthy ageing profile with only 19 per cent past due and minimal expected credit losses (see note 4.2.1 for further details). The Group operates a prompt payment protocol with its suppliers, in keeping with the UK's Prompt Payment Code and consequently outstanding trade payables are consequently low, just £1.9 million at the end of the period.

The key items included within current liabilities are £135.2 million of deferred employee remuneration and £7.7 million of acquisition-related contingent payments which relate to the legacy acquisitions made by the PA Consulting Group prior to the acquisition.

Proforma income statement and financial position

The reported Group results consolidate ten months of trading of the PA Consulting Group of companies. Proforma numbers to reflect a full twelve months of trading are presented below to help illustrate what the Group's operating results would have been if the investment had occurred on 1 January 2021.

	Reported 10 months trading	Proforma 12 months trading*	
	2021 £m	2021 £m	2020 £m
Fee income	**588.8**	**691.5**	**558.7**
Project costs recharged	88.0	102.4	91.2
Revenue	676.8	793.9	649.9
Adjusted EBITDA	**175.4**	**200.1**	**137.7**
Depreciation and amortisation	(64.1)	(76.9)	(32.4)
Exceptional items	*(199.8)*	*(200.9)*	*(24.0)*
Group operating (loss)/profit	(88.5)	(77.7)	81.3

*unaudited

The proforma 2021 financial results have been calculated from 12 months actual trading of the original PA Consulting Group, adjusted for significant items that would change due to the acquisition, primarily an increased depreciation and amortisation charge for the higher level of acquired intangibles.

The Group's retained profit is significantly impacted by the capital structure inherent in a private equity-style investment due to the high proportion of capital funding being debt or debt-like instruments. This significantly adversely impacts the position of the balance sheet and the profit before tax and in management's view does not reflect the strength of the underlying operations. Had the investment been funded through ordinary share capital rather than the debt-like preference shares, the Group's capital structure would be more comparable with a normal corporate capital structure and its key balance sheet and P&L measures would look as presented below:

		2021		
	Reported £m	Adjustment* £m	Adjusted* £m	
Pro forma income statement and financial position				
Fee income	**588.8**	-	**588.8**	
Project costs recharged	88.0	-	88.0	
Revenue	676.8	-	676.8	
EBITDA	**(24.4)**	**199.8**	**175.4**	(i)
Depreciation and amortisation	(64.1)	-	(64.1)	
Group operating profit	**(88.5)**	**199.8**	**111.3**	
Net interest payable and similar items and other finance costs	(138.5)	115.5	(23.0)	(ii)
Profit/(loss) on ordinary activities before taxation	**(227.0)**	**315.3**	**88.3**	
Pro forma statement of financial position				
Non-current assets	1,786.1	-	1,786.1	
Net current assets	70.6	-	70.6	
Non-current liabilities	(2,110.5)	1,271.4	(839.1)	(iii)
Net assets	**(253.8)**	**1,271.4**	**1,017.6**	

*unaudited

The adjustments in the current period relate to:

i. Removal of exceptional income and costs

ii. Removal of interest on preference shares.

iii. Removal of amounts due on preference shares.

STRATEGIC REVIEW

2021 was another remarkable year

Our teams applied their ingenuity to tackle life-changing projects and deliver end-to-end innovation for clients in challenging times.

As the way we live and work continues to change in unprecedented ways, our purpose of **bringing ingenuity to life** is more important than ever. It drives our focus, unites our team, and inspires our clients as we work together to build a positive human future.

Innovating for our clients

What sets us apart is our dedication to innovating our clients' experience of working with us, both in what we do, and how we do it – striving to bring ingenuity to life in every interaction.

And we're perfectly positioned to do so. We're the only company with the range of expertise – strategists, innovators, designers, consultants, digital experts, scientists, engineers and technologists – to deliver end-to-end innovation. We accelerate new growth ideas from concept, through design, development, and to commercial success, as well as revitalising organisations – building the leadership, culture, *systems and processes to make innovation a reality.*

2021 presented a second challenging year for many organisations, as they grappled with the effects of the COVID-19 pandemic. We applied our market-leading capabilities to build new revenue platforms, improve experience for our clients' customers, and transform organisations to be more resilient and agile.

We created a brand strategy for Wildtype, a start-up *developing sustainable lab-grown salmon, to grow their* market recognition, and we enabled clean energy innovation for wind turbine manufacturer, Vestas. We developed a device to improve end-of-life patient comfort in healthcare for US medical device start-up, Bearpac Medical, and created a ground-breaking virtual reality, 'Museum of the Future' for the UK's Defence Science and Technology Laboratory *(Dstl) to explore the potential impact of military and policy* decisions, technologies, and future operating environments. And we unveiled a new EV chargepoint design concept at COP26 to help accelerate the transition to electric vehicles in our global fight against climate change.

We codified our work with clients into market-leading thought leadership: from how to use organisational agility for a competitive edge, how financial services can provide customers with more sustainable choices, and how we can think differently about water to help decarbonise the planet.

Investing in our people

We deliver great work because of our brilliant people. They bring real-world experience to tackle our clients' biggest challenges. And they live our purpose every day. We welcomed over 1,300 new people, including 50 partners, to PA in 2021 and we continue to hire at pace in 2022 – further growing the critical skills that help our clients thrive.

In return for our people's expertise and commitment, we offer stimulating work, inspiring teams to learn in and an inclusive and supportive culture to help them grow.

Our Future

Looking forward, a strong 2021 means we're in a great position for growth.

Our strategy is clear. We'll focus growth on our core geographies, investing in building our deep sector expertise and bringing together our end-to-end capabilities to create even more ingenious responses to our clients' biggest challenges. And we'll ensure we continue to recruit diverse talent and further invest in creating opportunities for our people to learn, develop and build exciting and rewarding careers.

The completion of Jacobs' strategic investment in March 2021 marked the beginning of a successful new chapter for us. Jacobs' complementary capabilities have accelerated our growth plans and further strengthened our ability to deliver innovative solutions for our clients.

We have big ambitions for the months and years ahead, as we build on the momentum of a successful year.

Inclusion and diversity

We continued our commitment to equal opportunities and progressing our Inclusion & Diversity (I&D) agenda during 2021.

We made progress against our commitments to fight racism and drive lasting change. We ran firm-wide training on topics like allyship, and we held conversations with leadership teams about intersectionality and tokenism. We launched a Women in Leadership programme which supports our drive to increase representation of women at senior levels by building professional growth and aspiration and helping to break down any barriers to progression.

We partnered with schools, colleges and universities, and specialist recruitment firms, to recruit more diverse talent at every level. To empower young people from diverse backgrounds to fulfil their ambitions, we joined forces with the National Society for Black Engineers (NSBE) and Generation Success, and improved the diversity of our graduate recruitment pipeline.

We backed new initiatives from our RISE, Mental Health and Wellbeing, PRIDE, and Women's employee networks, and we launched a new Military Network.

We also published our first internal Diversity Data report in 2021. The report provided insight on our Gender Pay Gap and our Equal Pay audit process and results. In addition, the report shed light on how diverse talent flows through our organisation by applying an ethnicity lens to our firm composition in the UK and US, and a gender lens to our firm composition and promotion rate globally.

Gender is just one facet of diversity and the table below provides a breakdown of gender diversity across various levels at PA as at 31 December 2021.

	Female	Male
Total PA employees As at 31 December 2021, there were 3,6[illegible] permanent employees (2020: 3,139), including the senior leadership team and directors of PA Consulting Group Limited, of whom 1,378 were female, 2,289 were male and 3 undisclosed (2020: 1,129 female and 2,010 male)	1,378	2,289
Senior leadership team As at 31 December 2021, the senior leadership team, excluding company directors, [illegible] comprised 228 partners and function heads (2020: [illegible]), of whom 38 were female, 189 were male and 1 undisclosed (2020: 31 female and 172 male)	38	189
Directors of PA Consulting Group Limited at 31 December 2021	0	6

Employee wellbeing and development

We have continued to prioritise the health of our people during the pandemic, using this as a guiding principle for our approach to hybrid working for employees at home and in our offices.

We launched a wellbeing microsite early in 2021, providing access to information on services, tips, and resources to support our people in prioritising and maintaining their wellbeing. We also hosted a series of events and workshops on topics ranging from sleep to the cathartic power of creative writing. We also help our teams hone their craft by offering ongoing learning and mentorship opportunities. During the year, our people completed the equivalent of more than three years of virtual learning on PA Academy and our Learning and Development team launched 16 new courses. Meanwhile, our Graduate Development Programme and Mentoring circles supported the welcoming of 172 Graduate analysts across our offices in five countries.

Supporting our communities

Creating a positive human future for all extends beyond our people and client efforts to endeavouring to unlock ingenuity across wider society.

We run impact-driven initiatives at a firm-wide level and we partner with organisations in the places we live and work to offer pro bono assistance to communities – and our partnership with The PA Foundation will amplify this impact in 2022. Our people will volunteer their skills and experience, working alongside the Foundation, to make a real difference.

In 2021 we also welcomed disadvantaged young people onto our virtual UK and US **Springboard work experience programme**, where our experts and clients mentored them as they developed solutions to global issues. We donated hundreds of PA laptops to **The Turing Trust**, so they can continue to give children in the UK and Malawi digital access. Through our **Raspberry Pi Competition**, we challenged students in the UK and the Netherlands to put their engineering and coding skills to the test, using a Raspberry Pi microcomputer to design technology to create a positive human future for everyone following the global pandemic.

While our **Women in Tech (WiT)** network trained women in digital skills to address the gender imbalance in technology careers.

We continued to champion equal opportunity across defence through our longstanding partnership with **Women in Defence** UK, whereby our people volunteer time for activities like a cross-defence mentoring programme that saw 80 per cent more mentee-mentor pairings last year. And we provided coaching services to The Forces Employment Charity to support military veterans who are looking for work or transitioning out of the armed forces.

Environmental, Health & Safety

Environmental Sustainability

Substantial changes in how PA is responding to the climate crisis were made in 2021. Our board made a commitment to set Science Based Targets in line with a global temperature rise of 1.5°C above pre-industrial levels. We also made a commitment to reach net zero across all our operations by 2030 as part of the development of our first formal Carbon Reduction Plan.

This has all been against the backdrop of the continued COVID-19 pandemic, and the ongoing impact which that has had on the way we work. We have continued to support our colleagues to work safely and productively from home, while beginning the transition to a hybrid work model, giving them the flexibility to deliver their best work wherever they are.

The continuation of COVID-related restrictions has again artificially depressed our business travel, however we saw a gradual increase in travel during the year.

2021 Energy and carbon summary

Data for the UK, 2020 vs. 2021

Scope	Source	2020 consumption	2020 GHG emissions (tCO2e)	2021 consumption	2021 GHG emissions (tCO2e)	Difference
Scope 1 - direct GHG emissions	*Gas consumption*	*2,444,990 kWh*	*449.6*	*2,040,749 kWh*	375.5	-16%
	F-gas consumption	40 kg	51.2	0 kg	0	-100%
	Other fuel consumption	*not applicable*	*not applicable*	*not applicable*	*not applicable*	
Scope 2 - energy indirect emissions	Purchased electricity	2,739,782 kWh	638.8	2,725,875 kWh	578.8	-9%
Scope 3 - other indirect emissions	Purchased electricity T&D losses	see above consumption	55	see above consumption	51.2	-7%
	Water consumption & treatment	*2,941,000 litres*	*3.1*	*10,807,000 litres*	4.5	+45%
	Waste (recycling and landfill)	8t	2.9	9t	0.9	-69%
	F-gas consumption (leased offices)	2.2	2.8	0.5 kg (estimated)	0.6	-79%
	Business air travel	3,409,203 km	876.1	1,595,990 km	368.7	-58%
	Business car & taxi travel	1,959,384 km	361.2	1,427,534 km	278.5	-23%
	Business train travel	3,900,456 km	144.1	1,658,561 km	58.9	-59%
	Business public transport travel	24,987 km	0.8	6 972 km	0.2	-75%
	Paper procurement	9.1t	3.4	9.1t	3.4	0%
	Employee commuting	18,386 km	575.7	23,872 km	706.6	23%
Total		**5,184,772 kWh**	**3,164.7**	**4,766,624 kWh**	**2427.3**	**-23%**

*This year, for offices that did not have water consumption data, an estimate of 4m /employee/annum was made based on industry benchmarks for typical office usage

Global data, 2020 vs. 2021

Scope	Source	2020 consumption	2020 GHG emissions (tCO2e)	2021 consumption	2021 GHG emissions (tCO2e)	Difference
Scope 1 - direct GHG emissions	*Gas consumption*	2,582,663	475.5	2,074,766	385.6	-19%
	F-gas consumption	40.0kg	51.2	0	0.0	-100%
	Other fuel consumption	not applicable	not applicable	not applicable	not applicable	
Scope 2 - energy indirect emissions	Purchased electricity	3,135,751	778.3	3,230,207	772.3	-1%
Scope 3 – other indirect emissions	Purchased electricity T&D losses	see above consumption	62.9	see above consumption	60.7	-3%
	Water consumption & treatment	3,817,000 litres	4.0	13,538,000 litres	5.7	+43%
	Waste (recycling and landfill)	13t	3.0	18t	1.0	-67%
	F-gas consumption (leased offices)	2.2kg (estimated)	2.9	3kg (estimated)	4.1	+41%
	Business air travel	6,447,427 km	1,396.1	2,990,497 km	621.6	-55%
	Business car & taxi travel	2,243,697 km	408.4	1,568,099 km	300.9	-26%
	Business train travel	4,317,931 km	159.5	1,827,855 km	64.8	-59%
	Business public transport travel	37,859 km	1.2	15,840 km	0.5	-58%
	Paper procurement	9.1t	3.4	9.1t	3.4	0%
	Employee commuting	23,422 km	732.9	29,840 km	982.6	+20%
Total		**5,718,414 kWh**	**4,079.3**	**5,304,973 kWh**	**3,103.2**	**-24%**

[1] This year, for offices that did not have water consumption data, an estimate of 4m³/employee/annum was made based on industry benchmarks for typical office usage.

In 2021 we increased fee income while decreasing both the carbon intensity of our offices and reducing air travel, resulting in a further decrease in the carbon intensity of the work we do.

Intensity measures:

	2021		2020	
	UK	Global	UK	Global
Carbon emissions (w(e))	2,427.3	3,103.2	3,165.0	4,079.3
Fee income (£m)	541.5	691.7	508.8	649.9
Emissions intensity ratio (tCO2e/£m)	4.48	4.49	6.22	6.28
Headcount	2,709	3,532	2,426	3,139
Emissions intensity ratio (tCO2e/head)	0.90	0.88	1.30	1.30

In line with the requirements of SECR, the above data include electricity consumption figures based on the "location-based" approach, in other words overall carbon intensities for the electricity grid in each country. However, this does not take into account individual contracts in place for renewable electricity for several of our offices, including our Global Innovation and Technology Centre (GITC) in Melbourn, UK, our only owned facility. Taking into account these renewable electricity contracts, our GHG emissions would reduce to 1,900.4 tCO_2e, and global emissions would be 2,574.4 tCO_2e.

Methodology

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

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

Where possible, verifiable data was used, for example obtained through metered data or using invoices or annual statements from suppliers. Where verifiable data was not available, consumption data was estimated by using data from the most recent comparable time period to fill the gap, calculating figures using pro-rata extrapolation or benchmarking to proxy the energy consumption of one site to a similar site. The report data forming this report has been compiled and verified by an external consultancy.

Energy efficiency action

We have continued to work to reduce our carbon footprint during the year by improving our maintenance regimes for plant and equipment at our GITC, continuing to replace lighting with LEDs and implementing an upgrade to our building management system. This will give us greater analytical capability to make further savings on running the facility in the future.

We have continued preparation work for a major refurbishment to the building, which we hope to begin in 2022. We expect substantial energy savings to accrue from the work undertaken, to lead us on our path towards net zero.

Social responsibility

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

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

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

In 2021 we again had no significant work-related accidents – those which occur as a result of our work or workplace, and which require notification or reporting to the local regulatory authority (e.g. Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) in the UK).

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

Economic responsibility

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

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

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

Principal risks and uncertainties

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

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

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

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

Market risk is managed by the Operating and Client Committees

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

Operational and professional risk is managed by the Risk Management Committee

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

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

Financial risk is monitored by the Audit Committee

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

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

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

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

Section 172(1) Statement

This section comprises our Section 172(1) Statement and should be read in conjunction with the financial and strategic reviews on pages 5 to 19. The directors of the Company have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of the members as a whole, and in doing so had regard, among other things to:

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

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

Our core values define our organisation and represent a personal commitment by every one of our people worldwide.

The governance and control framework which is in place across the Group ensures that our core values are upheld and that decisions made by the board give due regard to the long-term impact of those decisions, the interests of the Company's stakeholders, and the impact of the Company's activities on the community, the environment and the Company's reputation. The key stakeholders which are considered by the board when making decisions include our people, clients and shareholders, as well as suppliers, the environment and the communities around us.

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

The directors also have access to advice and guidance from the Group Company Secretary, as well as PA's Company Secretariat and Group legal functions when discharging their duties. The board has made a number of decisions during the year which are described in this report. Examples of how the board has engaged with its stakeholders during the year are included throughout the report, with further examples provided below.

Our clients

Our clients, and the work we do for them, are cornerstones of our purpose, and strategy. The way we contribute to our clients and build successful and enduring relationships is critical to our success. We engage with our clients closely, working side by side with them in every job we do. In addition to the work we do every day on client assignments, we produce many insight and thought leadership pieces on issues that are top of mind of our clients. Each year, we publish an ingenuity review, which provides an important 'window' on PA for our clients, as well as investors, PA people and potential new joiners. To further understand how well we are meeting the needs of our clients, we undertake client value reviews. The results of these surveys show that over 95 per cent of clients would recommend us based on our work. We're proud to work with clients who make a positive contribution on ground-breaking and innovative projects that improve people's lives. We care about what we do and the impact we deliver. Our clients are ambitious to innovate and transform their organisations, markets and society, and we go the extra mile to realise that goal.

Our 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.

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 from our Chief Executive Officer and other members of our senior leadership team. We also hold many in-person events and gatherings throughout our global offices.

We regularly undertake an engagement survey of our people and in 2021, 75 per cent of our people shared their views, providing 26,000 comments. Listening and responding to this feedback is a huge part of delivering on our commitment to creating a place which attracts the best and brightest minds and enables everyone to thrive and develop their skills, every day. This feedback shapes our firm-wide action plan, which in 2021 included a refresh of our career frameworks, a review and benchmark of our approach to reward and enhancements to our approach to IT.

Our shareholders

Employee share ownership continues to be an important part of PA's culture and brand. It is a key feature of our strategy and is highly valued by our people. PA management works closely with Jacobs, who have representation on the PA Consulting Group Limited board. PA employees are represented on the PA board by the Chief Executive Officer and the former Chief Executive Officer.

Our communities

We are proud that our people engage in our communities, giving their time and expertise to develop and inspire others, particularly those facing disadvantage, to be the innovators and leaders of tomorrow. In 2021, we continued to give back to our communities through various new and established initiatives and the establishment of The PA Foundation will accelerate these efforts.

This strategic review was approved by the board on 8 April 2022 and signed on its behalf by:

Ken Toombs
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

DIRECTORS' REPORT

The directors present their report for PA Consulting Group Limited for the period ended 31 December 2021.

Principal activities of the Group

The Company is a holding company within the PA Consulting Group. The principal activities of its subsidiaries are the provision of a range of consultancy services to governments and industry. A fair review of the business of the Group during the financial period ended 31 December 2021, the position of the Group at the end of the financial period, and a balanced and comprehensive analysis of the performance of the Group's business during the period and future developments, are included in the financial and strategic reviews on pages 5 to 19.

Directors

The directors of the Company who were in office during the period ended 31 December 2021 and up to the date of signing of the financial statements were as follows:

John Alexander (appointed 2 March 2021)

Ruairidh Cameron (appointed 2 March 2021, resigned 29 November 2021)

Michael Carlin (appointed 9 February 2021, resigned 2 March 2021)

Kevin Berryman (appointed 2 March 2021)

Steven J. Demetriou (appointed 2 March 2021)

Alan Middleton (appointed 2 March 2021)

Robert Pragada (appointed 20 November 2020)

Kenneth Toombs (appointed (2 March 2021)

Directors' indemnity and insurance

In accordance with the articles of association, the Company has provided to all the directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office, and the Company has taken out an insurance policy in respect of those liabilities for which directors may not be indemnified.

Neither the indemnity, nor insurance, provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Dividend

The directors do not recommend the payment of a dividend in respect of the financial period ended 31 December 2021. Amounts accruing on preference shares at period end are included in note 18 of these financial statements.

Political and charitable donations

No political donations were made during the period. During the period the Group made charitable donations of £245,388. These donations correspond to recommendations made by individual employees of the Group in 2021, in respect of which they individually waived an element of their deferred remuneration.

Employees

Employee involvement and engagement

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

PA regularly conducts an engagement survey, which informs our people plans, and provides all employees with access to a 'Give PA your suggestions' facility. Employees and third parties, including clients and suppliers, can also raise concerns through a confidential and anonymous whistle-blowing helpline that is operated externally. Throughout the year employees were updated on financial and economic factors affecting the performance of the Company.

Supporting colleagues with disabilities

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

Going concern

As required by company legislation, the directors are responsible for reviewing and concluding that the use of the going concern basis of preparation is appropriate for the Group. In consideration of this, the Directors have taken into account short and mid-term trading and cash forecasts, covering the period to June 2023, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group.

The base forecasts used as part of the review align with the board-approved budget and long-term plan and show operating cashflow to be strong throughout. Consideration has been given to any potential downside from the current Ukraine-Russia conflict and the increasing inflationary environment in the UK (the Group's predominant geography).

The Group does not operate in either the Ukraine or Russian territories and therefore the conflict is not expected to create a significant disruption to the current business model. A forecast scenario representing a reasonable increase to costs and prices has been prepared and reviewed to understand the potential impact on the business from continued inflation which demonstrated that a sufficient amount of operational cash headroom is available to the Group to tolerate such increases. The Group's business model has meant that historically the Group is self-funding from its operating cash generation. Trading and cash conversion has mostly been unaffected by the economic uncertainty in the last two years which has shown that this business model is robust and flexible to adapt to external volatility.

The Group's financing is a combination of debt and cash on hand with the debt being funded from the Group's majority investor, Jacobs Engineering Group Inc. The maturities on these debt instruments are well beyond 12 months and include an undrawn £50 million revolving credit facility which provides additional financing capacity should it be required. There are no financial covenants that would cause default during the period under consideration. The directors believe these sources provide the Group with access to sufficient longer-term funding and the ultimate lender has appropriate backing and headroom to support the lending for the foreseeable future.

Having due regard to these matters, the directors are satisfied that the Group has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there is no material uncertainty around the Group's ability to continue as a going concern.

Financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Further information about the most significant financial risks faced by the Group and how these are managed can be found in the strategic review and in note 17 of these financial statements.

Research and development

PA is committed to new knowledge creation and innovation through the provision of research and development for clients and through investing in projects internally. The Group will continue its policy of investment in research and development in order to retain a competitive position in the market.

Disclosure of information to auditors

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

Directors' responsibilities

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

Under that law the directors have elected to prepare the Group financial statements in compliance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006, and the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities statement

Each of the directors who is listed on page 22 confirms that to the best of their knowledge and belief:

- the financial statements for the financial period ended 31 December 2021, prepared for the Group, in compliance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006, and for the Company, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the Company respectively; and
- the strategic review includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This directors' report was approved by the board on 8 April 2022 and signed on its behalf by:

Ken Toombs
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

INDEPENDENT AUDITOR'S REPORT

to the members of PA Consulting Group Limited

Opinion

We have audited the financial statements of PA Consulting Group Ltd. ('the parent company') and its subsidiaries (the 'Group') for the period ended 31 December 2021 which comprise the consolidated statement of profit or loss, the consolidated and parent company statement of financial position, consolidated statement of cash flows, the consolidated statement of other comprehensive income, the consolidated and parent statement of changes in shareholder's equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Performing a walkthrough of the Group's financial close process, to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors were considered in their assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts and covenant calculations for the going concern period which covers the period to June 2023.
- Performing procedures to confirm the clerical accuracy and appropriateness of the of the underlying model. The Group has modelled a base case scenario and plausible downside scenario in their cashflow forecast and covenant calculation.
- Assessing the factors and assumptions included in each modelled scenario.
- Considering the mitigating factors included in the cashflow forecasts and covenant calculations that are within control of the Group. This includes review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required. We also verified credit facilities available to the Group.
- Performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- Reading the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

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

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

Other information

The other information comprises the information included in the annual report set out on pages 4 to 24, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and parent company and determined that the most significant are those that relate to the reporting framework (IAS, FRS 101 and the Companies Act 2006), direct and indirect tax compliance regulations in the jurisdictions in which the Group operates and Miscellaneous Reporting Regulations 2018. In addition, the Group has to comply with laws and regulations relating to domestic and overseas operations, including money laundering regulations, health and safety, employment law, data protection and anti-bribery and corruption.
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit and internal legal counsel to understand how the Group maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes, inspection of internal audit reports and papers provided to the Audit Committee throughout the year, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the Group to either corroborate our findings or provide contrary evidence which was followed up.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved discussions with management and internal legal counsel to assess and understand the implications on our audit procedures, testing of journals identified by specific risk criteria and tracing legal expenses incurred back to supporting documentation which describes the matter being invoiced to ensure any other instances of non-compliance with laws and regulations are identified which were not identified through our enquiries with the management. We also circulated legal confirmations to the external legal counsel.
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there is susceptibility to fraud. We made inquiries with the Head of Legal to identify and assess any whistle blowing incidences which could have a financial reporting impact.
- After completing these inquiries and identifying the Group's employee bonus plan as a potential fraud incentive we concluded that revenue was susceptible to fraud via management overriding controls. This relates to the recognition of revenue on fixed price and capped time and material contracts which are open at year end. In addition, there is a risk of management override in all revenue streams through manual journal entries and cut-off of subcontractor costs. We also noted that the employee bonus plan was based on a pre-exceptional cost measure such that this created a risk of fraud around the treatment and classification of exceptional costs.
- To address the identified fraud risks, we incorporated data analytics into our testing of manual journals, including segregation of duties and into our testing of revenue recognition, with particular focus on journals around year end. We tested specific transactions back to source documentation to ensure that these have valid business purpose. We also reviewed material customer contracts to verify revenue was recognized in accordance with the agreement. We also assessed items identified by management as exceptional costs as to whether they are accounted for in line with the Group's accounting policies.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christabel Cowling (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds, UK

8 April 2022

FINANCIAL STATEMENTS

Consolidated statement of profit or loss

for the period ended 31 December 2021

	Note[i]	2021 £m
Revenue		
Fee income	4	588.8
Project costs recharged	4	88.0
Revenue	4	676.8
Personnel and direct costs	5	(469.1)
Exceptional personnel and direct costs	6	(192.9)
Gross profit		14.8
Other administrative expenses		(96.5)
Other operating income	7.1	0.1
Exceptional administrative costs	6	(8.4)
Other exceptional income		1.5
Operating loss	7.2	(88.5)
Net finance costs	8	(138.5)
Loss on ordinary activities before taxation		(227.0)
Taxation	9	(37.1)
Loss for the financial period		***(264.1)***
Adjusted EBITDA[ii]	6	**175.4**

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

ii. Adjusted EBITDA is operating profit before interest, taxation, depreciation, amortisation and exceptional items. A reconciliation between operating profit and adjusted EBITDA is provided in note 6.

Consolidated statement of other comprehensive income

for the period ended 31 December 2021

	Note	2021 £m
Loss for the financial period		**(264.1)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial loss recognised on defined benefit pension arrangements	21	(0.6)
		(264.7)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on retranslation of net assets and results of overseas subsidiaries		0.1
		0.1
Total comprehensive loss relating to the period		***(264.6)***

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

Consolidated statement of financial position

at 31 December 2021

	Note	2021 £m
Non-current assets		
Goodwill	10	1,035.0
Other intangible assets	10	669.3
Property, plant and equipment	11	28.1
Right-of-use assets	12	50.0
Deferred tax assets	9	2.4
Other non-current assets		1.3
		1,786.1
Current assets		
Trade receivables	4	99.4
Contract assets	4	31.6
Other current assets	15	19.7
Cash and cash equivalents		183.2
		333.9
Total assets		**2,120.0**
Current liabilities		
Trade and other current liabilities	16	(222.5)
Contract liabilities	4	(30.3)
Lease liabilities	12	(9.7)
Current tax liabilities		(0.8)
		(263.3)
Net current assets		**70.6**
Non-current liabilities		
Borrowings	18	(1,921.4)
Lease liabilities	12	(41.0)
Pension and other post-employment liabilities	21	(5.0)
Deferred tax liabilities	9	(139.7)
Other non-current liabilities		(3.4)
		(2,110.5)
Total liabilities		**(2,373.8)**
Net liabilities		**(253.8)**
Equity		
Share capital	19	2.3
Share premium	19	9.1
Own shares reserve	19	(1.1)
Foreign currency translation reserve	19	0.1
Retained earnings		(264.2)
Total equity		**(253.8)**

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

The financial statements were approved and authorised for issue by the board of directors on 8 April 2022.

Ken Toombs
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

Consolidated statement of changes in shareholders' equity

for the period ended 31 December 2021

	Note	Share capital £m	Share premium £m	Own share reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Total comprehensive loss for the period							
Loss for the financial year		-	-	-	-	(264.1)	(264.1)
Actuarial loss recognised on defined benefit pension arrangements	21	-	-	-	-	(0.6)	(0.6)
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	0.1	-	0.1
Total comprehensive loss		-	-	-	0.1	(264.7)	(264.6)
Issue of ordinary shares	19	2.3	9.1	-	-	-	11.4
Share-based payments		-	-	-	-	0.5	0.5
Own shares acquired by the employee trust	19	-	-	(1.1)	-	-	(1.1)
At 31 December 2021		**2.3**	**9.1**	**(1.1)**	**0.1**	**(264.2)**	**(253.8)**

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

Consolidated statement of cash flows

for the period ended 31 December 2021

	Note[1]	2021 £m
Operating loss	7.2	**(88.5)**
Add back:		
Amortisation of intangible fixed assets	6, 7.2, 10	53.4
Depreciation of property, plant and equipment	6, 7.2, 11	4.2
Depreciation of right-of-use assets	6, 7.2. 12	6.5
Net foreign exchange differences		(0.6)
Share-based payment expense		0.5
Operating cash flows before movements in working capital		(24.5)
Decrease in trade and other receivables and contract assets		(19.9)
Increase in trade and other payables and contract liabilities		4.5
Operating cash flows before payments for taxes		**(39.9)**
Taxation paid		(18.6)
Net cash flows from operating activities	6.1	**(58.5)**
Investing activities		
Purchase of property, plant and equipment	11	(4.6)
Purchase of acquired intangible assets	10	(1.8)
Purchase of subsidiary undertakings (net of cash acquired)	25.1.2	(1,256.3)
Interest received	8	0.1
Net cash flow from investing activities		**(1,262.6)**
Financing activities		
Issue of ordinary shares	19.1.1	8.9
Issue of preference shares	18. 25	892.5
Drawdown of senior debt	18	650.0
Repayment of lease principal	12	(7.3)
Interest paid		(14.1)
Net cash from (purchase)/sale of own shares		(25.9)
Staff loans issued		0.1
Net cash flow from financing activities		**1,504.2**
Net increase in cash and cash equivalents		**183.1**
Net foreign exchange difference		0.1
Cash and cash equivalents at 31 December		**183.2**

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

Cash and cash equivalents include £0.2 million held by the Group's

NOTES TO THE FINANCIAL STATEMENTS

1. General information

General information

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

PA Consulting Group is an innovation and transformation consultancy headquartered in London, UK.

The company was incorporated on 20 November 2020. The reporting period covered is from the incorporation date of 20 November 2020 to 31 December 2021. Consequently, no financial comparatives are presented.

Statement of compliance

The Group's financial statements have been prepared in compliance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as it applies to the financial statements of the Group for the period from incorporation on 20 November 2020 to 31 December 2021.

These are the first financial statements of the Group prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board (IASB).

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

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

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for pension assets and liabilities and revaluation to fair value of certain financial instruments, business combination assets and contingent consideration.

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

Going concern

As required by company legislation, the directors are responsible for reviewing and concluding that the use of the going concern basis of preparation is appropriate for the Group. In consideration of this, the directors have taken into account short and mid-term trading and cash forecasts covering the period to June 2023, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group.

The base forecasts used as part of the review align with the Board-approved budget and long-term plan and show operating cashflow to be strong throughout. Consideration has been given to any potential downside from the current Ukraine-Russia conflict and the increasing inflationary environment in the UK (the Group's predominant geography).

The Group does not operate in either the Ukraine or Russian territories and therefore the conflict is not expected to create a significant disruption to the current business model. A forecast scenario representing a reasonable increase to costs and prices has been prepared and reviewed to understand the potential impact on the business from continued inflation which demonstrated that a sufficient amount of operational cash headroom is available to the Group to tolerate such increases. The Group's business model has meant that historically the Group is self-funding from its operating cash generation. Trading and cash conversion has mostly been unaffected by the economic uncertainty in the last two years which has shown that this business model is robust and flexible to adapt to external volatility.

The Group's financing is a combination of debt and cash on hand, with the debt being funded from the Group's majority investor, Jacobs Engineering Group Inc. The maturities on these debt instruments are well beyond 12 months and include an undrawn £50 million revolving credit facility which provides additional financing capacity should it be required. There are no financial covenants that would cause default during the period under consideration. The directors believe these sources provide the Group with access to sufficient longer-term funding and the ultimate lender has appropriate backing and headroom to support the lending for the foreseeable future.

Having due regard to these matters, the directors are satisfied that the Group has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there is no material uncertainty around the Group's ability to continue as a going concern.

2. Principal accounting policies

2.1 Basis of consolidation

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

The financial statements of the subsidiaries as consolidated in the Group financial statements have been prepared from the date of the acquisition of the PA Consulting Group to 31 December 2021, using consistent accounting policies. Businesses acquired or disposed during the period are accounted for using acquisition method principles from, or up to, the date control passed. Intra-Group transactions and balances are eliminated on consolidation. All subsidiaries use uniform accounting policies for like transactions and other events and similar circumstances.

2.2 Employee benefit trust

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

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

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

2.3 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency of the entity using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the statement of financial position date. Such exchange differences are included in the Group income statement within other administrative expenses.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Consolidation

For the purpose of presenting consolidated financial statements, the results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency other than sterling are translated into sterling as follows:

- assets and liabilities within the statement of financial position are translated at the exchange rate at the financial position date
- income and expenses within the income statement are translated at exchange rates approximating to the rates ruling at the dates transactions occurred.

The foreign exchange differences arising on retranslation of foreign entities are recognised in the Group's foreign currency translation reserve.

2.4 Revenue

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

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

Revenue from time and materials contracts is recognised as the services are provided on the basis of time worked at an hourly or daily rate and as direct expenses and disbursements are incurred.

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

The stage of completion of a fixed-priced contract is measured as the proportion that costs incurred for work performed to date bear to the estimated total costs of the contract. Estimated total costs of the contract (primarily consultant time) are reviewed regularly and, where necessary, revised.

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in the Group income statement.

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

2.5 Employee benefits

2.5.1 Defined benefit plans

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. This attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement, amendment or curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss that is recognised in the income statement during the period in which it occurs.

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

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

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

2.5.2 Defined contribution plans

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

2.5.3 Deferred employee remuneration

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

The Group recognises a liability and an expense for deferred employee remuneration based on a formula that takes into consideration the Group's EBITDA after certain adjustments. The Group recognises deferred employee remuneration liabilities and expenses where there is a past practice that has created a constructive obligation or there is a contractual obligation.

2.5.4 Short-term compensated absences

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

2.6 Research and development

Research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is written off in the same way, unless the directors are satisfied that it is probable that the expected future economic benefits attributable to the intangible asset created will flow to the Group and the cost of the intangible asset can be measured reliably. Where these criteria are met, the expenditure is deferred and amortised over the period during which the Group is expected to benefit.

2.7 Leases

Definition of a lease

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

Group as a lessee

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

2.7.1 Right-of-use asset

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

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

2.7.2 Lease liability

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

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

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

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

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

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

2.8 Share-based payments

Equity-settled share-based payments to employees and others providing similar services to the Group are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of service and non-market-based vesting conditions.

Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straightline basis over the vesting period (the expense being recorded within the Group's employment costs together with a corresponding increase in reserves), based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of service or non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in employment costs in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

No expense is recognised for awards that do not ultimately vest due to service or non-market based conditions not being met.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the good, or the counterparty renders the service.

For cash-settled share-based payments, the fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is initially determined at the grant date but at each subsequent reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in employment costs in the profit or loss for the year.

2.9 Interest income and expense

Interest income and expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

2.10 Alternative Performance Measure

The directors believe that certain adjusted financial measures provide additional useful information for shareholders on the underlying performance of the business to aid comparability between reporting periods. These adjusted measures remove items which by virtue of their size or nature distort the visibility of the continuing business performance.

The directors use Fee income (a subset of revenue) and adjusted EBITDA as their primary internal income statement performance measures. In the current year due to the one-off exceptional distribution made by the Group's EBT an adjusted operating cashflow measure is also presented to better reflect the true operating cashflows of the business. (Details are included in note 6).

2.11 Tax

The tax charge comprises current tax payable and deferred tax.

2.11.1 *Current tax*

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

2.11.2 Deferred tax

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

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

2.12 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method.

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

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

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

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

2.13 Intangible assets

Intangible assets include trade name, customer relationships, capitalised development costs and investment in new software.

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

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

Software costs acquired as part of the Group's acquisition represent the net book value on acquisition of costs of development by an external company. The costs capitalised during the period for investment in new software represent costs of development by an external company during the period. Software costs are amortised over a useful life of three years.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The useful life of the internal development costs capitalised in the period has been estimated as three years and amortisation will begin when the assets are in use.

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

Asset category	Useful economic life
Software	3 years
Trademarks	20 years
Customer relationships	9 to 11 years
Internal development costs	3 years

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

2.14 Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment. Cost comprises purchase price after discounts and rebates, plus all directly attributable costs of bringing the asset to working condition for its intended use. Finance costs are not capitalised and are expensed as incurred.

Depreciation is calculated so as to write off the cost, less estimated residual value, on a straight-line basis over the expected useful economic lives of the assets concerned. Depreciation is charged on assets from the date in which they are brought into use. The following useful economic lives are applied:

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

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

2.15 Cash and cash equivalents

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

2.16 Contract balances

Contract assets

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due) and the customer has been billed for that consideration. Refer to accounting policies of financial assets in section 2.17.2 Financial assets – initial recognition and subsequent measurement.

Contract liabilities

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

2.17 Financial instruments

2.17.1 Classification

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

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

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

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

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

2.17.2 Financial assets

Initial recognition

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

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

Subsequent measurement

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

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

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

Derecognition

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

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

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

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

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

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

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

Impairment

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

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

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

2.17.3 Financial liabilities

Initial recognition

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

Subsequent measurement

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

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

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

Financial liabilities at FVTPL are those which are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. See section 2.17.4 Derivative instruments.

Derecognition

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

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

2.17.4 Derivative instruments

Initial recognition and subsequent measurement

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

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

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

2.18 Provisions for liabilities

The Group recognises a provision when it has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date.

2.19 Share capital

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

2.19.1 Preference shares

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

2.19.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received net of direct issue costs, with the nominal value of the instrument credited to share capital and the excess to the share premium account.

All classes of ordinary shares of the Company meet the definition of an equity instrument and are recorded as such.

2.20 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.21 New and amended standards and interpretations

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. They are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Amendments to References to the Conceptual Framework in IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)
- Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (Amendments to IFRS 9)
- Taxation in fair value measurements (Amendments to IAS 41)
- Definition of accounting estimates (Amendments to IAS 8)
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

3. Critical accounting judgements and estimation uncertainty

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

3.1 Revenue from fixed price contracts

Revenue from fixed price contracts is recognised by reference to management's judgement of the stage of completion of the contract at the end of the reporting period and includes an estimate of the costs to complete the contract. Performance over the remaining contract term may result in revised estimates of turnover and costs with a cumulative adjustment to revenue and profit reported in future periods. Revenue recognised from fixed price contracts is disclosed in note 4.

3.2 Leases

Determining the lease term of contracts with renewal and termination options

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

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

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

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

Estimating the incremental borrowing rate

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

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

The impact of applying these estimates is included in the lease values included in note 12.

3.3 Impairment of intangible assets

The Group has a significant level of intangible assets, including goodwill. Goodwill requires annual impairment testing whereas the intangible assets with a limited life, trademark and customer relationships, only need to be formally assessed if indicators of impairment are identified.

Assessing the appropriateness of the carrying value is based on estimating the value in use of intangible assets which is determined from reference to the Group's enterprise value and is dependent on assumptions of future trading growth, profitability and cash flows. Details of the Group's impairment review are included in note 10.

3.4 Share-based payments

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled awards is estimated through the use of an option pricing model which requires inputs such as the share price, risk-free interest rate, expected dividends, expected volatility and the expected option life. Whilst most of these inputs can be based to a certain extent on historical factual data for shares that are freely traded, as the Group's Management Equity Plan shares are not traded, alternative methods which are more judgemental are required to obtain certain of the input values, the most significant being the share price/equity value (derived from the Group's deemed enterprise value) and volatility.

The Group's equity value has been assessed using the recent acquisition price as an observable market transaction occurring in close proximity to the award grant date. In subsequent years an estimation of equity value will be derived using third party expert valuations which rely on inputs such as management's performance forecasts and application of an appropriate discount factor. If these forecasts were overly aggressive or prudent, the resulting fair value and related share-based payment charge to be recognised could be higher or lower.

As there is insufficient historical share price data to calculate an appropriate company-specific volatility, an estimation, using a selection of comparable listed companies, is required. The choice of companies included and methodology adopted to calculate volatility can influence the volatility outcomes and in turn, the resulting fair value and related charge.

The resulting cost recognised in profit/(loss) is based on applying the fair value to the number of awards expected to vest. As the only performance criteria is continued employment, the vesting judgement applied is in relation to the level of leavers (and therefore award lapses) expected during the vesting period. Should the level of lapses be different from the initial estimated level, the charge booked will be adjusted to reflect the actual lapse level which may lead to a higher or lower charge.

The input values used in the fair value model and resulting income statement charge are included in note 20.

3.5 Business Combinations and goodwill

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is subsumed into goodwill.

Attributing fair values is a key judgement. Goodwill is the difference between the fair value of the consideration and the fair value of net assets acquired. Fair value is the price that would be received to sell an asset or pay for a liability in an orderly transaction at the date of acquisition. The price may be directly observable but, in most cases, is estimated using valuation techniques. Judgement is required in selecting an appropriate valuation methodology depending on the asset identified.

The basis for valuation is normally a management forecast of performance and cashflow, excluding any company-specific deal synergies, which inherently contain a level of subjectivity and selection and application of an appropriate discount rate to determine the present value of the stream of earnings. Further judgements have been applied for specific identified intangible assets, including for customer relationships, an estimation of expected growth and attrition rates and for trade name, selection of an appropriate royalty rate. Intangible asset values resulting from applying these judgements are included in note 25.

4. Revenue from contracts with customers

4.1 Disaggregation of revenue

All revenue is derived from the provision of consulting services:

	For the period ended 31 December 2021		
	Consultant fees £m	Project costs recharged £m	Total £m
Geographical markets, based on the billing location of the client			
UK	452.3	79.9	532.2
Americas	72.7	4.2	76.9
Scandinavia	46.7	2.9	49.6
Europe	15.5	0.4	15.9
Asia Pacific	1.6	0.6	2.2
Total revenue from contracts with customers	**588.8**	**88.0**	**676.8**
Contract duration			
One year or less	392.4	47.2	439.6
Over one year	196.4	40.8	237.2
Total revenue from contracts with customers	**588.8**	**88.0**	**676.8**

Revenue from time and materials, fixed-price and milestone contracts of £674.8 million was recognised on the basis of time worked and expenses incurred. For time and materials contracts, revenue directly reflects time worked and expenses incurred; for fixed-price and milestone contracts, revenue was recognised through the percentage completion method using the time worked and expenses incurred as a proportion of the estimated total costs of the contract. Gain share contract revenue of £2.0 million was recognised at a point in time.

4.2 Trade receivables and other contract balances

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

	Note	2021 £m
Trade receivables	4.2.1	99.4
Contract assets	4.2.2	31.6
Contract liabilities	4.2.3	(30.3)

4.2.1 Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2021, £0.7 million was recognised as provision for expected credit losses on trade receivables.

	2021	
	Gross carrying amount £m	Provision for expected credit losses £m
Current (not past due)	80.8	-
1-30 days past due	14.9	-
31-60 days past due	2.5	-
61-90 days past due	0.6	-
91-180 days past due	0.6	-
More than 180 days past due	-	-
Credit-impaired trade receivables	0.7	(0.7)
	100.1	**(0.7)**

Movement on expected credit loss on trade receivables	2021 £m
Acquired on subsidiary acquisition	(2.1)
Net remeasurement of expected credit loss allowance	0.8
Amounts written off	0.6
At 31 December	**(0.7)**

4.2.2 Contract assets

	2021 £m
Gross carrying amount	31.7
Expected credit loss allowance	(0.1)
Net contract asset	**31.6**

Movement on contract assets	2021 £m
Acquired on subsidiary acquisition	42.5
Amounts billed in the period	(42.0)
Increases as a result of services performed but not invoiced during the period	31.3
Movement in provision and amounts written off in the period	(0.2)
At 31 December	**31.6**

The amounts written off in the period relate to changes in estimates of the stage of completion of fixed price projects and not customer default. This is therefore not representative of the expected credit losses on contract assets. As at 31 December, contract assets include £19.7 million unbilled accounts receivable. The right to payment for the unbilled accounts receivable is conditional only on the passage of time.

4.2.3 Contract liabilities

Movement on contract liabilities	2021 £m
Acquired on subsidiary acquisition	(28.3)
Increases due to invoicing, excluding amounts recognised as revenue during the period	(29.4)
Revenue recognised that was included in the contract liability balance acquired on subsidiary acquisition	27.4
At 31 December	**(30.3)**

4.3 Contracted performance obligations

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

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

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

5. Employee information

5.1 Employee numbers

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

	2021 Number
Consultants	2,907
Support	646
Total average number of employees	**3,553**

5.2 Employee remuneration

The aggregate remuneration of these persons was:

	2021 £m
Wages and salaries	(210.2)
Deferred remuneration	(111.8)
Social security costs	(24.5)
Contributions to defined contribution pension arrangements	(15.8)
Share-based payment charge	(0.5)
Exceptional distribution by employee benefit trust	(188.4)
Other payroll costs	(18.4)
Total aggregate employee benefits	***(569.6)***

5.3 Directors' emoluments in respect of qualifying services

	2021 £m
Directors	
Aggregate emoluments	3.5
Directors accruing benefits under defined benefit schemes	-
Directors in the defined contribution scheme	2
Highest paid director	
Aggregate emoluments	1.5

No director exercised any options in any shares of the company or any other group undertaking of the company during the period.

No director received shares of the company or any other group undertaking of the company during the period in respect of qualifying services.

6. Alternative performance measures

As well as GAAP measures, the directors use certain adjusted financial measures to assess the performance of the business, the primary measures being EBITDA and adjusted EBITDA. The directors believe that adjusted EBITDA provides additional useful information for shareholders on the underlying performance of the business as this measure is consistent with how the underlying business performance is measured internally. The directors view adjusted EBITDA as the best representation of the business' normal, continuing business performance by seeking to remove unusual items of income or expense which are judged to be one-off or non-trading in nature or by quantum. This provides management with increased comparability of performance between reporting periods.

These items are disclosed as exceptional in the Group's income statement if by virtue of their size or nature they distort the underlying trading performance.

	2021		
	£m	Adjustments £m	Adjusted £m
Group operating (loss)/profit	(88.5)	199.8	111.3
Amortisation of other intangible assets	53.4	-	53.4
Depreciation of property, plant and equipment	4.2	-	4.2
Depreciation of right of use assets	6.5	-	6.5
EBITDA	**(24.4)**	**199.8**	**175.4**

The adjustments relate to the following items

		2021			
	Note	Personnel and direct costs £m	Administrative costs £m	Other income £m	Total adjustment £m
Exceptional distribution by employee benefit trust	a	(188.4)	-	-	(188.4)
Acquisition related costs	b	(2.5)	(7.5)	-	(10.0)
Business closure costs	c	(1.0)	(0.5)	-	(1.5)
Contingent income	d	-	-	1.5	1.5
Pension advisor fees	e	-	(0.4)	-	(0.4)
Other costs		(0.5)	-	-	(0.5)
Share-based payment charge	f	(0.5)	-	-	(0.5)
Total adjusting items		**(192.9)**	**(8.4)**	**1.5**	**(199.8)**

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

a. This is the cost for the employee benefit trust distribution of cash and shares in the Group to employees.
b. These costs comprise stamp duty, professional fees, consideration deemed to be employment costs and staff retention costs.
c. These costs relate to the closure of businesses driven by the Group simplification initiative in the period.
d. This income relates to contingent events concluded after the disposal of PA Defense Inc in 2020.
e. *These costs were professional fees associated with the buy-out of the UK closed defined benefit scheme.*
f. The share-based payment charge is in relation to the Group's Management Equity Plan (see note 20 for details).

6.1 Alternative cash flow measure

In the period ended 31 December 2021, the Group's net operating cash outflow included one-off items incurred after the PA Consulting Group acquisition which the directors regard as related to the transaction rather than normal operating cash flows and therefore present an adjusted operating cash flow measure to show the position if these items were removed.

	Note	2021 £m
Net cash flows from operating activities		(58.5)
Adjustments		
Exceptional distribution by employee benefit trust	a	188.4
Stamp duty cost related to acquisition	b	7.9
Adjusted net cash flows from operating activities		**137.8**

a. The employee benefit trust (EBT) facilitates the buying and selling of PA shares and at the point of Carlyle's exit held a significant share holding. As a result, the EBT itself received proceeds for its shares held at the point of Carlyle's exit. The EBT made a discretionary distribution to PA people from these proceeds.
b. This cost represents the stamp duty incurred whilst acquiring the shares in PA Consulting Group Holdings Limited as part of the acquisition.

7. Income and expenses

7.1 Other operating income

	2021 £m
Rental income from property sub-leases	0.1

7.2 Included in operating loss

Operating profit is stated after charging/(crediting):	Note	2021 £m
Depreciation of property, plant and equipment	11	4.2
Depreciation of right of use assets	12	6.5
Total depreciation charge		**10.7**
Amortisation of intangible assets	10	53.4
Charges in relation to short-term leases and lease of low value assets		0.5
Foreign currency differences		0.3
Government grant income		(1.1)
R&D expenditure		(8.2)

7.3 Auditor's remuneration

	2021 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	271
Fees payable to the Group's auditor for other services:	
Audit of the accounts of subsidiaries	280
Other assurance services	11

Included in audit of the financial statements is £60,000 relating to the Company.
The auditor of PA Consulting Group Limited is Ernst & Young LLP.

8. Net finance costs

	Note	2021 £m
Finance income		
Interest income on cash and cash equivalents		0.1
		0.1
Finance costs		
Preference shares (net of shares held by the Group)		(115.5)
Senior debt interest		(21.3)
Discounting impact of lease liabilities	12	(1.7)
Interest on defined benefit pension arrangement liabilities	21	(0.1)
		(138.6)
Net finance costs		**(138.5)**

9. Tax

9.1 Tax on Loss on ordinary activities

	2021 £m
Current tax	
United Kingdom	
UK corporation tax at 19%	(12.7)
UK corporation tax	(12.7)
Foreign tax	
Corporation taxes	(4.4)
Foreign tax	(4.4)
Total current tax charge	(17.1)
Deferred tax	
Origination and reversal of timing differences	(20.0)
Total deferred tax	(20.0)
Total tax charge on loss on ordinary activities	**(37.1)**

9.2 Factors affecting current tax credit

The Group's total tax charge is £37.1m. The three main items affecting this charge are:

i. interest payable preference shares which is not tax-deductible
ii. the enacted change of tax rate in the UK and the resultant changes on deferred tax
iii. the distribution by the employee benefit trust which is not deductible for tax purposes.

The Group's total tax charge is higher than the standard rate of UK corporation tax for the period, 19 per cent. The differences are explained below.

	2021 £m
Loss on ordinary activities before taxation	(227.0)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19 per cent	43.1
Effects of:	
Expenses not deductible for tax purposes	(0.1)
Non-deductible preference share interest	(17.5)
Employee benefit trust distribution	(36.5)
Overseas losses arising in the period not relievable against current tax	(0.1)
Use of tax losses which are relievable against current tax	0.4
Effect of change of tax rate on deferred tax asset	(25.9)
Differential on overseas tax rates	(0.5)
Total tax charge for the period	(37.1)

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20 per cent to 19 per cent from 1 April 2017 and to 17 per cent from 1 April 2020. The rate reduction to 17 per cent was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax from 1 April 2021 remains at 19 per cent. The Finance Act 2021 confirmed an increase of UK corporation tax rate from 19 per cent to 25 per cent with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

9.3 Deferred tax

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

	Deferred employee remuneration £m	Pension costs £m	Tax losses £m	Intangible assets £m	Provisions £m	Property, plant and machinery £m	Total £m
Acquired on subsidiary acquisition							
(Charged)/credited							
- recognised on business combination	8.9	0.5	15.1	(144.0)	(0.5)	2.5	(117.5)
- to profit or loss (excluding impact of remeasurement of deferred tax)	(1.5)	0.1	(2.6)	10.6	(0.1)	(0.6)	5.9
- to profit or loss: impact of remeasurement of deferred tax	-	-	3.5	(29.4)	-	-	(25.9)
- foreign exchange and other movements	0.2	-	-	-	-	-	0.2
At 31 December 2021	**7.6**	**0.6**	**16.0**	**(162.8)**	**(0.6)**	**1.9**	**(137.3)**

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

	2021 £m
Deferred tax assets	2.4
Deferred tax liabilities	(139.7)
	(137.3)

9.4 Unrecognised deferred tax assets

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

	2021 £m
Tax losses	10.9

10. Intangible assets

	Note	Goodwill £m	Software £m	Trademarks £m	Customer relationships £m	Capitalised development costs £m	Other intangible assets total £m
			Other intangible assets				
Cost							
Acquired on subsidiary acquisitions	25	1,035.0	1.1	164.2	555.6	-	720.9
Additions		-	0.4	-	-	1.4	1.8
Disposals		-	(0.2)	-	-	-	(0.2)
At 31 December 2021		**1,035.0**	**1.3**	**164.2**	**555.6**	**1.4**	**722.5**
Accumulated amortisation							
Disposals		-	0.2	-	-	-	0.2
Charge for the year	7.2	-	(0.8)	(6.8)	(45.8)	-	(53.4)
At 31 December 2021		**-**	**(0.6)**	**(6.8)**	**(45.8)**	-	**(53.2)**
Net book amount							
At 31 December 2021		**1,035.0**	**0.7**	**157.4**	**509.8**	**1.4**	**669.3**

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

Trademarks represent the value of the royalty streams associated with the PA brand, and are being amortised evenly over the directors' estimate of their useful economic life of 20 years.

Customer relationships represent the acquired customer base that is expected to continue to support the business. These customer relationships are being amortised over their useful economic lives of nine to 11 years depending on the sector in which the customer belongs. These useful economic lives represent the period over which the Group is expected to benefit from the relationships.

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

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

Impairment of goodwill

For impairment testing, goodwill and other contributing assets are allocated to the consultancy CGU to calculate the carrying value of the consultancy CGU.

During the period impairment losses of £nil and impairment reversals of £nil were recognised.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount of the consultancy CGU as at December 2021, has been determined based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. The post-tax discount rate applied to cash flow projections is 11.0 per cent and cash flows beyond this period are extrapolated using a 1.5 per cent growth rate that is within the range of the long-term average growth rate for the consultancy industry. 1 to 2 per cent.

Sensitivity to changes in assumptions

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

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

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

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

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

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

11. Property, plant and equipment

	Note	Freehold land and buildings £m	Short leasehold and property £m	Office furniture equipment and machinery £m	Computer equipment £m	Total £m
Cost						
On acquisition	25	16.4	6.3	2.4	2.5	27.6
Effects of movements in exchange rates		-	0.1	-	0.1	0.2
Additions at cost		0.3	0.3	1.0	3.0	4.6
At 31 December 2021		**16.7**	**6.7**	**3.4**	**5.6**	**32.4**
Accumulated amortisation						
Effect in movement in exchange rates		-	(0.1)	-	-	(0.1)
Charge for the period	7.2	(0.9)	(0.7)	(0.6)	(2.0)	(4.2)
At 31 December 2021		**(0.9)**	**(0.8)**	**(0.6)**	**(2.0)**	**(4.3)**
Net book amount						
At 31 December 2021		**15.8**	**5.9**	**2.8**	**3.6**	**28.1**

12. Leases

Group as a lessee

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

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

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

	Note	Property £m	Motor vehicles £m	Total £m
On acquisition	25	54.4	0.5	54.9
Additions		1.4	0.4	1.8
Depreciation charged in period	7.2	(6.3)	(0.2)	(6.5)
Effects of movements in exchange rates		(0.2)	-	(0.2)
As at 31 December 2021		**49.3**	**0.7**	**50.0**

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

	Note	Property £m	Motor vehicles £m	Total £m
On acquisition		(54.4)	(0.5)	(54.9)
Additions		(1.4)	(0.4)	(1.8)
Interest charged	8	(1.7)	-	(1.7)
Payments made		7.1	0.2	7.3
Effects of movements in exchange rates		0.4	-	0.4
As at 31 December 2021		**(50.0)**	**(0.7)**	**(50.7)**
Current		**(9.3)**	**(0.4)**	**(9.7)**
Non-current		**(40.7)**	**(0.3)**	**(41.0)**

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

	2021 £m
Expense relating to short-term leases and leases of low-value assets	
- property assets	0.3
- non-property assets	0.2
Expense relating to service and other related charges	1.2

The Group had total cash outflows for leases in the period of £7.3 million.

13. Financial risk management

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

13.1 Liquidity risk

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

The Group is sufficiently cash generative to cover its operational requirements and has significant cash reserves available on a daily basis. Cash is held as easily accessible in interest-bearing current accounts, liquidity funds or short-term deposits. The Group also has access to a £50 million undrawn revolving credit facility should exceptional operational or investment requirements arise.

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

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

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

At 31 December 2021	< 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total contractual cash flows £m	Carrying value £m
Trade and other payables	(222.5)	(2.0)	(0.9)	-	(225.4)	(225.4)
Borrowings	-	-	(2,733.4)	-	(2,733.4)	(1,921.4)
Lease liabilities	(9.7)	(7.4)	(18.5)	(24.5)	(60.1)	(50.7)
Total financial liabilities	**(232.2)**	**(9.4)**	**(2,752.8)**	**(24.5)**	**(3,018.9)**	**(2,197.5)**

13.2 Credit risk

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

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

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

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

13.3 Foreign currency risk

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

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

Hedge accounting is not currently applied for these instruments. Details of the Group's open forward contracts is included in note 17.

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

Sensitivity

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

At 31 December 2021	USD £m	EUR £m	DKK £m	Other £m	Total £m
Financial assets	30.0	16.6	18.0	7.1	71.7
Financial liabilities	(9.4)	(16.5)	(23.7)	(9.1)	(58.7)
Net exposure	**20.6**	**0.1**	**(5.7)**	**(2.0)**	**13.0**

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

2021	USD £m	EUR £m	DKK £m	Other £m	Total £m
+10%	(1.9)	-	0.5	0.2	(1.2)
-10%	2.3	(0.1)	(0.6)	(0.2)	1.4

13.4 Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The principal amount of the Group's total long-term borrowings at 31 December 2021, was £1,832.2 million of which 65 per cent was fixed interest rate instruments.

The Group fixes interest rates on its variable rate borrowings in compliance with contractual requirements, or where it is considered economically beneficial to do so, based on the remaining maturity of the borrowing, indicative price to fix and market expectation on future interest rate increases. The Group's treasury policy allows the use of floating-to-fixed interest rate swaps to achieve this when necessary.

During the period there has been continued low volatility in the reference interest rates and while there are indications of interest rate increases over the coming year, management have assessed the interest rate risk exposure to be within a tolerable level and therefore no specific hedging has been implemented. This position is reviewed on a quarterly basis by obtaining indicative floating-fixed swap pricing for a range of terms up to the repayment date.

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

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

Sensitivity

Profit or loss is sensitive to the interest expense on the Group's borrowings. An adverse movement in SONIA (the replace benchmark rate for sterling LIBOR) by 0.5 per cent would increase the interest charge by £3.25 million on an annual basis.

13.5 Capital risk

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

14. Financial assets and liabilities

The Group holds the following financial instruments:

Financial assets	2021 £m
Held at amortised cost	
Trade receivables	99.4
Loans to key management personnel	0.1
Borrowings: own preference shares held by employee benefit trust	28.9
Other receivables*	1.2
Cash and cash equivalents	183.2
	312.8

Financial liabilities	2021 £m
Held at amortised cost	
Trade and other payables*	(224.4)
Borrowings	(1,950.3)
Held at fair value through profit or loss	
Trade and other payables*	(1.0)
	(2,175.7)

*Excluding non-financial assets or liabilities

14.1 Fair values

For instruments held at amortised cost, management consider that the carrying amounts approximate to the fair values due to the short-term maturities of these instruments, except for certain of the Group's borrowing instruments as disclosed in note 18.

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

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

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

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

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

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

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities				
Trade and other payables	-	-	(1.0)	(1.0)
Total financial liabilities	**-**	**-**	**(1.0)**	**(1.0)**

The Group's foreign exchange forward contracts are Level 2 derivative financial instruments. The fair value is remeasured on a monthly basis with reference to available forward market rates and comparative instrument pricing. The counterparties are strong financial institutions and therefore no adjustment is considered to be required for counterparty credit risk.

The Group's Level 3 financial instruments are amounts payable in respect of PA Consulting historical business acquisitions. The value paid out is dependent on meeting certain financial performance criteria. The fair value is determined using management's financial forecasts against those targets to ascertain the most likely level of payment in line with the contract.

Further details of the Group's financial instruments are included in the following notes 15 to 18.

15. Other current assets

	2021 £m
Prepayments	5.9
Taxation	8.8
Loans to staff	0.1
Withholding tax debtor	0.9
Other debtors	4.0
	19.7

16. Trade and other current liabilities

	2021 £m
Trade payables	(1.9)
Other taxes and social security	(33.4)
Deferred employee remuneration	(135.2)
Accrued interest on senior debt	(7.3)
Other payables	(44.7)
	(222.5)

17. Derivatives

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

17.1 Forward currency contracts

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

As at 31 December 2021

	Buy		Sell		
	Average rate	Currency CCY'000	Average rate	Currency CCY'000	Fair value £'000
Current					
US dollar	-	-	1.3323	(1,244)	20
					20

18. Borrowings

At 31 December 2021, the Group had borrowings comprising senior debt and redeemable preference shares as detailed in the table below.

These are classified as loans and other interest-bearing debt instruments as detailed in the table below.

	Principal £m	Interest rate	Maturity
Senior debt	(650.0)	LIBOR[i] + 3.25%	28 March 2027
Redeemable preference shares	(1,182.2)		
Redeemable preference shares owned by employee benefit trust	26.3		
Net redeemable preference shares	(1,155.9)	12%	
Total Borrowings	(1,805.9)		

i. Subsequent to 31 December 2021, the reference interest rate on the Group's senior debt was changed from LIBOR to SONIA due to the publication of sterling LIBOR settings ceasing on 1 January 2022. The new rate of interest will be SONIA + 0.0326% plus a margin between 3.25-4.25% depending on the Group's net leverage ratio.

	As at 31 December 2021		
	Current £m	Non-current £m	Total £m
Senior debt	-	(650.0)	(650.0)
Redeemable preference shares	-	(1,300.3)	(1,300.3)
Redeemable preference shares owned by employee benefit trust	-	28.9	28.9
Net redeemable preference shares	-	(1,271.4)	(1,271.4)
Total Borrowings	**-**	**(1,921.4)**	**(1,921.4)**

The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flow method applying a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values are considered to be materially the same as the carrying values noted above, except for the preference shares, which has been assessed as £1,565.9 million. The own non-performance risk as at 31 December 2021, was assessed to be insignificant in all cases.

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

Senior debt

The senior debt is a term loan secured by a charge over the entities within the Group. The borrowing agreement was entered into with Jacobs Engineering Group Inc on 2 March 2021, to provide funding for the Company's acquisition of the PA Consulting Group. Minimal fees were incurred in arranging the facility and therefore the Group did not capitalise any amounts in relation to the loan.

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

Redeemable preference shares

The preference shares were issued on 2 March 2021 at £1 each. Dividends accrue at the rate of 12 per cent per annum, compounded on an annual basis. The shares are mandatorily redeemable at the earlier of an investment disposal by Jacobs Engineering Group Inc. or five years in-line with a contractual Valuation event. While currently this is not a defined date, it does represent a requirement for redemption outside of the shareholder's control and therefore the shares have been recognised as liabilities.

19. Capital and reserves

19.1 Share capital

19.1.1 Authorised shares

	2021 Thousand
Ordinary A shares of £0.01 each	137,220
Ordinary B shares of £0.01 each	73,888
Ordinary C shares of £0.01 each	70,369
	281,477

	Ordinary A shares		Ordinary B shares		Ordinary C shares	
Issued and fully paid	*Thousands*	Nominal *value £m*	*Thousands*	Nominal *value £m*	*Thousands*	Nominal *value £m*
Issued on 2 March 2021	137,220	1.4	73,888	0.7	-	-
Issued on 7 July 2021	-	-	-	-	17,824	0.2
As 31 December 2021	137,220	1.4	73,888	0.7	17,824	0.2

On 20 November 2020, 1 ordinary A £1 share was issued for £1.

On 2 March 2021, the 1 ordinary A £1 share was subdivided into 100 ordinary A £0.01 shares and fully paid up at £0.05 each. On 2 March 2021, 137,219,782 ordinary A £0.01 shares were issued at £0.05 each for the total cash consideration of £6,860,989 *resulting in a share premium of £5,488,791. The allotment of shares is fully paid up.*

On 2 March 2021, 73,887,769 ordinary B £0.01 shares were issued at £0.05 each for the total consideration of £3,694,388 (cash - £1,107,344, non-cash £2,587,044) resulting in a share premium of £2,955,511. The allotment of shares is fully paid up.

On 7 July 2021, 17,823,768 ordinary C £0.01 shares were issued at £0.05 each for the total cash consideration of £891,188 resulting in a share premium of £712,951. The allotment of shares is fully paid up.

19.1.2 *Class rights*

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

19.1.3 Priority on a return of capital or sale

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

The purpose of the Group's employee benefit trust (EBT) is to facilitate and encourage the ownership of shares by employees through repurchasing shares held by previous employees and holding them for subsequent sale or grant. Own shares held are treated as a deduction from shareholders' funds.

At the reporting date, the EBT held the following ordinary shares:

19.2 Own shares held by employee benefit trust

	2021 Thousands
Ordinary B shares	4,696
Ordinary C shares	620
	5,316

19.3 Nature and purpose of reserves

19.3.1 Own share reserve

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

19.3.2 Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the proceeds received from Employees on the purchase of the companies ordinary C shares due to conditions over those shares which have not yet been met.

20. Share-based payments

The Group only operates one share scheme, the Management Equity Plan (MEP). The related expense recognised for employee services received during the year in relation to the scheme is £0.5m which is recorded as an equity-settled share-based payment expense, included within employment costs.

Management Equity Plan

Under the MEP, certain senior personnel are awarded the opportunity to purchase an allocation of the Company's ordinary C shares at the unrestricted market price relevant at the grant date as determined by third party valuation experts.

The potential incremental growth in value of the ordinary C shares following the issue is only available to participants through continued employment in the Group for at least two years after their first purchase of the shares. The proportion of shares from the award that are applicable for price-growth realisation (termed as 'Fair Market Value (FMV) shares') increases based on the length of service of up to five years when a Valuation event can be triggered and all shares become FMV shares.

The fair value of the Plan is estimated at the grant date using a Monte Carlo pricing model taking into account the terms and conditions on which the shares were issued. The service condition is only considered in determining the number of instruments that will ultimately vest.

As the settlement of the price-growth at a Valuation event is not the obligation of the Company nor the timing of settlement in the control of the Company, the Group accounts for the Plan as an equity-settled plan where employees are expected to remain in employment through to a Valuation event.

If a material number of employees were expected to leave ahead of that date, the proportion of shares issued to the expected leavers would be treated as cash-settled.

The Group does not expect a material number of those awarded ordinary C shares to leave.

Details of the ordinary C shares outstanding during the reporting period are as follows:

	2021	
	Number	Weighted average purchase price
At 20 November 2020	-	-
Granted	17,823,768	£0.05
Forfeited	(620,000)	£0.05
Outstanding at 31 December 2021	**17,203,768**	**£0.05**
Of which unconditional FMV shares	-	-

The weighted average fair value of awards issued during the period was £0.39 and weighted average remaining contractual life was 4.2 years as at the reporting date.

The inputs into the Monte Carlo model used to determine the fair value are as follows:

Issue date	**7 July 2021**
Equity value	£1,178m
Expected volatility	30%
Expected Life	4.73 years
Risk-free rate	0.25%
Expected dividend yield	0%

Expected volatility was determined by reference to the historical share price volatility as at the issue date for a sample of comparative listed companies over the same period as the expected life of the award.

The expected life used in the model has been determined based on management's best estimate of the expected timing of a Valuation or Exit event.

The risk-free rate is the yield on UK government gilts at the issue date.

21. Retirement benefits

Group

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

On acquisition, the UK 'PA Pension Scheme' and the 'PA Mirror Legacy Pension Scheme' were in buy-in arrangements. The assets of the schemes were invested in bulk-purchase annuity policies with Pension Insurance Corporation plc. The buy-in arrangement means that the Group does not have exposure to movements in the scheme obligations and is not required to make contributions into the schemes.

On 24 June 2021, The buy-in policy in respect of the remaining members in the PA Pension Scheme was converted into individual policies in the members names with PIC, the insurer, such that the liabilities/assets were assigned to PIC. This was treated as a settlement of benefits from the PA Pension Scheme. This left the PA Pension Scheme with zero assets.

On 7 September 2021, the Trustee of the PA Mirror Legacy Pension Scheme signed a transfer agreement and received an estimated liability of £1 million from the PA Pension Scheme in relation to potential top-ups in respect of GMP equalisation for members who transferred out of the PA Pension Scheme prior to the purchase of the original buy-in policy on 14 June 2018. This movement of liability is shown as a negative past service cost for the PA Pension Scheme, offset by a matching positive past service cost for the PA Mirror Legacy Pension Scheme. Following this movement of the past service cost, the PA Pension Scheme was left with zero liabilities/assets and was subsequently wound up on 7 September 2021.

21.1 Defined contribution pension arrangements

The total pension costs for the Group relating to employer contributions to defined contribution pension arrangements were £15.9 million. At 31 December 2021, there were outstanding unpaid contributions of £4.1 million.

21.2 Defined benefit pension arrangements

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

As at 31 December 2021	PA Mirror Legacy Pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Defined benefit pension arrangements with gross assets (liabilities)	(1.0)	0.2	(4.0)	(4.8)
Restriction to apply on recognition of surplus	-	(0.2)	-	(0.2)
Total pension liabilities included in the Group statement of financial position	(1.0)	-	(4.0)	(5.0)

21.2.2 Analysis of amounts recognised in the Group income statement

As at 31 December 2021	PA pension scheme UK wound-up £m	PA Mirror Legacy Pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
Historical service costs	1.0	(1.0)	-	-	-
Recognised in arriving at operating profit	1.0	(1.0)	-	-	-
Other finance costs	-	-	(0.1)	-	(0.1)
Total recognised in the Group income statement	1.0	(1.0)	(0.1)	-	(0.1)

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

As at 31 December 2021	PA pension scheme *UK wound-up* £m	PA Mirror *Legacy* Pension scheme *UK closed* £m	*Prudential* Platinum scheme *UK closed* £m	Germany *closed* £m	*Total* £m
Actual return on assets less interest	(50.6)	1.0	-	-	(49.6)
Actuarial loss on liability	50.6	(1.0)	0.1	(0.7)	49.0
Restriction to apply on recognition of surplus	-	-	-	-	-
Actuarial gain/(loss) recognised on defined benefit pension arrangements	-	-	0.1	(0.7)	(0.6)
Deferred taxation	-	-	-	-	-
Total recognised in the Group statement of other comprehensive income	-	-	0.1	(0.7)	(0.6)

21.3 PA Pension Scheme

This scheme was wound up on 7 September 2021. The reconciliation of scheme assets and liabilities from the date of acquisition of the PA Group to the winding up of the scheme are provided below.

21.3.1 Reconciliation of fair value of scheme assets

	2021 £m
On acquisition	687.7
Interest on obligation	5.9
Benefits paid	(13.0)
Actual return plan assets less interest	(50.6)
Curtailments and settlements (on issuance of individual policies to the remaining members)	(630.0)
At 31 December	-

21.3.2 Reconciliation of present value of scheme liabilities

	2021 £m
On acquisition	(688.7)
Interest on obligation	(5.9)
Benefits paid	13.0
Transfer of past service credit and settlements	1.0
Actuarial gains/(losses) due to:	
Experience gain	11.4
Changes in financial assumptions	39.2
Curtailments and settlements (on issuance of individual policies to the remaining members)	630.0
At 31 December	-

21.4 PA Mirror Legacy Pension Scheme

The most recent actuarial funding valuation has been updated by Lane Clark & Peacock LLP in order to assess the liabilities of the scheme at 31 December 2021 for the purposes of IAS 19 Employee Benefits. Scheme assets are stated at their market value at 31 December 2021. The principal assumptions used in this valuation by the actuaries were:

21.4.1 Principal assumptions

	2021 %
Retail price inflation	3.5
Consumer price inflation until 31 January 2030	2.5
Consumer price inflation after 31 January 2030	3.4
Weighted average consumer price inflation	2.9
Discount rate	1.9
Pension increase rate RPI	3.5
Pension increase rate based on weighted average CPI	2.9

The post-retirement mortality assumptions used were as follows:

	Years
Life expectancy of pensioners age 60 in 2021	
• Men	28.9
• Women	31.4
Life expectancy of pensioners age 60 in 2036	
• Men	30.1
• Women	32.7
Weighted average duration	14.1

21.4.2 Scheme assets and liabilities

	2021 £m
Buy-in insurance policy	35.9
Total fair value of assets	35.9
Present value of scheme liabilities	(36.9)
Deficit in the scheme	(1.0)
Restriction to apply on recognition of surplus	-
Pension deficit	(1.0)

The scheme assets as a percentage of the total scheme assets are as follows:

	2021 %
Buy-in insurance policy	100.0

21.4.3 Reconciliation of fair value of scheme assets

	2021 £m
On acquisition	35.5
Interest on assets	0.5
Benefits paid	(1.1)
Running costs	-
Actual return plan assets less interest	1.0
At 31 December	35.9

The actual return on scheme assets was a gain of £1.5 million.

21.4.4 Reconciliation of present value of scheme liabilities

	2021 £m
On acquisition	(35.5)
Interest on obligation	(0.5)
Benefits paid	1.1
Past service credit and settlements	(1.0)
Actuarial gains/(losses) due to:	
Experience gain	(0.9)
Changes in financial assumptions	(0.2)
Changes in demographic assumptions	0.1
At 31 December	(36.9)

21.4.5 Sensitivity analysis

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

	31 December 2021	
	Increase £m	Decrease £m
Discount rate (0.1% movement)	(0.5)	0.5
Inflation rate (0.1% movement)	0.4	(0.4)

21.5 Other defined benefit arrangements

At 31 December 2021, the Group had a closed defined benefit scheme in the UK (Prudential Platinum scheme) with net assets of £nil and a closed defined benefit scheme in Germany with a net liability of £4.0 million. The full disclosures as required by IFRS are not provided because, in the directors' opinion, these arrangements are immaterial to the net assets of the Group.

22. Capital and other financial commitments

There were capital commitments of £2.2 million contracted for but not provided in the financial statements at 31 December 2021.

The Group has guaranteed bid, performance and rent bonds issued by its banks on its behalf in the ordinary course of business totaling £2.0 million as at 31 December 2021. These are not expected to result in any material financial loss.

23. Subsidiary undertakings

The subsidiary undertakings as at 31 December 2021 are shown below. All are included in the Group financial statements and are wholly owned either directly, or indirectly, by the Company unless otherwise stated. All subsidiaries prepare accounts up to 31 December each year except for PA Consulting Services (India) Private Limited, Nyras Limited and Nyras Capital LLP, which prepare accounts up to 31 March.

Directly held

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company

Indirectly held

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

Continued.

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group (Qatar) LLC[1]	Qatar	Level 14, Commercial Bank Plaza, West Bay, Doha	Ordinary	Consultancy
PA Consulting Group AB	Sweden	Jakobsbergsgatan 17, 111 44 Stockholm	Ordinary	Consultancy
7 Safe Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
Garden Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
Garden Midco 1 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
Nyras Capital LLP	United Kingdom	10 Bressenden Place, London, SW1E 5DN		Consultancy
Nyras Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Consulting Government Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Consulting Group Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
PA Consulting Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Consulting Management Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Holding company
PA Consulting Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Group Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PA Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA International Consulting Group Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company

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

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

ii. 48% owned by PA Consulting Services Limited 52% owned by trustees.

24. Related party transactions

Compensation of key management personnel

	2021 £m
Short-term employee benefits	27.9
Share-based payment transactions	0.1
Compensation of key management personnel	28.0

Included in key management personnel compensation is £24.5 million of one-off payments made as part of the overall £188.4 million employee benefit trust distribution (described in notes 6 and 6.1). These payments were made to key management personnel in their capacity as historical employee shareholders of PA Consulting Group in connection with the acquisition transaction.

Transactions with the controlling shareholder

During the period, the Group entered into transactions, in the ordinary course of business, with the controlling shareholder. The sales to the controlling shareholder were subject to standard client procurement policies. The directors therefore consider that all such transactions have been entered into on an arm's-length basis. Transactions entered into, and trading balances outstanding at 31 December, are as follows

	Sales to controlling shareholder £m	Purchases from controlling shareholder £m	Trading amounts owed from controlling shareholder £m	Trading amounts owed to controlling shareholder £m
2021	10.5	-	4.7	-

Transactions with subsidiaries of the controlling shareholder

During the period, the Group entered into transactions, in the ordinary course of business, with subsidiaries of the controlling shareholder, outside of the PA Consulting Group. The sales to the subsidiaries of the controlling shareholder were subject to standard client procurement policies. The directors therefore consider that all such transactions have been entered into on an arm's-length basis. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to related party £m	Puchases from related party £m	Amounts owed from related party £m	Amounts owed to related party £m
2021	0.6	(0.4)	0.3	-

25. Business combinations

25.1 Business combinations in 2021

On 2 March 2021, the Group acquired control of PA Consulting Group Holdings Limited (formerly PA Consulting Group Limited) through the purchase of 100 per cent of the share capital for total consideration of £1,842.7 million (£1,575.9 million consideration to acquire 100 per cent of the total issued equity and £266.8 million to repurchase outstanding loan notes from Carlyle). PA Consulting Group Holdings Limited and its subsidiaries provide expert consulting services in consumer and manufacturing, defence and security, energy and utilities, financial services, government and public services, health and life sciences, and transport, operating globally from offices across the UK, US, Netherlands and Nordics.

25.1.1 Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value recognised on acquisition £m
Non-current assets	
Intangible assets	720.9
Right of use assets	54.9
Property, plant and equipment	27.6
Deferred tax assets	4.0
Other non-current assets	10.2
	817.6
Current assets	
Trade receivables	69.6
Contract assets	42.5
Derivative financial instruments	0.2
Other current assets	15.9
Cash and cash equivalents	294.1
	422.3
Current liabilities	
Trade and other current liabilities	(219.1)
Contract liabilities	(28.3)
Lease liabilities	(9.0)
Borrowings	(266.8)
Current tax liabilities	(0.1)
	(523.3)
Non-current liabilities	
Lease liabilities	(45.9)
Pension and other post-employment liabilities	(4.3)
Deferred tax liabilities	(121.5)
Other non-current liabilities	(4.0)
	(175.7)
Total identifiable net assets	540.9
Goodwill	1,035.0
Total consideration	**1,575.9**

Fair value adjustments have been made in respect of:

- recognition of customer relationship and trade name intangible assets
- deferred tax

Identifiable intangibles are customer relationships, contracts and backlog and trade name and have estimated lives ranging from nine to 20 years (weighted average life of approximately 12 years).

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities which resulted in an increase in the book value of the acquired assets of £15.5 million.

The fair value of the trade receivables amounts to £69.6 million. The gross amount of trade receivables is £71.7 million and it is expected that the majority of contractual amounts can be collected.

Goodwill recognised results from a substantial assembled workforce, which does not qualify for separate recognition, as well as expected future economic benefits. None of the goodwill recognised is expected to be deductible for tax purposes.

25.1.2 Purchase consideration and cash flows on acquisition

The Company has not completed its final assessment of the fair values of PA Consulting's assets acquired and liabilities assumed. The final purchase price allocation could result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill.

From the date of acquisition, PA Consulting Group Holdings Limited contributed £676.8 million of revenue and £97.9 million to profit before tax from continuing operations of the Group. If the combination had taken place at 1 January 2021, revenue from continuing operations would have been £793.8 million and loss before tax from continuing operations for the Group would have been £239.3 million. If the combination had taken place on the date of incorporation of the Company (20 November 2020) revenue from continuing operations would have been £890.5 million and the loss before tax from continuing operations for the Group would have been £219.6 million.

	Total value £m
Total consideration	**1,575.9**
Less:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(294.1)
Non-cash consideration	(292.3)
Acquisition cost of financial instruments in a subsidiary of the Group	266.8
Net cash outflow on acquisition	**1,256.3**
Transaction costs of the acquisition (included in cash flows from operating activities)	7.9

The Company issued 51,740,872 ordinary B shares and 289,748,290 preference shares as non-cash consideration. The fair value of the consideration given was £292.3 million.

26. Controlling party

The controlling shareholder and ultimate controlling entity of the Group is Jacobs Engineering Group, Inc.

Company statement of financial position

at 31 December 2021

	Note	2021 £m
Assets		
Non-current assets		
Investment in subsidiaries	C5	1,333.1
Loan receivable	C6	267.2
Total non-current assets		**1,600.3**
Current assets		
Loan receivable	C6	293.0
Cash and cash equivalents	C7	0.2
Total current assets		**293.2**
Total assets		**1,893.5**
Liabilities		
Current liabilities		
Trade and other current liabilities	C8	(50.9)
Total current liabilities		**(50.9)**
Net current assets		**242.3**
Non-current liabilities		
Borrowings	C9	(1,921.4)
Other non-current liabilities	C10	(0.9)
Total non-current liabilities		**(1,922.3)**
Total liabilities		**(1,973.2)**
Net liabilities		**(79.7)**
Equity		
Called-up share capital	C11	2.3
Share premium		9.2
Own shares reserve		(1.1)
Retained earnings		(90.1)
Total equity		**(79.7)**

The financial statements were approved and authorised for issue by the board of directors on 8 April 2022.

Ken Toombs
Chief Executive Officer
PA Consulting Group Limited
Company number 13035335

Company statement of changes in shareholders' equity

for the period ended 31 December 2021

	Note	Share capital £m	Share premium £m	Own shares reserve £m	Retained earnings £m	Total £m
Opening reserves on acquisition of employee benefit trust		-	-	-	199.3	199.3
Loss for the period		-	-	-	(289.8)	(289.8)
Transactions with owners of the Company						
Issue of ordinary shares	19	2.3	9.2	-	-	11.5
Movement in own shares held by employee trust		-	-	(1.1)	(0.1)	(1.2)
Share based payment expense		-	-	-	0.5	0.5
Total transactions with owners of the Company		2.3	9.2	(1.1)	0.4	10.8
At 31 December 2021		**2.3**	**9.2**	**(1.1)**	**(90.1)**	**(79.7)**

C1. Basis of preparation

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

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

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

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

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

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

C2. Investments

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

C3. Critical accounting judgements and estimates

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

C4. Income statement

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

C5. Investments in subsidiaries

	2021 £m
Investments on acquisition	1,332.6
Contributions to subsidiaries in respect of share-based payments	0.5
Closing Investments	1,333.1

A list of subsidiary undertakings is included in note 23.

C6. Loans receivable

	2021 £m
Amounts owed by subsidiary undertakings	
Within 12 months	293.0
After more than 12 months	267.2
	560.2

	Borrower	Principal £m	Repayment date	Interest rate	2021 £m
Investor loan notes	Garden Midco 1 Limited	147.4	On demand	12%	293.0
Redeemable preference shares	PA Consulting Group Holdings Ltd	134.5		12%	267.2
					560.2

Interest on each loan compounds annually.

C7. Cash and cash equivalents

	2021 £m
Cash and cash equivalents	0.2

Cash and cash equivalents include £0.2 million held by Employee Benefit Trust that is restricted for specific use only.

C8. Trade and other current liabilities

	2021 £m
Amounts owed to subsidiaries	(38.6)
Deferred employee remuneration	(5.0)
Accruals	(7.3)
	(50.9)

C9. Borrowings

	2021 £m
Redeemable preference shares	(1,300.3)
Redeemable preference shares owned by employee trust	28.9
Net redeemable preference shares	(1,271.4)
Senior debt	(650.0)
Total Borrowings	(1,921.4)

C10. Other non-current liabilities

	2021 £m
Other payables	(0.9)

C11. Share capital and reserves

Details of share capital and reserves are set out in note 19 to the Group financial statements.

C12. Commitments

Other than as disclosed in note C14, the Company has no commitments contracted for but not provided.

C13. Related party transactions

Directors' transactions

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

C14. Audit exemptions – s479A

The Company has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the period ended 31 December 2021:

Name	Registered office address	Reg No	Class of share held	Proportion of ownership interest	Nature of business
7 Safe Limited	10 Bressenden Place, London, SW1E 5DN	04274874	Ordinary	100%	Consultancy
Nyras Capital LLP	10 Bressenden Place, London, SW1E 5DN	OC304109		100%	Consultancy
Nyras Limited	10 Bressenden Place, London, SW1E 5DN	06195106	Ordinary	100%	Consultancy
PA Consulting Group Finance Limited	10 Bressenden Place, London, SW1E 5DN	09763513	Ordinary	100%	Holding company
PA Consulting Holdings Limited	10 Bressenden Place, London, SW1E 5DN	08249452	Ordinary	100%	Holding company
PA Consulting Management Services Limited	10 Bressenden Place, London, SW1E 5DN	09763551	Ordinary	100%	Holding company
PA Finance Limited	10 Bressenden Place, London, SW1E 5DN	04001488	Ordinary	100%	Holding company
PA Group Treasury Services Limited	10 Bressenden Place, London, SW1E 5DN	01984216	Ordinary	100%	Treasury services company
PA Holdings Limited	10 Bressenden Place, London, SW1E 5DN	02235016	Ordinary	100%	Holding company
PA International Consulting Group Limited	10 Bressenden Place, London, SW1E 5DN	00854631	Ordinary	100%	Holding company
PA Knowledge Limited	10 Bressenden Place, London, SW1E 5DN	05196589	Ordinary	100%	Consultancy
PA Middle East Limited	10 Bressenden Place, London, SW1E 5DN	06600426	Ordinary	100%	Consultancy
PA Netherlands Treasury Services Limited	10 Bressenden Place, London, SW1E 5DN	05790697	Ordinary	100%	Treasury services company
PA Overseas Holdings Limited	10 Bressenden Place, London, SW1E 5DN	02289193	Ordinary	100%	Holding company
PA Perfect Cost Grid Limited	10 Bressenden Place, London, SW1E 5DN	08339738	Ordinary	100%	Consultancy
PA Treasury Services (US) Limited	10 Bressenden Place, London, SW1E 5DN	08101083	Ordinary	100%	Treasury services company
PACG2 Limited	10 Bressenden Place, London, SW1E 5DN	06555894	Ordinary	100%	Holding company
Sparkler Limited	10 Bressenden Place, London, SW1E 5DN	04197111	Founder shares, growth shares and ordinary shares	100%	Consultancy
We Are Friday Limited	50 Farringdon Road, London, EC1M 3HE	07107161	Ordinary	100%	Dormant
PA Consulting Group Holdings Ltd	10 Bressenden Place, London, SW1E 5DN	09761378	Ordinary	100%	Holding Company
Garden MidCo 1 Limited	10 Bressenden Place, London, SW1E 5DN	09761488	Ordinary	100%	Holding Company
Garden Finance Limited	10 Bressenden Place, London, SW1E 5DN	09763192	Ordinary	100%	Holding Company

As a condition of the exemption, the Company has guaranteed the period-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £20.4 million. This is the first year that the Company has provided this guarantee (and therefore the contingent liability) has existed.

About PA.

We believe in the power of ingenuity to build a positive human future.

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

Our diverse teams of experts combine innovative thinking and breakthrough use of technologies to progress further, faster.

Our clients adapt and transform, and together we achieve enduring results.

An innovation and transformation consultancy, we are over 4,000 specialists in consumer and manufacturing, defence and security, energy and utilities, financial services, government and public services, health and life sciences, and transport. Our people are strategists, innovators, designers, consultants, digital experts, scientists, engineers and technologists.

We operate globally from offices across the UK, US, Netherlands and Nordics.

Discover more at paconsulting.com and connect with PA on LinkedIn and Twitter.

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