



# PA REPORT AND ACCOUNTS 2019

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

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

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

**PA. Bringing Ingenuity to Life.**

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

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

PA operates globally from offices across the UK, USA, Europe and the Nordics.

PA Consulting Group Limited ('the Company') is the holding company for the Group. It is owned by current and former employees and by CEP IV Participations Sarl SICAR, an entity controlled by funds that are affiliates of The Carlyle Group. The ownership of PA Consulting Group Limited is set out in the table below.

The Carlyle Group is a global investment firm with more than 1,775 professionals operating in 32 offices in North America, South America, Europe, the Middle East, Africa, Asia and Australia.

The board of directors of PA Consulting Group Limited present their financial and strategic reviews for the year ended 31 December 2019 on pages 6 to 19.

These financial statements comprise PA Consulting Group Limited's consolidated and Company results for the year to 31 December 2019.

The directors consider the annual report and financial statements to comply with the Walker Guidelines for Disclosure and Transparency in Private Equity. We have chosen to omit certain non-financial key performance indicators that are commercially sensitive.

	Carlyle Europe Partners IV	Employees and employee benefit trust	Total
Investor loan notes (£m) <sup>i</sup>	233.5	-	233.5
Preference shares (£m) <sup>i</sup>	-	213.0	213.0
<b>Total preferred instruments (£m)<sup>ii</sup></b>	<b>233.5</b>	<b>213.0</b>	<b>446.5</b>
% of preferred instruments	52.3%	47.7%	
A ordinary shares (m)	38.3	-	38.3
B ordinary shares (m)	-	34.9	34.9
C ordinary shares (m)	-	17.1	17.1
<b>Total ordinary shares (m)</b>	<b>38.3</b>	<b>52.0</b>	<b>90.3</b>
% of ordinary shares	42.4%	57.6%	
A ordinary shares (%)	39.2%	-	39.2%
B ordinary shares (%)	-	35.8%	35.8%
C ordinary shares (%)	-	25.0%	25.0%
<b>Total ordinary economic interest (%)<sup>iii</sup></b>	<b>39.2%</b>	<b>60.8%</b>	<b>100.0%</b>

i. Accrued balance as at 31 December 2019

ii. Investor loan notes and preference shares rank pari passu

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

# OUR DIRECTORS

## John Alexander Chairman

John was appointed Chairman of PA in April 2018. Until April 2019, John was non-executive chairman of ERM, the world's leading environmental and sustainability consulting firm, having previously served as its chief executive officer for nine years. John is a graduate of the Harvard Business School Advanced Management Program and holds a BSc in geophysics and an MSc in hydrogeology. He is also a long-term supporter and Fellow of the Royal Geographical Society.

## Alan Middleton Chief Executive Officer

Alan joined PA in 1988 and was elected Chief Executive Officer in 2007. During his career, Alan has led a number of parts of the firm including PA's IT, strategy and financial services businesses. Alan has extensive consulting experience, particularly in financial and professional services, and has worked with industry-leading clients around the world, ranging from start-ups to multinationals. Alan studied at Edinburgh and Stanford Universities. He has a degree in electronic and electrical engineering, is a Fellow of the Institution of Engineering and Technology and of the Chartered Management Institute.

## Kully Janjuah Group Company Secretary

Kully joined PA in 1997 and was appointed as PA's Group Company Secretary in 2007. He has been instrumental in managing complex corporate transactions and shareholder reorganisations in that time, and is responsible for advising the board on legal compliance and governance matters. Before joining PA, Kully qualified as a chartered accountant with Coopers & Lybrand, and he holds an LLB Hons degree in law from King's College London.

## Fraser Robson Investor Director

Fraser is a managing director of Carlyle Europe Partners, advising on UK-based buyout opportunities primarily in the services, consumer and retail sectors. Fraser is based in London.

Since joining Carlyle in 2005, Fraser has been actively involved with Carlyle's investments in Britax, Talaris and RAC, serving as a member of the board of directors on both Talaris and RAC. He was also involved in Carlyle's divestment of Zodiac Pool Solutions and currently serves on the board of Praesidiad.

Prior to joining Carlyle, Fraser worked at Lazard in London.

Fraser received a BA with honours in economics and politics from Durham University.

## Andrew Burgess Investor Director

Andrew is a senior adviser at The Carlyle Group. Andrew joined Carlyle in 2005 and is based in London.

Prior to joining Carlyle, Andrew was a director of Bridgepoint, the pan-European private equity fund manager, where he was responsible for deal origination, execution, portfolio management and realisations.

Andrew received a BSc (Hons) in accountancy with law and economics and is a member of the Institute of Chartered Accountants in England and Wales.

# FINANCIAL REVIEW

## 2019 financial highlights

- Fee income up 10% to £500.5m (2018: £455.8m)
- Adjusted EBITDA\* up 11% to £94.6m (2018: £85.3m)
- Repayment of £119.9m of debt held by current and former employees (2018: £30.1m) enabled through continued strong operating cash generation.

\* Adjusted EBITDA is profit before interest, tax, depreciation, amortisation, defined benefit pension scheme running costs and exceptional items.

During the year the Group has adopted the International Financial Reporting Standards (IFRS) as adopted by the EU. This review is therefore a narrative of results and balances accounted for under those standards, including any revised prior-year comparative. A transition statement has been provided in note 4 which quantifies and explains the impact of conversion on the Group's numbers as at 1 January 2018, and for the year ended 31 December 2018. Key measures for the current year as they would have been calculated under the Group's previously adopted UK Generally Accepted Accounting Practice (GAAP) have been included at the end of this report to facilitate historical comparison.

### Revenue for the year included £500.5 million of fee income, up 10% over 2018 (£455.8 million)

In 2019 the Group delivered revenue of £568.0m (2018: £503.6m), with the growth predominantly driven by 10% increase in fee income. Fee income is the Group's primary measure of revenue performance and represents the fair value of consideration received or receivable for consulting services provided, excluding expenses and disbursements recharged.

We introduced our new purpose, Bringing Ingenuity to Life, in 2018. We continue to develop our firm around this clear purpose with everything we do both with clients and internally aligned around this clear statement.

This has resonated well in our markets and with clients, both new and long-standing. This clarity of purpose and a continued clear focus on targeted industries, capabilities and geographies has enabled us to deliver strong sales through 2019, driving our utilisation up and enabling us to finish the year with a solid stock of work for the start of 2020. We have also brought one new team into the Group in 2019 through the acquisition of the trade and assets of 4iNNO, bringing world-class growth strategy capability to our US business.

The Group has continued with its drive for growth through increasing its fee-earning team (17% headcount increase) and maintaining good utilisation rates. Both the UK and Nordic markets have performed well, each with 14% fee income growth. The US continues to deliver a significant proportion of the Group's overall revenue and remains the strategic growth region for the Group. Now, with dedicated US management bedded in, the build-out of the Group's US team is a primary focus in the year ahead.

A full-year impact of the Group's 2018 acquisitions added an additional £15.5m revenue over last year. With operational integrations well advanced, the Group is now placed to begin to leverage the expected synergies and to better provide our customers with the best skills-matched teams.

### Adjusted EBITDA was £94.6 million, up 11% over 2018 (£85.3 million)

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 pension running costs.

The Group delivered adjusted EBITDA of £94.6m in the year, a year-on-year increase of £9.3m as a result of double-digit revenue growth combined with cost discipline, resulting in an improvement in adjusted gross margin to 23.7% (2018: 23.3%). This was delivered while also significantly increasing our partner numbers in the year with headcount up by 23 on 2018, which represents a significant investment in the future growth potential for the firm.

As we seek to expand in our target markets, growth in the senior team to enable stronger relationship building with our clients is a core strategy for the firm.

Excluded from adjusted EBITDA are non-cash items consisting of £31.5m depreciation and amortisation (2018: £30.9m), £2.4m pension scheme running costs (2018: £2.2m), together with exceptional cash items which are not representative of the Group's underlying trading activities totalling a net expense of £16.5m (2018 restated: £9.3m net expense).

Depreciation and amortisation charges predominantly relate to the intangible assets recognised as part of the Carlyle partnership, as well as through the Group's acquisitions. Under IFRS, the Group ceases amortisation of goodwill and consequently the depreciation and amortisation charges recorded under IFRS are considerably lower than under UK GAAP, which would have been a charge of £48.1m.

Exceptional net expenses include costs of employees working on projects to replace the Group's legacy systems (which do not meet capitalisation requirements); acquisition-related charges made up of professional fees, deferred consideration linked to employment which cannot be included as consideration under IFRS and retention payments for certain employees of the acquisitions; costs of closing offices; and professional fees incurred in relation to a strategic planning project. Further detail of exceptional items is included in note 7.

Adjusted operating profit is operating profit excluding exceptional items and pension running costs. After taking into consideration these adjusting items, the Group delivered an adjusted operating profit of £63.1m (2018: £54.4m), an increase of £8.7m in the year.

## Loss before tax

Inherent with a private equity-backed capital structure, the Group incurs significant interest charges, resulting in a net expense during the year of £58.2m (2018: £57.7m). The Group's debt instruments account for £55.8m of the charges (2018: £54.5m), of which only interest in relation to the Group's senior debt and vendor loan notes (VLNs), £4.6m and £3.4m respectively, were cash settled in the year. The remainder of the interest charges relate to Carlyle's investor loan notes (ILNs) and the coupon on preference shares held by PA employees, each of which is rolled up on an annual basis into the instrument principal until settlement at the earlier of a Carlyle exit or 11 December 2023.

In addition, the Group incurred interest-like charges in relation to its leases of £2.5m (2018: £2.5m) due to the required lease accounting under IFRS.

After these debt-servicing requirements, the Group generated a reported loss on ordinary activities before tax of £14.0m for the year (2018: loss of £14.8m).

## Cash flow

The Group continued to have strong operational cash inflows with generation of £84.7m during the year (2018: £107.0m).

These flows include certain one-off cash impacts that are reported within net cash flow from operating activities but which are not considered reflective of normal operations.

During 2019 the Group has benefited from a £12.3m reduction in payment of pension contributions related to the Group's defined contribution scheme due to the utilisation of a pension surplus that was initially recognised during 2018 as a result of the UK defined benefit scheme buy-in (2018: £6.4m cash benefit). This surplus has been fully utilised during the year and consequently pension contribution payments will return to normal levels in 2020.

Under IFRS, any deferred consideration from the Group's previous acquisitions with a link to continued employment is removed from cash flows for purchase of subsidiary and is instead shown within working capital movements, being built up over the stipulated employment period to point of payment. A total favourable working capital impact of £5.5m has resulted (2018: £3.1m favourable).

Net cash flows from operating activities excluding these items would be £66.9m (2018: £97.5m).

The Group's investing activities in the current year focused on delivering a robust and scalable platform to support the future business growth – the successful launch of Release One of the Group's final enterprise resource planning system modules and suite of management information tools to replace legacy systems along with a refresh of computer equipment required a combined investment of £5.0m during the year.

The Group's acquisition activity was lower than in 2018 with one completed acquisition in the USA, our key growth market. The acquisition of the trade and assets of 4iNNO was completed in June with initial consideration of £1.7m.

The Group remains well placed to take advantage of further M&A opportunities.

As part of its financing activities, the Group has concentrated on paying down certain of its debt instruments, achieving a full repayment of the £119.9m outstanding VLN in the year (2018: £30.1m repaid) along with related interest of £4.8m. The Group also continued to service its senior debt with £4.6m of interest paid (2018: £4.7m).

In the year the Group introduced new employee remuneration initiatives to encourage more employees to participate in ownership of the Company's shares. This resulted in cash inflow from the annual trading market being significantly higher than in previous years due to the greater volume of share transactions, generating a net income of £19.3m from issue of new shares and trading transactions of existing shares (2018: £4.1m).

After investing and financing activities, the Group had an overall outflow of £40.2m (2018: £44.2m inflow), resulting in a closing cash and cash equivalents balance of £90.7m (2018: £132.2m).

### Statement of financial position

The Group's non-current assets are predominantly intangible assets recognised as part of the Group's acquisitions, with goodwill of £207.2m (2018: £205.4m) and other intangible assets of £251.7m (2018: £270.3m). The increase in goodwill compared with reporting under previous GAAP is due to the reinstatement of prior amortisation back to the original goodwill recognised at the various acquisition dates on conversion to IFRS and cessation of subsequent amortisation. The other intangibles recognised by the Group remain consistent under IFRS and amortisation continues to be charged, which is the main contributor to the £18.6m reduction during the year.

The Group has continued to maintain a positive net current asset position which reflects the Group's ability to adequately service any short-term obligations. The £63.6m reduction in net current assets has been driven by non-trading activities, mainly the utilisation of the pension asset during the year and the lower year-end cash balance resulting from repayment of the VLN. In addition, there has been an increase in the lease liabilities payable within 12 months due to the ending of the rent incentive period on the Group's London head office building (£3.3m) and increased accruals covering professional fees associated with a strategic planning project and retention amounts for employees related to the Group's 2018 acquisitions (£2.9m increase).

As a result of the VLN repayments noted above, the Group's non-current liabilities, which predominantly consists of the Group's borrowings and shareholder funding instruments, have reduced from £739.1m to £659.2m. Further details of these borrowings are included in note 20. Non-current liabilities also include the recognition of £53.0m lease liability (2018: £59.7m) and £5.7m employment-related consideration liabilities (2018: £1.4m) which would not have been recognised under previous GAAP.

### COVID-19

The outbreak of the Coronavirus COVID-19 pandemic in Q1 2020 has had and will have significant and long-lasting ramifications for businesses and people around the world. The possible business impacts for PA and the actions that are being taking to mitigate these are described further in note 27.

This is an evolving situation, the full impact of which remains unknown. The directors are implementing operational risk procedures to respond to the pandemic, led by a senior and experienced team. These are designed to coordinate actions in response to public health and government bodies in the jurisdictions in which we operate, ensure business continuity and communicate and engage with employees to support them in difficult times. These procedures are subject to on-going review and monitoring to ensure they can be adapted as the situation changes.

PA is continuing to serve its clients and, other than increased remote working there has been no need for a strategic shift in the Group's operational structure at this time. The performance in 2020 so far has not indicated any materially adverse impact on results or cash collections but we are proceeding with care as the situation unfolds.



## Impact of IFRS adoption

The impact on the Group's income statement and statement of financial position for the current and prior years is summarised below. Further explanation of the adjustments on transition to IFRS are included in note 4.

	2019			2018	
	Previous GAAP £m	IFRS £m		Previous GAAP £m	IFRS £m
<b>Income statement (for the year ended 31 December)</b>					
Fee income	500.5	500.5		455.8	455.8
Project costs recharged	67.5	67.5		47.8	47.8
Revenue	568.0	568.0		503.6	503.6
Personnel and direct costs	(437.1)	(445.7)	(i)	(386.5)	(391.0)
Gross profit	130.9	122.3		117.1	112.6
Other administrative expenses	(101.9)	(78.1)	(ii)	(92.0)	(69.7)
<b>Operating profit</b>	<b>29.0</b>	<b>44.2</b>		<b>25.1</b>	<b>42.9</b>
Net interest payable and similar items and other finance costs	(55.7)	(58.2)	(iii)	(55.5)	(57.7)
<b>(Loss)/Profit on ordinary activities before taxation</b>	<b>(26.7)</b>	<b>(14.0)</b>		<b>(30.4)</b>	<b>(14.8)</b>
<b>Adjusted EBITDA</b>	<b>87.8</b>	<b>94.6</b>		<b>79.5</b>	<b>85.3</b>
<b>Statement of financial position (as at 31 December)</b>					
Non-current assets	437.3	540.8	(iv)	481.1	568.9
Current assets	201.5	200.6		252.5	253.4
Current liabilities	(171.2)	(169.8)	(v)	(164.0)	(159.0)
Non-current liabilities	(613.9)	(659.2)	(vi)	(689.6)	(739.1)
<b>Net liabilities</b>	<b>(146.3)</b>	<b>(87.6)</b>		<b>(120.0)</b>	<b>(75.8)</b>

i. Group provision adjustment from new expected credit losses methodology offset by contingent acquisition-related payments previously treated as consideration but taken as employment cost under IFRS due to continued employment criteria.

ii. Leases expenses removed from operating costs and capitalised on balance sheet combined with cessation of goodwill amortisation, offset by new depreciation on lease right-of-use assets.

iii. Interest-like charges on the Group's lease liabilities held on balance sheet under IFRS.

iv. Goodwill amortisation reinstatement combined with recognition of lease right-of-use assets.

v. Reversal of lease-related incentives offset by current portion of lease liability recognised on balance sheet.

vi. Mainly recognition of lease liability on balance sheet for the Group's property and motor vehicle leases.

## Pro forma income statement and financial position

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

In order to represent the Group's underlying financial performance and its financial position more clearly, summarised pro forma financial statements are included below. Income statement adjustments have been applied

to remove the non-cash accounting entries relating to the debt and intangibles recognised at the change in the Group's ownership in December 2015 and also exceptional cash items. Financial position adjustments have been applied to remove the shareholder debt instruments recognised as part of the December 2015 transaction. The pro forma result following these adjustments is a profit before tax of £70.2m (2018: profit of £58.6m) and adjusted financial position of net assets of £358.9m (2018: £322.9m).

	2019			2018		
	Reported £m	Adjustment* £m	Adjusted* £m	Reported £m	Adjustment* £m	Adjusted* £m
<b>Pro forma income statement</b>						
<b>Fee income</b>	<b>500.5</b>	-	<b>500.5</b>	<b>455.8</b>	-	<b>455.8</b>
Project costs recharged	67.5	-	67.5	47.8	-	47.8
Revenue	568.0	-	568.0	503.6	-	503.6
<b>EBITDA</b>	<b>75.7</b>	<b>18.9</b>	<b>94.6</b>	<b>73.8</b>	<b>11.5</b>	<b>85.3</b> (i)
Depreciation and amortisation	(31.5)	17.5	(14.0)	(30.9)	19.2	(11.7) (ii)
<b>Group operating profit</b>	<b>44.2</b>	<b>36.4</b>	<b>80.6</b>	<b>42.9</b>	<b>30.7</b>	<b>73.6</b>
Net interest payable and similar items and other finance costs	(58.2)	47.8	(10.4)	(57.7)	42.7	(15.0) (iii)
<b>(Loss)/Profit on ordinary activities before taxation</b>	<b>(14.0)</b>	<b>84.2</b>	<b>70.2</b>	<b>(14.8)</b>	<b>73.4</b>	<b>58.6</b>
<b>Pro forma statement of financial position</b>						
Non-current assets	540.8	-	540.8	568.9	-	568.9
Net current assets	30.8	-	30.8	94.4	-	94.4
Non-current liabilities	(659.2)	446.5	(212.7)	(739.1)	398.7	(340.4) (iv)
<b>Net assets</b>	<b>(87.6)</b>	<b>446.5</b>	<b>358.9</b>	<b>(75.8)</b>	<b>398.7</b>	<b>322.9</b>

\* unaudited

The adjustments in the current and prior years related to:

- Removal of exceptional income costs and pension running costs from reported results
- Removal of amortisation of intangible assets recognised as a result of the Carlyle transaction
- Removal of interest and dividends on shareholder instruments: ILNs and preference shares
- Removal of amounts due on shareholder instruments: ILNs and preference shares

# STRATEGIC REVIEW

We believe in the power of ingenuity to build a positive human future in a technology-driven world. That's our Purpose, and it centres on ingenuity – the cleverness, inventiveness and originality it takes to formulate and put into practice innovative ideas to seize opportunities, big and small.

2019 was an exciting time at PA as we brought ingenuity to life for our clients, our people and our communities.

## **We're achieving enduring results for our clients**

Our clients benefit from our diverse teams of experts. Our strategists, digital experts, consultants, designers, scientists and engineers work across a range of industries in the UK, USA, Europe and the Nordics. Because we operate as a single firm, we're able to quickly pull together the best people. The depth and breadth of our capabilities – our people's prized skills – means we're the only firm with a unique end-to-end innovation offering. We take clients from idea through prototype to market at pace, and achieve meaningful and enduring results.

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

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

Highlights of our work in 2019 included our work with Milliken, a US-based industrial manufacturer, with whom our materials scientists and business strategists identified ways to reduce the environmental impact of plastics. With Photobox Group, Europe's biggest digital personalised gifting business, our digital and design experts overhauled the company's online customer experience. At the UK's Ministry of Defence, our defence and technology experts advised on the future technologies that will keep people safe. And at Airbus Blue Sky, our quantum experts designed a prototype next-generation navigation system to replace the Global Positioning System.

We're trusted advisers to global leaders on the innovation strategies and technologies that will grow their business and create a better planet. We recognise these leaders want to work alongside the very best people, with the very best thinking. That's why we invest in researching and publishing on the topics that matter most to them. This year we partnered with the United Nations to produce thought-leading publications on the breakthrough technologies that will accelerate progress towards the Sustainable Development Goals and co-authored a guide to how business can achieve breakthrough innovation at scale.

## We're making life at PA ever more ingenious

Beyond our client work, our Purpose shapes how we evolve our business to have ever more relevance and impact. In the past year we've welcomed 40 new partners. We acquired the specialist innovation consultancy 4iNNO, which delivers new product platforms to drive top-line growth for leading global brands. 4iNNO was our fourth acquisition in just two years. All told, our acquisitions further strengthen our strategy, customer insight, innovation, product and service design, engineering and digital offerings.

As we've grown, we've made further investments in our people through learning programmes, which enable our people to continuously upskill to meet our clients' needs, and through our focus on wellness and inclusion and diversity so that everyone feels able to bring their full selves to work.

We're proud to be inspiring the next generation of ingenious leaders and once again held our Raspberry Pi competition. The competition challenges schoolchildren to invent something that benefits society using engineering and coding skills.

Our work experience programme, Springboard, paired young people with our consulting teams to solve real-world social challenges using new and existing technologies. And our digital experts taught young women digital skills through our Women in Tech programme. Meanwhile, our internship programme at our Global Innovation and Technology Centre gave young people the chance to gain hands-on experience solving real-world challenges in ingenious ways.

Our success delivering against our strategy in 2019 means we're well positioned heading into 2020. The combination of our clear purpose, brilliant people and outstanding clients will propel us into 2020 and beyond.

## Our people

We're not a traditional consulting firm. Our clients recognise we're different – different in 'what' we do and even more in 'how' we do it.

At the heart of our business are our people who all bring real-world experience and apply it at pace.

PA recruits, develops and rewards individuals with the skills and qualities that enable us to deliver visible and sustained value for our clients. Our people plan and policies support the delivery of our people strategy.

Our talent life cycle starts with hiring the right people, with the right attributes, into the right roles. PA recruits in several ways: using targeted advertising, PA careers' website and search partners. We also have an excellent track record of recruiting through employee referrals. In 2019 we hired more than 800 people around the world, 33% of whom were through personal referrals.

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

In 2019 we promoted 425 colleagues, including 11 to our Partner team. We offer all our people access to great learning at the point of need through our digital learning platform, PA Academy, and support their development through our internal coaching and mentoring networks. These are key parts of our commitment to help each of us to become the very best and to develop world-class consultants.

Our reward and share ownership structures ensure we recognise and reward our best people and that everyone is aligned with the growth and success of our firm.

## Inclusion and diversity

We believe that diversity is something to celebrate; we seek to employ people with different ideas, styles and skill sets. This diversity engenders a richer, more creative environment – one in which our people develop, and clients are better served.

We remain committed to building a more inclusive culture that attracts and supports further diversity. We have a governance structure for inclusion and diversity linked to our 'Life at PA' banner and have launched a programme of activity that we will continue to build on for 2020.

One facet of diversity is gender. The table below provides a breakdown of gender diversity across various levels at PA as at 31 December 2019.

	Female	Male
<b>Total PA employees</b>	<b>1,112</b>	<b>2,085</b>
As at 31 December 2019 there were 3,197 permanent employees (2018: 2,851), including the senior leadership team and directors of PA Consulting Group Limited, of whom 1,112 were female and 2,085 were male (2018: 958 female and 1,893 male)		
2018	958	1,893
<b>Senior leadership team 2019</b>	<b>24</b>	<b>162</b>
As at 31 December 2019 the senior leadership team, excluding company directors listed below, comprised 186 partners and function heads (2018: 166), of whom 24 were female and 162 were male (2018: 18 female and 148 male)		
2018	18	148
<b>Directors of PA Consulting Group Limited at 31 December 2019</b>	<b>0</b>	<b>6</b>
2018	0	6

We know that a diverse senior leadership team is good for business and we have seen an increase in the numbers of women being hired as partners in 2019, with more due to join in 2020. With continued focus on our partner pipeline in 2020, we are focusing on increasing the numbers of women being promoted to partner in 2020 and 2021.

The diversity of PA is strong at the more junior ends of the organisation, so focus on leadership levels is a priority for the coming year.

Through our diversity networks, we provided opportunities for everyone to participate in inclusion and diversity activities. Our Pride Network ran a series of activities throughout the year, including events in our London and Oslo offices, and a breakfast to mark National Coming Out Day in Belfast. Our BAME Network has had a busy first year running events to celebrate Black History Month and the Islamic religious festivals. There have also been mentoring circles to support our BAME colleagues. Our new Women's Network officially launched in early 2019, with a series of global events to mark International Women's Day as well as other topics such as imposter syndrome. Mentoring circles have continued to evolve focused on developing our female talent, and we have reviewed our flexible working and parental leave policies to ensure we are supporting our people in the right way.

## Employee wellbeing

Health and wellbeing continues to be a focus at PA, having signed the Time to Change Pledge in 2019. We now have 150 mental health champions and 45 mental health first-aiders across PA. This ensures awareness of issues related to mental health remains high and individuals have people who can support them within PA. We have also launched online mental health training for managers to ensure our employees are supported while on assignments at client sites as well as in our PA offices.

## Sustainability

PA continues to demonstrate its long-standing commitment to sustainability and corporate social responsibility through a range of environmental and social programmes. These efforts are brought together under our partnership with the UN Global Compact, in its work to achieve the Sustainable Development Goals. This year, we have started working to bring together all our corporate social responsibility efforts under a revised approach to sustainability, aimed at explicitly aligning our efforts with the UN Sustainable Development Goals. We have also upgraded our membership status of the UN Global Compact from 'signatory' to 'participant' status.

### Environmental sustainability

PA has set two top-line objectives for managing our environmental impact: to reduce our scope 1/2 carbon emissions by 60% from the 2009 baseline by 2020, and to reduce our scope 3 transport carbon footprint by 20% from the 2013 baseline by 2020. Our latest carbon footprint data (for 2018) show that we have already reached our 2020 target for scope 1/2 (direct) carbon emissions. Significant reductions were achieved in the last year following the move of our London office into the BREEAM-Excellent rated Verde building – this reduced energy consumption by ca. 80% in comparison with the previous building – and through the ongoing decarbonisation of the UK electricity network. At our Global Innovation and Technology Centre in Melbourn, we have commenced a significant refurbishment project, which is anticipated to provide further significant energy savings.

Progress on transport emissions – principally consisting of air travel – has been challenging, due to the importance of face-to-face interactions in consultancy. Therefore, as we move into 2020 we will explore further options to reduce this impact, as well as considering the potential for intensity metrics rather than absolute metrics to best describe our performance and therefore lead to genuine improvements.

Alongside this, we have maintained our external ISO 14001 environmental management certification for four of our UK offices and have added accreditation to ISO 50001 energy management for the same locations.

Through our work with our clients, we have continued to make significant positive contributions to the environment, and to help them move towards more circular business models. While we continue to focus on our own carbon footprint, we believe the work we are able to deliver with our clients plays a major role in offsetting the negative impact we have.

### Social responsibility

In addition to our Raspberry Pi competition, work experience programmes and our Women in Tech programme, we continue to support many other good causes and aid social mobility through our Giving Back and Volunteering programme. During 2019 PA allocated 1,000 hours to Giving Back and Volunteering initiatives, and the overall spend on the programme has been maintained.

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 2019 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. RIDDOR in the UK). We have continued to strengthen our management systems and have now gained accreditation against ISO 45001 health and safety management on the same sites as ISO 14001. We have undertaken a thorough review of our risk assessment and Control of Substances Hazardous to Health assessment procedures, enabling production of clearer, more focused risk assessments, and will continue this approach to further enhance our existing systems over the coming year.

## 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 that we place are with a diverse range of suppliers.

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

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

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

### Market risk is managed by the Management Committee

The Management Committee comprises the leaders of PA's market-facing business units. The Management Committee considers the appropriateness of PA's strategy and manages 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 PA's non-executive directors and is chaired by a non-executive director. It is responsible for overseeing financial control risks. The Audit Committee reviews the effectiveness of systems for PA's internal financial control environment.

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

The board 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
<b>Market risk</b> 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.
<b>Operational risk</b> 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 growing external 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 may have a significant impact on our continuing work for clients.	We have invested in technical systems and controls to actively both detect and prevent cyber threats from affecting PA systems, and have successfully undertaken independent third-party assessment of these controls. Our people receive training to maintain their awareness of issues and threats and to educate them as to that role in countering such threats.
<b>Professional risk</b> 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 Secretarial 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 that reinforces adherence to good working practices and will protect us from regulatory breach.
<b>Financial risk</b> 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 translation 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. The Group also has a committed £50m credit facility available for its use.



## COVID-19 risk

As we move into 2020, the COVID-19 pandemic has become a significant risk that the board is managing through our risk frameworks and committees. The risk of pandemic is identified as a risk in our risk register and mitigations have been designed to try to manage the impact of this type of risk to the extent possible.

Risk description	Potential impact	Mitigation
<p>The outbreak of a major pandemic leads to serious economic and/or civil disruption across the world, affecting key business areas and geographies in which PA operates and impacting the ability of PA people to travel to or work from affected countries.</p>	<p>As we have seen with COVID-19, such a pandemic can have a significant and potentially long-lasting impact on personal and professional lives across the globe and can give rise to significant market, operational and financial uncertainty.</p> <p>Such an event could:</p> <ul style="list-style-type: none"> <li>• threaten the safety and wellbeing of our people</li> <li>• lead to a reduction of available resources through illness</li> <li>• have a significant negative impact on PA's business operations</li> <li>• restrict the movement of people and/or force the closure of PA offices</li> <li>• severely impact revenue streams as clients reduce spend</li> <li>• result in a lack of available cash to cover outgoings.</li> </ul>	<p>The Group operates a balanced portfolio of work across public and private sector clients, where the work undertaken is both strategic and necessary, reducing the risk that programmes get sidelined in the initial period of a pandemic.</p> <p>PA has well-established operational risk procedures, led by a senior and experienced team, which can respond to a pandemic and its impact on our people and the business. These procedures are designed to co-ordinate actions in response to public health and government bodies in the jurisdictions in which PA operates, ensure business continuity and communicate and engage with employees to keep them safe and support them in difficult times.</p> <p>Our people are familiar with the use of innovative technologies, including the latest collaboration tools. This helps to ensure our people can continue to work together remotely and serve our clients safely and effectively in the event of restrictions on movement or office closures.</p> <p>Immediate cash management actions are available to help mitigate the business impact. These include delaying or restricting certain deferred compensation payments, drawing down on committed facilities and carefully managing the cost base of the firm.</p>

## Section 172(1) Statement

This section comprises our Section 172(1) Statement and should be read in conjunction with the financial and strategic reviews on pages 6 to 17.

The directors of PA Consulting Group Limited take their statutory duties seriously. The directors of PA Consulting Group Limited, as well as those of its subsidiaries, have received specific training on their duties and responsibilities, including their responsibility to promote the success of the Company in accordance with s172 of the Companies Act 2006.

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

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

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

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

The directors also have access to advice and guidance from the Group Company Secretary, as well as PA's company secretariat and Group legal functions when discharging their duties.

The board has made a number of decisions during the year which are described in this report, including the acquisition of 4iNNO, the full repayment of outstanding VLN's and the launch of employee remuneration initiatives. Examples of how the board has engaged with its stakeholders during the year are included throughout the report, with further examples provided below.

### Our clients

Our clients, and the work we do for them, are the cornerstone of our Purpose, and strategy. The way that we contribute to our accounts and build successful and enduring relationships is critical to our success. We engage with our clients closely, working side by side with them in every job we do. In addition to the great 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. In 2019 we published our views on topics such as sustainability, digitisation of supply chains and the importance of the human factor in new technologies. Each year we publish an annual review which provides an important 'window' on PA for our clients, as well as investors, PA people and potential new joiners.

To further understand how well we are meeting the needs of our clients, we undertake client value reviews. The results of these surveys show that 98% of clients would recommend us based on our work. We're proud to work with clients who make a positive contribution on groundbreaking and innovative projects that improve people's lives. We care about what we do and the impact we deliver. Our clients are ambitious to innovate and transform their organisations, markets and society, and we go the extra mile to realise that goal.

## Our people

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

In early 2019 we ran our LifeAtPA engagement survey. Feedback from this survey helped us to understand how well we're doing at creating a supportive culture where our people can thrive. It enabled us to understand our strengths as a workplace, and the areas where we need to focus even more. Feedback from our people has helped to shape our Inclusion and Diversity programme, our focus on mental health and wellbeing, and improvements to our communications and people leadership development.

As well as the engagement survey, we engage with our people regularly throughout the year and through a variety of means. We have a comprehensive intranet site, digital learning academy, weekly PA news updates, and regular all-staff messages and videos from our chief executive officer and other senior members of staff. We also hold many in-person events and gatherings throughout our global offices.

In September 2019 we launched a series of events to mark National Inclusion Week, which provided an opportunity to celebrate inclusion at PA. We have also introduced mentoring circles, announced the pilot of our Women's Returner Programme and confirmed our participation in the 30% Club cross-company mentoring programme.

## Our shareholders

Our partnership with Carlyle, which began in 2015, has been an important factor in our continued growth and success as a firm. Alongside this, employee share ownership remains an important part of PA's culture, brand and values. Continued share ownership by employees is a key feature of our strategy and is highly valued by our people. PA management works closely with Carlyle who have representation on the PA Board.

Employees are represented on the PA Board by the Chief Executive Officer the Group Company Secretary.

In 2019 we continued our engagement with employee shareholders through a series of specific communications to update them on the performance of the business. These included a global call, face-to-face and video conferences, and a video featuring our chairman and members of the Carlyle team. Each year we hold an annual share market where employees can buy and sell PA Share Units. We ran this market twice in 2019 to give employees additional opportunities to invest in PA shares.

In recognition of the strong 2018 performance of the firm, in 2019 all staff were offered a special £1,000 share award to buy PA Share Units. There were 2,508 employees who accepted this award, which resulted in 1,522 employees becoming first-time owners of PA shares. Over 90% of PA employees are now shareholders. We also gave senior people the opportunity to accelerate their deferred bonus award to invest in PA Share Units, an opportunity which was taken up by almost all of those eligible. VLN holders were also invited to reinvest the proceeds of their VLN repayments in 2019 into PA Share Units.

## Our communities

In pursuit of creating a positive human future in a technology-driven world, we give time and expertise to support communities, focusing our efforts to inspire the next generation of ingenious thinkers. In 2019 we continued to give back to our communities. We provided our time and expertise to initiatives like our Raspberry Pi competition (which we expanded to the Netherlands), Springboard programme (which we brought to Boston for the first time) and Women in Tech courses (which we held in London).

# DIRECTORS' REPORT

The directors present their report for PA Consulting Group Limited for the year ended 31 December 2019.

## Principal activities of the Group

The principal activities of PA Consulting Group Limited and its subsidiaries are the provision of a range of consultancy services to governments and industry. The Company acts as a holding company for the PA group of companies. A fair review of the business of the Group during the financial year ended 31 December 2019, the position of the Group at the end of the financial year and a balanced and comprehensive analysis of the performance of the Group's business during the year and future developments are included in the financial and strategic reviews on pages 6 to 19.

## Directors

The directors of the Company who were in office during the year ended 31 December 2019 and up to the date of signing of the financial statements were as follows:

John Alexander

Andrew Burgess

Kully Janjuah

Alan Middleton

Fraser Robson

Marcus Agius (resigned 31 December 2019)

## Directors' indemnity and insurance

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

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

## Dividend

The directors do not recommend the payment of a dividend in respect of the financial year ending 31 December 2019 (2018: £nil). Amounts accruing on preference shares are included in note 20 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 £88,607 (2018: £47,805). These donations correspond to recommendations made by individual employees of the Group in 2019, 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.

### Supporting colleagues with disabilities

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

### Post balance sheet events

Other than those described in note 27, no other events have occurred since 31 December 2019 that require reporting or disclosing in the financial statements.

### Going concern

The Group is financed by a combination of debt, equity and retained earnings. The Group reports under its banking covenants quarterly, and there is significant headroom within these facilities. The directors have reviewed the detailed financial budgets prepared for the forthcoming year together with the strategic plan and believe that the Group has sufficient resources available to it.

As part of the assessment of going concern the directors considered the impact of COVID-19 on the future financial performance of the group through a variety of scenarios covering the potential impact from the business performance risks detailed in note 27 and the Directors' strategic review. This included estimating the impact on forecast revenue and taking into account mitigating actions the directors have already implemented, as described in note 27, or which are available to the directors to take to help maximise the Group's available liquidity over a sustained downturn period.

The Office for Budget Responsibility (OBR) has assessed that gross domestic product (GDP) in the UK (the most significant geographic contributor to the Group's results) could fall by up to 35% in the second quarter of 2020 with a downturn for the year as a whole of 13%.

The scenarios reviewed by the directors modelled a greater drop-off than these levels to ensure the Group can withstand a deeper or longer-term underperformance than the current GDP outlook.

On the basis of the reforecast position the directors are satisfied that the Group has sufficient resources and liquidity available and maintains sufficient headroom on banking covenants under the various scenarios modelled. The directors therefore believe that it is appropriate to prepare the accounts on a going concern basis.

### Financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates and interest rate swap contracts to reduce exposure to interest rate movements on the senior debt. 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 19 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 himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

## Directors' responsibilities

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

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

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

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

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

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

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

## Directors' responsibilities statement

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

- the financial statements for the financial year ended 31 December 2019, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the Company
- 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 23 April 2020 and signed on its behalf by:

**Kully Janjuah**  
Director

PA Consulting Group Limited  
Company number: 09761378

# INDEPENDENT AUDITOR'S REPORT

## to the members of PA Consulting Group Limited

### Opinion

We have audited the financial statements of PA Consulting Group Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated and parent company statement of changes in shareholders' equity, the consolidated and parent company statement of financial position, the consolidated statement of cash flows and the related notes 1 to 28, 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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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 below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Emphasis of matter – disclosure of the effects of COVID-19

We draw attention to Notes 1 and 27 of the financial statements, which describes the disruption that the Group is facing as a result of COVID-19 which may impact fee income as a result of reduced spend from clients, reduction of available resources through illness and mobility issues caused by travel restrictions and taking into account mitigating actions the directors have already implemented or which are available to the directors to take to help maximise the Group's available liquidity over a sustained downturn period. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## Other information

The other information comprises the information included in the annual report set out on pages 4 to 22, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

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

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.

### Notes:

1. The maintenance and integrity of the PA Consulting Group Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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

24 April 2020

# FINANCIAL STATEMENTS

## Consolidated statement of profit or loss

for the year ended 31 December 2019

	Note <sup>i</sup>	2019 £m	2018 <sup>ii</sup> £m
Fee income	5	500.5	455.8
Project costs recharged	5	67.5	47.8
Revenue	5	568.0	503.6
Personnel and direct costs	6	(433.2)	(386.4)
Exceptional personnel and direct costs	7	(12.5)	(4.6)
Gross profit		122.3	112.6
Other administrative expenses		(74.2)	(67.6)
Other operating income	8.1	0.1	2.6
Exceptional administrative (costs)/income	7	(4.0)	(4.7)
Operating profit	8	44.2	42.9
Net finance costs	9	(58.2)	(57.7)
Loss on ordinary activities before taxation		(14.0)	(14.8)
Taxation	10	(6.4)	(6.6)
<b>Loss for the financial year</b>		<b>(20.4)</b>	<b>(21.4)</b>
<b>Adjusted EBITDA<sup>iii</sup></b>	7	<b>94.6</b>	<b>85.3</b>

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

ii. Restated to correct the treatment of the pension contribution holiday.  
See note 4g.

iii. Adjusted EBITDA is operating profit before interest, taxation, depreciation, amortisation and exceptional items. The directors also add back the running costs of the two closed UK defined benefit pension schemes as they consider these to be a non-cash cost to the Group as the schemes are in surplus. A reconciliation between operating profit and adjusted EBITDA is provided in note 7.

## Consolidated statement of other comprehensive income

for the year ended 31 December 2019

	Note <sup>i</sup>	2019 £m	2018 <sup>ii</sup> £m
<b>Loss for the financial year</b>		<b>(20.4)</b>	<b>(21.4)</b>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) recognised on defined benefit pension arrangements	22	(1.5)	24.4
Movement on deferred tax relating to actuarial gain/(loss) on pensions	22	0.1	(4.7)
		(21.8)	(1.7)
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		(0.9)	0.2
		(0.9)	0.2
<b>Total comprehensive loss relating to the year</b>		<b>(22.7)</b>	<b>(1.5)</b>

- i. The accompanying notes are an integral part of the financial statements.
- ii. Restated to correct the treatment of the pension contribution holiday.  
See note 4g.

# Consolidated statement of financial position

at 31 December 2019

	Note <sup>i</sup>	2019 £m	2018 £m	As at 1 January 2018 <sup>ii</sup> £m
<b>Non-current assets</b>				
Goodwill	11	207.2	205.4	191.9
Other intangible assets	11	251.7	270.3	284.6
Property, plant and equipment	12	28.7	27.5	27.6
Right-of-use assets	13	46.0	52.7	52.8
Derivative financial instruments	19	0.1	0.2	0.3
Deferred tax assets	10	5.8	10.6	13.8
Other non-current assets		1.3	2.2	0.8
		<b>540.8</b>	<b>568.9</b>	<b>571.8</b>
<b>Current assets</b>				
Trade receivables	5	72.7	70.0	73.6
Contract assets	5	21.9	20.2	23.1
Derivative financial instruments	19	0.1	0.4	0.3
Other current assets	16	15.2	30.6	17.2
Cash and cash equivalents		90.7	132.2	87.3
		<b>200.6</b>	<b>253.4</b>	<b>201.5</b>
<b>Total assets</b>		<b>741.4</b>	<b>822.3</b>	<b>773.3</b>
<b>Current liabilities</b>				
Trade and other current liabilities	17	(135.5)	(132.3)	(87.6)
Contract liabilities	5	(22.2)	(17.8)	(15.1)
Derivative financial instruments	19	(0.1)	(0.1)	(0.1)
Lease liabilities	13	(9.6)	(6.3)	(3.5)
Current tax liabilities		(2.4)	(2.5)	(3.9)
		<b>(169.8)</b>	<b>(159.0)</b>	<b>(110.2)</b>
<b>Net current assets</b>		<b>30.8</b>	<b>94.4</b>	<b>91.3</b>
<b>Non-current liabilities</b>				
Borrowings	20	(545.2)	(616.6)	(603.3)
Lease liabilities	13	(53.0)	(59.7)	(57.7)
Derivative financial instruments	19	(0.1)	-	(0.1)
Pension and other post-employment liabilities	22	(2.7)	(2.1)	(1.4)
Deferred tax liabilities	10	(28.7)	(33.7)	(33.5)
Other non-current liabilities	18	(29.5)	(27.0)	(42.9)
		<b>(659.2)</b>	<b>(739.1)</b>	<b>(738.9)</b>
<b>Total liabilities</b>		<b>(829.0)</b>	<b>(898.1)</b>	<b>(849.1)</b>
<b>Net liabilities</b>		<b>(87.6)</b>	<b>(75.8)</b>	<b>(75.8)</b>
<b>Equity</b>				
Share capital	21	0.9	0.9	0.8
Share premium	21	9.9	8.0	7.3
Own shares reserve	21	(0.3)	-	-
Foreign currency translation reserve	21	(0.7)	0.2	-
Retained earnings		(97.4)	(84.9)	(83.9)
<b>Total equity</b>		<b>(87.6)</b>	<b>(75.8)</b>	<b>(75.8)</b>

- i. The accompanying notes are an integral part of the financial statements.
- ii. Restated to correct the treatment of the own preference shares held. See note 4f.

The financial statements were approved and authorised for issue by the board of directors on 23 April 2020.

**Alan Middleton**  
Chief Executive Officer

PA Consulting Group Limited  
Company number: 09761378

# Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2019

	Note <sup>i</sup>	Share capital £m	Share premium £m	Own share reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
<b>At 1 January 2018<sup>ii</sup></b>		<b>0.8</b>	<b>7.3</b>	<b>-</b>	<b>-</b>	<b>(83.9)</b>	<b>(75.8)</b>
<b>Total comprehensive loss for the year</b>							
Loss for the financial year <sup>iii</sup>		-	-	-	-	(21.4)	(21.4)
Actuarial gain recognised on defined benefit pension arrangements <sup>iii</sup>	22	-	-	-	-	24.4	24.4
Movement on deferred tax relating to actuarial gain on pensions <sup>iii</sup>	22	-	-	-		(4.7)	(4.7)
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	0.2	-	0.2
Total comprehensive loss		-	-	-	0.2	(1.7)	(1.5)
<b>Transactions with owners of the Company</b>							
Issue of ordinary shares	21	0.1	0.7	-	-	-	0.8
Movement in own shares held by employee trusts	21	-	-	-	-	-	-
Cash consideration received for disposal of shares		-	-	-	-	0.7	0.7
Total transactions with owners of the Company		0.1	0.7	-	-	0.7	1.5
<b>At 31 December 2018</b>		<b>0.9</b>	<b>8.0</b>	<b>-</b>	<b>0.2</b>	<b>(84.9)</b>	<b>(75.8)</b>
<b>Total comprehensive loss for the year</b>							
Loss for the financial year		-	-	-	-	(20.4)	(20.4)
Actuarial loss recognised on defined benefit pension arrangements	22	-	-	-	-	(1.5)	(1.5)
Movement on deferred tax relating to actuarial gain on pensions	22	-	-	-	-	0.1	0.1
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	(0.9)	-	(0.9)
Total comprehensive loss		-	-	-	(0.9)	(21.8)	(22.7)
<b>Transactions with owners of the Company</b>							
Issue of ordinary shares	21	-	1.9	-	-	-	1.9
Movement in own shares held by employee trusts	21	-	-	(0.3)	-	-	(0.3)
Cash consideration received for disposal of shares		-	-	-	-	9.3	9.3
Total transactions with owners of the Company		-	1.9	(0.3)	-	9.3	10.9
<b>At 31 December 2019</b>		<b>0.9</b>	<b>9.9</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(97.4)</b>	<b>(87.6)</b>

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

ii. Restated to correct the treatment of the own preference shares held.  
See note 4f.

iii. Restated to correct the treatment of the pension contribution holiday.  
See note 4g.

## Consolidated statement of cash flows

for the year ended 31 December 2019

	Note <sup>i</sup>	2019 £m	2018 £m
<b>Operating profit</b>	8.2	<b>44.2</b>	<b>42.9</b>
Add back:			
Amortisation of intangible fixed assets	7, 8.2, 11	20.5	21.5
Depreciation of property, plant and equipment	7, 8.2, 12	3.7	3.5
Loss on disposal of property, plant and equipment	7, 8.2	0.2	0.1
Depreciation of right-of-use assets	7, 8.2, 13	7.1	5.9
Net foreign exchange differences		0.8	(1.2)
Difference between pension charge and cash contributions		11.8	9.6
Operating cash flows before movements in working capital		88.3	82.3
Decrease/(increase) in trade and other receivables and contract assets		1.7	10.1
Increase/(decrease) in trade and other payables and contract liabilities		1.5	22.0
<b>Operating cash flows before payments for taxes</b>		<b>91.5</b>	<b>114.4</b>
Taxation paid		(6.8)	(7.4)
<b>Net cash flows from operating activities</b>		<b>84.7</b>	<b>107.0</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	12	(5.2)	(2.9)
Purchase of acquired intangible assets	11	(1.6)	(2.0)
Purchase of subsidiary undertakings (net of cash acquired)		(2.1)	(16.6)
Interest received		0.6	0.4
<b>Net cash flow from investing activities</b>		<b>(8.3)</b>	<b>(21.1)</b>
<b>Financing activities</b>			
Issue of ordinary shares	21.1.1	1.8	0.8
Repayment of 5% loan notes	20	(119.9)	(30.1)
Repayment of lease principal	13	(6.3)	(3.5)
Interest paid		(9.4)	(12.2)
Net receipt from sale of own shares		17.5	3.3
Staff loans issued		(0.3)	-
<b>Net cash flow from financing activities</b>		<b>(116.6)</b>	<b>(41.7)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(40.2)</b>	<b>44.2</b>
Cash and cash equivalents at 1 January		132.2	87.3
Net foreign exchange difference		(1.3)	0.7
<b>Cash and cash equivalents at 31 December</b>		<b>90.7</b>	<b>132.2</b>

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

Net funds include £14.6m (2018: £14.5m) held by employee benefit trusts that are not under the Group's control.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

### General information

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

### Statement of compliance

The Group's financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as adopted by the European Union and the Companies Act 2006. These financial statements for the year ended 31 December 2019 are the first the Group has prepared in accordance with IFRS. Refer to note 4 for information on how the Group adopted IFRS.

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

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

### Basis of preparation

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

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

### Going concern

The Group is financed by a combination of debt, equity and retained earnings. The Group reports under its banking covenants quarterly, and there is significant headroom within these facilities. The directors have reviewed the detailed financial budgets prepared for the forthcoming year together with the strategic plan and believe that the Group has sufficient resources available to it.

As part of the assessment of going concern the directors considered the impact of COVID-19 on the future financial performance of the group through a variety of scenarios covering the potential impact from the business performance risks detailed in note 27 and the Directors' strategic review. This included estimating the impact on forecast revenue and taking into account mitigating actions the directors have already implemented, as described in note 27, or which are available to the directors to take to help maximise the Group's available liquidity over a sustained downturn period.

The Office for Budget Responsibility (OBR) has assessed that gross domestic product (GDP) in the UK (the most significant geographic contributor to the Group's results) could fall by up to 35% in the second quarter of 2020 with a downturn for the year as a whole of 13%. The scenarios reviewed by the directors modelled a greater drop-off than these levels to ensure the Group can withstand a deeper or longer-term underperformance than the current GDP outlook.

On the basis of the reforecast position the directors are satisfied that the Group has sufficient resources and liquidity available and maintains sufficient headroom on banking covenants under the various scenarios modelled. The directors therefore believe that it is appropriate to prepare the accounts on a going concern basis.

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

## 2.2 Employee benefit trusts

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

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

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

## 2.3 Foreign currencies

### Functional and presentation currency

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

### Transactions and balances

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

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

### Consolidation

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

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

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

## 2.4 Revenue

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

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

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

For long-term, fixed-price contracts, provided the Group has an enforceable right to payment for performance completed to date, revenue is recognised over the contract term using the percentage of completion method (input method). The stage of completion of a long-term contract is measured as the proportion that costs incurred for work performed to date bear to the estimated total costs of the contract. Estimated total costs of the contract (primarily consultant time) are reviewed regularly and, where necessary, revised.



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

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

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

## 2.5 Employee benefits

### 2.5.1 Defined benefit plans

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

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

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

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

### 2.5.2 Defined contribution plans

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

### 2.5.3 Deferred employee remuneration

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

The Group recognises a liability and an expense for deferred employee remuneration based on a formula that takes into consideration the Group's profit before tax after certain adjustments. The Group recognises deferred employee remuneration liabilities and expenses where there is a past practice that has created a constructive obligation or there is a contractual obligation. Deferred employee remuneration due in more than one year relates to the deferral of remuneration for certain employees from three to five years after they have been awarded.

### 2.5.4 Short-term compensated absences

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

## 2.6 Research and development

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

## 2.7 Leases

### Definition of a lease

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

### Group as a lessee

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

#### 2.7.1 Right-of-use asset

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

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

#### 2.7.2 Lease liability

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

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

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

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

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

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

## 2.8 Interest income and expense

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

## 2.9 Adjusted EBITDA and exceptional items

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

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

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

## 2.10 Tax

The tax charge comprises current tax payable and deferred tax.

### 2.10.1 Current tax

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

### 2.10.2 Deferred tax

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

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

## 2.11 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method.

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

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

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

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

## 2.12 Intangible assets

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

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

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

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

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

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

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

## 2.13 Property, plant and equipment

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

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

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

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

## 2.14 Cash and cash equivalents

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

## 2.15 Contract balances

### Contract assets

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

### Trade receivables

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

### Contract liabilities

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

## 2.16 Financial instruments

### 2.16.1 Classification

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

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

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

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

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

### 2.16.2 Financial assets

#### Initial recognition

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

#### Subsequent measurement

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

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

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

### Derecognition

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

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

### Impairment

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

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

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

### 2.16.3 Financial liabilities

#### Initial recognition

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

#### Subsequent measurement

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

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

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

#### Derecognition

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

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

## 2.16.4 Derivative instruments

### Initial recognition and subsequent measurement

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

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

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

## 2.17 Provisions for liabilities

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

## 2.18 Share capital

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

### 2.18.1 Equity instruments

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

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

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

### 2.18.2 Preference shares

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

## 2.19 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- Amendments to References to the Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts
- Reliefs in connection with interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7).



### 3. Critical accounting judgements and estimation uncertainty

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

#### 3.1 Revenue from long-term contracts

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

#### 3.2 Leases

##### Determining the lease term of contracts with renewal and termination options

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

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

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

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

##### Estimating the incremental borrowing rate

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

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

#### 3.3 Pension assets and liabilities

The present values of pension assets and liabilities are determined on an actuarial basis and depend on a number of actuarial assumptions that are disclosed in note 22. Any change in these assumptions will impact on the carrying amount of pension liabilities. Note 22 describes the key assumptions used in the accounting for retirement benefit obligations.

#### 3.4 Impairment of intangible assets

Estimating the value in use of intangible assets is dependent on assumptions of future trading growth, profitability and cash flows (note 11).



## 4. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2019, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2018, the Group prepared its financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard (FRS) 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (Local GAAP).

Accordingly, the Group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2019, together with the comparative period data as at and for the year ended 31 December 2018, as described in the summary of significant accounting policies (see note 2).

In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2018, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2018 and the financial statements as at and for the year ended 31 December 2018.

### Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

- The Group has elected to set the cumulative translation differences for all its foreign operations to zero at 1 January 2018 and consequently any gain/loss on subsequent disposal of any of its foreign operations will exclude translation differences that arose before that date.
- The Group has elected to use the previous revaluation value of its freehold land and building as performed under FRS 102 as its deemed cost on the basis that this valuation was broadly comparable to its fair value at the date of the revaluation.
- The Group has chosen to measure the right-of-use asset of certain of its property leases (those of significant size or age) as if IFRS 16 had been applied since commencement date of the lease. All other leases have the right-of-use asset measured equal to the lease liability (adjusted for any prepaid or accrued balances recorded in the statement of financial position at date of transition).
- In relation to the Group's leases:
  - a. the Group has elected to apply a single discount rate to leases with reasonably similar characteristics;
  - b. the Group has elected not to apply the requirements of IFRS 16 to leases for which the lease term ends within 12 months of the transition date;
  - c. the Group has elected not to apply the requirements of IFRS 16 to leases for which the underlying asset is of low value (benchmarked at \$5,000);
  - d. the Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of transition;
  - e. the Group has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The Group has elected to deduct the cost of dilapidations as measured at 1 January 2018 from the Group's right-of-use asset and ignore any changes in the liabilities that occurred before this date.

## Estimates

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies).

The adjustments required by the Group are described below and the related financial impact on the Group's balance sheet, income statement and comprehensive income is shown in the subsequent tables:

- a. Under FRS 102, the Group amortised goodwill recognised as part of its business acquisitions and included acquisition costs within the overall consideration paid. Goodwill has an indefinite life and is not amortised under IFRS 3 Business Combinations, being replaced instead with an annual impairment test. As the Group has elected to apply IFRS 3 to all business combinations, any amortisation charged since date of acquisition has been reversed. Acquisition costs are to be expensed and therefore these have been removed from goodwill and are recorded as exceptional items in the Group's profit/(loss).

As part of various of the Group's acquisitions, contingent consideration was recognised at the date of acquisition for the full amount expected to be payable due to fulfilling the recognition criteria under FRS 102. IFRS 3 has a more prescriptive application of the criteria, which has meant the contingent consideration for acquisitions reported at 1 January 2018 and 31 December 2018 is to be treated as an employment cost. Consequently, the deferred consideration liabilities have been released with a corresponding reduction in goodwill and an exceptional employment cost and related accrual recognised to reflect the length of service provided through the performance period.

- b. The Group has a number of leases of property and vehicles which were treated as operating leases under FRS 102, with the committed rental expense being taken to profit or loss over the life of the lease. Only rent prepayments, accruals, lease incentives or provisions were recorded as balance sheet items. Under IFRS 16 Leases, all leases with a term greater than 12 months and an underlying asset greater than \$5,000 are recognised on balance sheet with a lease liability representing the present value of the remaining contractual rental payments and a right-of-use asset representing the cost of the underlying asset being leased.

In coming to the recognised right-of-use asset cost, any balances relating to the leases such as rent prepayments, accruals, lease incentives and provisions are taken into consideration and therefore are no longer recorded in the separate areas of the Group's balance sheet. These have been reversed from the balance sheet lines where they were previously presented.

After initial recognition, rental charges are no longer recorded in profit or loss and therefore these have been removed from the income statement for the comparative period. Instead, the Group has charged an interest expense on the remaining lease liability to profit or loss, with a corresponding increase in the liability. Rental payments are recorded directly against the lease liability to reflect a repayment of principal and interest.

A new depreciation charge on the right-of-use asset has also been recognised in comparative period profit or loss, effectively treating these assets the same as the Group's owned tangible assets.

- c. Under FRS 102, the Group recognised a provision for bad debts on customer receivables and contract work-in-progress based on historical experience and length of time past due. A revised provision model is required under IFRS to incorporate expected credit loss on a forward-looking basis. The Group has chosen a simplified approach through categorising customers with similar risk profiles by considering nature of customer, local economic information and past performance to determine a projected probability of default. This has led to a reduced provision requirement for both trade receivables and contract work-in-progress with the excess being released on transition.
- d. Under FRS 102, the Group recorded the fair value of its derivative instruments (forward currency contracts and interest rate swap) within current other debtors on the balance sheet. IFRS requires derivatives to be presented on the face of the balance sheet split as assets and liabilities unless right of offset exists. The Group does not have right of offset and therefore a reclassification of the fair values at transition and as at the end of the comparative period has been performed.
- e. Under FRS 102, the Group deducted the value of the preference shares held by the trust from reserves through the own shares reserve. A review of the Group's financial instruments on conversion to IFRS identified that preference shares held by the trust should be recognised as a financial asset held at amortised cost. As a result, the balance has been restated.
- f. In the 2018 FRS 102 financial statements, the benefit of the pension contribution holiday was recognised as exceptional administrative income with the associated debit being recorded in other comprehensive income. As part of the review of accounting undertaken for the IFRS conversion, this was identified as an error and is restated below. The associated deferred tax has also been corrected below.

The Group's interest rate swap was hedged accounted under FRS 102. The requirements of documentation of a hedge are significantly different under IFRS and it has been determined that the existing documentation does not sufficiently cover the required criteria. Therefore, from the date of transition the hedge relationship is derecognised and hedge accounting ceases, resulting in any fair value movement from date of transition being recognised through the interest charge in profit or loss rather than directly in reserves. Under FRS 102, the Group disclosed translation of the net assets and results of foreign subsidiaries directly within retained profit. IAS 21 The Effects of Changes in Foreign Exchange Rates requires the retranslation impact to be held within a separate reserve within equity and therefore any translation gains or losses resulting post-transition have been moved into a translation reserve.

The impact from transition to IFRS on the Group's balance sheet is as follows:

		As at 1 January 2018					As at 31 December 2018		
		FRS 102 £m	Restatement £m	FRS 102 after restatement £m	Effect of transition £m	IFRS £m	FRS 102 £m	Effect of transition £m	IFRS £m
<b>Non-current assets</b>									
Intangible assets	a	449.0	-	449.0	27.5	476.5	443.3	32.4	475.7
Property, plant and equipment		27.6	-	27.6	-	27.6	27.5	-	27.5
Right-of-use assets	b	-	-	-	52.8	52.8	-	52.7	52.7
Derivative financial instruments	d	-	-	-	0.3	0.3	-	0.2	0.2
Deferred tax assets	b	12.2	-	12.2	1.6	13.8	8.1	2.5	10.6
Other non-current assets	f	-	0.8	0.8	-	0.8	2.2	-	2.2
<b>Current assets</b>									
Trade receivables	c	71.1	-	71.1	2.5	73.6	69.0	1.0	70.0
Contract assets	c	22.1	-	22.1	1.0	23.1	19.1	1.1	20.2
Derivative financial instruments	d	-	-	-	0.3	0.3	-	0.4	0.4
Other current assets	b,d	18.7	-	18.7	(1.5)	17.2	32.2	(1.6)	30.6
Cash and cash equivalents		87.3	-	87.3	-	87.3	132.2	-	132.2
<b>Current liabilities</b>									
Trade and other current liabilities	a,b	(92.6)	-	(92.6)	5.0	(87.6)	(143.7)	11.4	(132.3)
Contract liabilities		(15.1)	-	(15.1)	-	(15.1)	(17.8)	-	(17.8)
Derivative financial instruments	d	-	-	-	(0.1)	(0.1)	-	(0.1)	(0.1)
Lease liability	b	-	-	-	(3.5)	(3.5)	-	(6.3)	(6.3)
Current tax liabilities		(3.9)	-	(3.9)	-	(3.9)	(2.5)	-	(2.5)
<b>Non-current liabilities</b>									
Borrowings		(603.3)	-	(603.3)	-	(603.3)	(616.6)	-	(616.6)
Lease liability	b	-	-	-	(57.7)	(57.7)	-	(59.7)	(59.7)
Derivative financial instruments	d	-	-	-	(0.1)	(0.1)	-	-	-
Pension and other post-employment liabilities		(1.4)	-	(1.4)	-	(1.4)	(2.1)	-	(2.1)
Deferred tax liabilities	c	(32.2)	-	(32.2)	(1.3)	(33.5)	(32.1)	(1.6)	(33.7)
Other non-current liabilities	a,b	(44.6)	-	(44.6)	1.7	(42.9)	(38.8)	11.8	(27.0)
<b>Net assets</b>		<b>(105.1)</b>	<b>0.8</b>	<b>(104.3)</b>	<b>28.5</b>	<b>(75.8)</b>	<b>(120.0)</b>	<b>44.2</b>	<b>(75.8)</b>
<b>Equity</b>									
Share capital		0.8	-	0.8	-	0.8	0.9	-	0.9
Share premium		7.3	-	7.3	-	7.3	8.0	-	8.0
Own shares reserve		-	-	-	-	-	-	-	-
Translation reserve	e	-	-	-	-	-	-	0.2	0.2
Retained earnings	f	(113.2)	0.8	(112.4)	28.5	(83.9)	(128.9)	44.0	(84.9)
		<b>(105.1)</b>	<b>0.8</b>	<b>(104.3)</b>	<b>28.5</b>	<b>(75.8)</b>	<b>(120.0)</b>	<b>44.2</b>	<b>(75.8)</b>

The impact from transition to IFRS on the Group's results for the year ended 31 December 2018 is as follows:

		31 December 2018				
		FRS 102 £m	Restatement £m	FRS 102 after restatement £m	Effect of transition £m	IFRS £m
Fee income		455.8	-	455.8	-	455.8
Project costs recharged		47.8	-	47.8	-	47.8
<b>Revenue</b>		<b>503.6</b>	<b>-</b>	<b>503.6</b>	<b>-</b>	<b>503.6</b>
Personnel and direct costs	c	(385.0)	-	(385.0)	(1.4)	(386.4)
Exceptional personnel and direct costs		(1.5)	-	(1.5)	(3.1)	(4.6)
<b>Gross profit</b>		<b>117.1</b>	<b>-</b>	<b>117.1</b>	<b>(4.5)</b>	<b>112.6</b>
Other administrative expenses	a,b	(90.5)	-	(90.5)	22.9	(67.6)
Other operating income		2.6	-	2.6	-	2.6
Exceptional administrative income/(costs)	a,g	2.3	(6.4)	(4.1)	(0.6)	(4.7)
<b>Operating profit</b>		<b>31.5</b>	<b>(6.4)</b>	<b>25.1</b>	<b>17.8</b>	<b>42.9</b>
Finance income/(costs)	b,d	(55.5)	-	(55.5)	(2.2)	(57.7)
<b>Loss on ordinary activities before taxation</b>		<b>(24.0)</b>	<b>(6.4)</b>	<b>(30.4)</b>	<b>15.6</b>	<b>(14.8)</b>
Taxation	b,c,g	(8.3)	1.2	(7.1)	0.5	(6.6)
<b>Loss for the year</b>		<b>(32.3)</b>	<b>(5.2)</b>	<b>(37.5)</b>	<b>16.1</b>	<b>(21.4)</b>
Adjusted EBITDA		79.5	-	79.5	5.8	85.3

The impact from transition to IFRS on the Group's comprehensive loss for the year ended 31 December 2018 is as follows:

		31 December 2018				
		FRS 102 £m	Restatement £m	FRS 102 after restatement £m	Effect of transition £m	IFRS £m
<b>Loss for the year</b>		<b>(32.3)</b>	<b>(5.2)</b>	<b>(37.5)</b>	<b>16.1</b>	<b>(21.4)</b>
Actuarial gain/(loss) on defined benefit plans	g	18.0	6.4	24.4	-	24.4
Tax relating to other comprehensive income	g	(3.5)	(1.2)	(4.7)	-	(4.7)
Exchange differences on translation of overseas subsidiaries		0.2	-	0.2	-	0.2
Cash flow hedges' change in fair value	d	0.3	-	0.3	(0.3)	-
<b>Other comprehensive income</b>		<b>15.0</b>	<b>5.2</b>	<b>20.2</b>	<b>(0.3)</b>	<b>19.9</b>
<b>Total comprehensive income</b>		<b>(17.3)</b>	<b>-</b>	<b>(17.3)</b>	<b>15.8</b>	<b>(1.5)</b>

## 5. Revenue from contracts with customers

### 5.1 Disaggregation of revenue

All revenue is derived from the provision of consulting services and relates to continuing operations:

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

	For the year ended 31 December 2018		
	Consultant fees £m	Project costs recharged £m	Total £m
<b>Geographical markets, based on the billing location of the client</b>			
UK	316.3	34.5	350.8
Americas	60.2	5.6	65.8
Scandinavia	48.0	2.9	50.9
Europe	20.9	1.5	22.4
Asia Pacific	10.4	3.3	13.7
<b>Total revenue from contracts with customers</b>	<b>455.8</b>	<b>47.8</b>	<b>503.6</b>
<b>Contract duration</b>			
One year or less	243.9	15.6	259.5
Over one year	211.9	32.2	244.1
<b>Total revenue from contracts with customers</b>	<b>455.8</b>	<b>47.8</b>	<b>503.6</b>

Revenue from time and materials, fixed-price and milestone contracts of £566.4m (2018: £503.3m) was recognised on the basis of time worked and expenses incurred. For time and materials contracts revenue directly reflects time worked and expenses incurred; for fixed-price and milestone contracts revenue was recognised through the percentage completion method using the time worked and expenses incurred as a proportion of the estimated total costs of the contract. Gain share contract revenue of £1.6m (2018: £0.3m) was recognised at a point in time.



## 5.2 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	2019 £m	2018 £m	1 January 2018 £m
Trade receivables	5.2.1	72.7	70.0	73.6
Contract assets	5.2.2	21.9	20.2	23.1
Contract liabilities	5.2.3	(22.2)	(17.8)	(15.1)

### 5.2.1 Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. There was no impact on trade receivables from the acquisition of the trade and assets of 4iNNO. In 2018 the acquisition of subsidiaries resulted in increase in trade receivables of £3.5m. In 2019, £4.0m (2018: £7.7m) was recognised as provision for expected credit losses on trade receivables.

	2019		2018		1 January 2018	
	Gross carrying amount £m	Provision for expected credit losses £m	Gross carrying amount £m	Provision for expected credit losses £m	Gross carrying amount £m	Provision for expected credit losses £m
Current (not past due)	50.9	-	49.6	(0.1)	45.7	(0.1)
1-30 days past due	13.6	-	14.2	-	17.8	(0.1)
31-60 days past due	4.8	-	2.8	-	4.8	-
61-90 days past due	1.1	-	1.4	-	1.2	-
91-180 days past due	1.2	-	1.0	-	2.1	(0.1)
More than 180 days past due	1.2	(0.1)	0.6	-	2.8	(0.5)
Credit-impaired trade receivables	3.9	(3.9)	8.1	(7.6)	-	-
	<b>76.7</b>	<b>(4.0)</b>	<b>77.7</b>	<b>(7.7)</b>	<b>74.4</b>	<b>(0.8)</b>

Movement on expected credit loss on trade receivables	2019 £m	2018 £m
At 1 January	(7.7)	(0.8)
Net remeasurement of expected credit loss allowance	3.5	(7.5)
Amounts written off	0.2	0.6
<b>At 31 December</b>	<b>(4.0)</b>	<b>(7.7)</b>

## 5.2.2 Contract assets

	2019 £m	2018 £m	1 January 2018 £m
Gross carrying amount	22.1	20.3	23.2
Expected credit loss allowance	(0.2)	(0.1)	(0.1)
<b>Net contract asset</b>	<b>21.9</b>	<b>20.2</b>	<b>23.1</b>
<b>Movement on contract assets</b>		2019 £m	2018 £m
At 1 January		20.2	23.1
Business combinations		-	1.3
Transfer to trade receivables		(19.1)	(22.7)
Increases as a result of services performed but not invoiced during the year		21.8	19.2
Movement in provision and amounts written off in the year		(1.0)	(0.7)
<b>At 31 December</b>		<b>21.9</b>	<b>20.2</b>

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

## 5.2.3 Contract liabilities

<b>Movement on contract liabilities</b>	2019 £m	2018 £m
At 1 January	(17.8)	(15.1)
Business combinations	-	(1.7)
Increases due to invoicing, excluding amounts recognised as revenue during the period	(21.6)	(15.9)
Revenue recognised that was included in the contract liability balance at the beginning of the period	17.2	14.9
<b>At 31 December</b>	<b>(22.2)</b>	<b>(17.8)</b>

## 5.3 Contracted performance obligations

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

- performance obligations that are part of a contract that has an original expected duration of one year or less; and
- 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.

## 6. Employee information

### 6.1 Employee remuneration

The aggregate remuneration of these persons was:

	2019 £m	2018 £m
Wages and salaries	(220.1)	(195.0)
Deferred remuneration	(62.7)	(61.4)
Social security costs	(25.8)	(22.4)
Contributions to defined contribution pension arrangements	(15.9)	(13.8)
Running costs for defined benefit pension arrangements	(2.4)	(2.2)
Other payroll costs	(30.1)	(23.5)
<b>Total aggregate employee benefits</b>	<b>(357.0)</b>	<b>(318.3)</b>

Included in other payroll costs is £11.2m (2018: £3.7m) exceptional employment costs related to business combinations.

### 6.2 Employee numbers

The average monthly number of people, including executive directors, employed by the Group during the year was:

	2019 Number	2018 Number
Consultants	2,536	2,240
Support	585	595
<b>Total average number of employees</b>	<b>3,121</b>	<b>2,835</b>

## 7. Alternative financial measures

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

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

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

	2019			2018 <sup>i</sup>		
	£m	Adjustments £m	Adjusted £m	£m	Adjustments £m	Adjusted £m
Group operating profit	44.2	18.9	63.1	42.9	11.5	54.4
Amortisation of other intangible assets	20.5	-	20.5	21.4	-	21.4
Depreciation of property, plant and equipment	3.7	-	3.7	3.5	-	3.5
Depreciation of right-of-use assets	7.1	-	7.1	5.9	-	5.9
Loss on disposal of tangible fixed assets	0.2	-	0.2	0.1	-	0.1
<b>EBITDA</b>	<b>75.7</b>	<b>18.9</b>	<b>94.6</b>	<b>73.8</b>	<b>11.5</b>	<b>85.3</b>

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

The adjustments relate to the following items		2019			2018 <sup>i</sup>		
		Personnel and direct costs £m	Administrative costs £m	Total adjustment £m	Personnel and direct costs £m	Administrative income/(costs) £m	Total adjustment £m
	Note						
<b>Non-trading items</b>							
Pension adviser fees	a	-	-	-	-	(1.2)	(1.2)
Defined benefit pension scheme historic service cost/(credit)	b	-	-	-	-	(0.9)	(0.9)
Acquisition-related costs	c	(11.2)	(0.1)	(11.3)	(3.7)	(0.6)	(4.3)
One-off advisory costs	d	-	(2.7)	(2.7)	-	(1.8)	(1.8)
Business closure costs	e	(1.0)	(0.1)	(1.1)	(0.5)	(0.2)	(0.7)
Finance systems upgrade	f	(0.3)	(0.3)	(0.6)	(0.4)	(0.2)	(0.6)
Other (costs)/income		-	(0.8)	(0.8)	-	0.2	0.2
Total non-trading items		(12.5)	(4.0)	(16.5)	(4.6)	(4.7)	(9.3)
<b>Non-cash items</b>							
Defined benefit pension scheme running costs	g	-	(2.4)	(2.4)	-	(2.2)	(2.2)
<b>Total adjusting items</b>		<b>(12.5)</b>	<b>(6.4)</b>	<b>(18.9)</b>	<b>(4.6)</b>	<b>(6.9)</b>	<b>(11.5)</b>

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

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

- These costs in the prior year were professional fees associated with the buy-in of the UK closed defined benefit scheme.
- This cost in the prior year was the additional uplift required for the equalisation of guaranteed minimum pension.
- These costs comprise professional fees, consideration deemed to be employment costs and staff retention costs.
- These costs relate to professional fees incurred reviewing the Group's financing strategy.
- These costs relate to the closure of businesses driven by the Group simplification initiative in the period.
- These costs relate to the ongoing upgrade of the Group's core legacy back office systems.
- During the period the Group incurred pension running costs for the two closed UK defined benefit pension schemes. These schemes are in surplus and as such the running costs are a non-cash cost to the Group.

## 8. Income and expenses

### 8.1 Other operating income

	2019 £m	2018 £m
Rental income from property subleases	0.1	2.6

### 8.2 Included in operating profit

	Note	2019 £m	2018 £m
<b>Operating profit is stated after charging/(crediting):</b>			
Depreciation of property, plant and equipment	12	3.7	3.5
Loss on disposal of property, plant and equipment	12	0.2	0.1
Depreciation of right-of-use assets	13	7.1	5.9
<b>Total depreciation charge</b>		<b>11.0</b>	<b>9.5</b>
Amortisation of intangible assets	11	20.5	21.5
Charges in relation to short-term leases and lease of low-value assets		1.9	5.6
Foreign currency differences		1.7	(1.5)
R&D expenditure		8.3	8.2

### 8.3 Auditor's remuneration

	2019 £'000	2018 £'000
Audit of the Company and Group financial statements	366	312
Fees payable to the Group's auditor for other services:		
Tax services	11	22
Other assurance services	17	17
All other services	-	31
<b>Total non-audit services</b>	<b>28</b>	<b>70</b>
	<b>394</b>	<b>382</b>

Included in audit of the financial statements is £87,938 (2018: £13,635) relating to the Company.  
The auditor of PA Consulting Group Limited is Ernst & Young LLP.

## 9. Net finance costs

	Note	2019 £m	2018 £m
<b>Finance income</b>			
Interest income on cash and cash equivalents		0.6	0.8
Net discounting impact of long-term assets/liabilities		0.1	-
Interest on defined benefit pension arrangement	22	0.2	-
Movement in fair value of interest rate swap		-	0.3
		<b>0.9</b>	<b>1.1</b>
<b>Finance costs</b>			
Preference shares		(22.8)	(20.4)
Investor loan notes		(25.0)	(22.3)
Vendor loan notes		(3.4)	(7.1)
Senior debt		(4.6)	(4.7)
Amortisation of debt issue costs	20	(0.7)	(0.7)
Net discounting impact of long-term assets/liabilities		-	(1.0)
Discounting impact of lease liabilities	13	(2.5)	(2.5)
Interest on defined benefit pension arrangement liabilities	22	(0.1)	(0.1)
		<b>(59.1)</b>	<b>(58.8)</b>
<b>Net finance costs</b>		<b>(58.2)</b>	<b>(57.7)</b>

## 10. Tax

### 10.1 Tax on loss on ordinary activities

	2019 £m	2018 <sup>i</sup> £m
<b>Current tax</b>		
<b>United Kingdom</b>		
UK corporation tax at 19% (2018: 19%)	(5.7)	(6.5)
UK tax overprovided in previous years	0.4	0.6
UK corporation tax	(5.3)	(5.9)
<b>Foreign tax</b>		
Corporation taxes	0.3	(1.8)
Foreign tax (under)/overprovided in previous years	(1.7)	(0.8)
Foreign tax	(1.4)	(2.6)
Total current tax charge	(6.7)	(8.5)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1.1)	0.9
Deferred tax adjustment relating to previous years	1.4	1.0
Total deferred tax	0.3	1.9
<b>Total tax charge/(credit) on loss on ordinary activities</b>	<b>(6.4)</b>	<b>(6.6)</b>

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

### 10.2 Tax included in statement of other comprehensive income

	2019 £m	2018 <sup>i</sup> £m
<b>Deferred tax</b>		
Deferred tax relating to the pension surplus	0.1	(4.7)
<b>Total tax credit/(charge)</b>	<b>0.1</b>	<b>(4.7)</b>

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.



### 10.3 Factors affecting current tax credit

The Group's total current tax charge is £6,775,966 (2018: £8,521,624). The three main items affecting this charge are:

- i. interest payable on senior debt, preference shares and loan notes, which is partly tax-deductible in 2019
- ii. amounts payable relating to business combinations
- iii. overseas losses which cannot be relieved against current tax

The Group's total tax charge is lower than the standard rate of UK corporation tax for the year, 19% (2018: 19%). The differences are explained below.

	2019 £m	2018 <sup>i</sup> £m
Loss on ordinary activities before taxation	(14.0)	(14.8)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19% (2018: 19%)	2.7	2.8
Effects of:		
Expenses not deductible for tax purposes	(1.1)	(0.4)
Amounts payable relating to business combinations	(1.6)	(0.7)
Non-deductible preference share interest	(4.4)	(3.9)
Non-deductible loan interest	(1.9)	(3.5)
Overseas losses arising in the year not relievable against current tax	(1.4)	(1.5)
Use of tax losses which are relievable against current tax	0.2	0.0
Tax overprovided in previous years	0.1	0.8
Effect of change of tax rate on deferred tax asset	0.6	(0.6)
Differential on overseas tax rates	0.4	0.4
<b>Total tax charge for the year</b>	<b>(6.4)</b>	<b>(6.6)</b>

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

### 10.4 Factors that may affect future tax charges

Since the year end the UK's standard rate of corporation tax will remain at 19%.

## 10.5 Deferred tax

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

	2019 £m	2018 £m
Included in debtors due after more than one year	5.8	10.6
Included in provisions for liabilities	(28.7)	(33.7)
	<b>(22.9)</b>	<b>(23.1)</b>

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

	Deferred employee remuneration £m	Pension costs £m	Tax losses £m	Intangible assets £m	Provisions £m	Property, plant and machinery £m	Other £m	Total £m
<b>At 1 January 2018</b>	<b>7.2</b>	<b>4.7</b>	<b>17.6</b>	<b>(48.7)</b>	<b>(1.1)</b>	<b>1.2</b>	<b>(0.6)</b>	<b>(19.7)</b>
(Charged)/credited								
– to profit or loss <sup>i</sup>	0.5	(2.8)	(0.1)	3.8	(0.3)	0.8	-	1.9
– recognised on business combinations	-	-	-	(0.9)	-	-	-	(0.9)
– to other comprehensive income <sup>i</sup>	-	(4.7)	-	-	-	-	-	(4.7)
– foreign exchange and other movements	(0.4)	0.3	-	(0.1)	0.1	(0.4)	0.8	0.3
<b>At 31 December 2018 and 1 January 2019</b>	<b>7.3</b>	<b>(2.5)</b>	<b>17.5</b>	<b>(45.9)</b>	<b>(1.3)</b>	<b>1.6</b>	<b>0.2</b>	<b>(23.1)</b>
Charged)/credited								
– to profit or loss	(2.5)	2.5	(3.3)	3.5	-	0.2	(0.1)	0.3
– recognised on business combinations	-	-	-	-	-	-	-	-
– to other comprehensive income	-	0.1	-	-	-	-	-	0.1
– foreign exchange and other movements	(0.1)	0.4	(0.3)	-	(0.1)	-	(0.1)	(0.2)
<b>At 31 December 2019</b>	<b>4.7</b>	<b>0.5</b>	<b>13.9</b>	<b>(42.4)</b>	<b>(1.4)</b>	<b>1.8</b>	<b>-</b>	<b>(22.9)</b>

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

## 10.6 Unrecognised temporary differences

PA Consulting Services (India) Private Limited has undistributed earnings of GBP 1,767,000 (2018: GBP 1,816,000) which, if paid out as dividends, would be subject to tax. An assessable temporary difference exists, but no deferred tax liability has been recognised, because the parent entity is able to control the timing of the distributions from this subsidiary.

## 10.7 Unrecognised deferred tax assets

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

	2019 £m	2018 £m
Tax losses	7.1	5.8

## 11. Intangible assets

		Goodwill		Other intangible assets			
	Note	£m	Software £m	Non-competes £m	Trademarks £m	Customer relationships £m	Other intangible assets total £m
<b>Cost</b>							
At 1 January 2018		191.9	4.6	6.3	118.6	197.6	327.1
Additions		-	2.0	-	-	-	2.0
Acquired on subsidiary acquisitions	26	13.2	-	1.0	2.6	1.6	5.2
Effect of movement in exchange rates		0.3	-	-	-	-	-
<b>At 31 December 2018</b>		<b>205.4</b>	<b>6.6</b>	<b>7.3</b>	<b>121.2</b>	<b>199.2</b>	<b>334.3</b>
Additions		-	1.6	-	-	-	1.6
Acquired on subsidiary acquisitions	26	2.0	-	-	-	0.3	0.3
Effect of movement in exchange rates		(0.2)	-	-	-	-	-
<b>At 31 December 2019</b>		<b>207.2</b>	<b>8.2</b>	<b>7.3</b>	<b>121.2</b>	<b>199.5</b>	<b>336.2</b>
<b>Accumulated amortisation</b>							
At 1 January 2018		-	(2.8)	(3.8)	(12.2)	(23.7)	(42.5)
Charge for the year	8.2	-	(1.3)	(2.3)	(6.1)	(11.8)	(21.5)
<b>At 31 December 2018</b>		<b>-</b>	<b>(4.1)</b>	<b>(6.1)</b>	<b>(18.3)</b>	<b>(35.5)</b>	<b>(64.0)</b>
Charge for the year	8.2	-	(1.6)	(0.7)	(6.3)	(11.9)	(20.5)
<b>At 31 December 2019</b>		<b>-</b>	<b>(5.7)</b>	<b>(6.8)</b>	<b>(24.6)</b>	<b>(47.4)</b>	<b>(84.5)</b>
<b>Net book amount</b>							
At 1 January 2018		191.9	1.8	2.5	106.4	173.9	284.6
At 31 December 2018		205.4	2.5	1.2	102.9	163.7	270.3
At 31 December 2019		207.2	2.5	0.5	96.6	152.1	251.7

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

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

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

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

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

See note 26 for details of intangibles acquired in the period.

### Impairment of goodwill

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

During the year impairment losses of £nil (2018: £nil) and impairment reversals of £nil (2018: £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 2019 and December 2018 has been determined based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. These business plans and forecasts include management's most recent view of medium-term trading prospects. The pre-tax discount rate applied to cash flow projections is 12.3% (2018: 12.3%) and cash flows beyond this period are extrapolated using a 1.5% growth rate (2018: 1.5%) that is within the range of the long-term average growth rate for the consultancy industry, 1 to 2%.

### Sensitivity to changes in assumptions

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

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

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

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

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

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

## 12. Property, plant and equipment

	Note	Freehold land and buildings £m	Short leasehold and property £m	Office furniture equipment and machinery £m	Customer equipment £m	Total £m
<b>Cost</b>						
At 1 January 2018		17.9	7.6	4.0	4.4	33.9
Effect of movements in exchange rates		-	-	-	-	-
Additions at cost		0.2	0.6	0.7	1.4	2.9
Acquired on subsidiary acquisitions	26	-	0.1	0.3	0.2	0.6
Disposals		-	(0.1)	(1.5)	(2.3)	(3.9)
<b>At 31 December 2018</b>		<b>18.1</b>	<b>8.2</b>	<b>3.5</b>	<b>3.7</b>	<b>33.5</b>
Effect of movements in exchange rates		-	-	(0.1)	(0.1)	(0.2)
Additions at cost		0.2	0.3	1.3	3.4	5.2
Acquired on subsidiary acquisitions	26	-	-	-	-	-
Disposals		-	(0.1)	(0.2)	(0.7)	(1.0)
<b>At 31 December 2019</b>		<b>18.3</b>	<b>8.4</b>	<b>4.5</b>	<b>6.3</b>	<b>37.5</b>
<b>Accumulated depreciation</b>						
At 1 January 2018		(1.8)	(0.3)	(1.2)	(3.0)	(6.3)
Effect of movements in exchange rates		-	-	-	-	-
Charge for the year	8.2	(0.9)	(0.7)	(0.8)	(1.1)	(3.5)
Disposals		-	0.1	1.4	2.3	3.8
<b>At 31 December 2018</b>		<b>(2.7)</b>	<b>(0.9)</b>	<b>(0.6)</b>	<b>(1.8)</b>	<b>(6.0)</b>
Effect of movements in exchange rates		-	-	0.1	-	0.1
Charge for the year	8.2	(0.4)	(0.7)	(1.1)	(1.5)	(3.7)
Disposals		-	-	0.2	0.6	0.8
<b>At 31 December 2019</b>		<b>(3.1)</b>	<b>(1.6)</b>	<b>(1.4)</b>	<b>(2.7)</b>	<b>(8.8)</b>
<b>Net book amount</b>						
At 1 January 2018		16.1	7.3	2.8	1.4	27.6
At 31 December 2018		15.4	7.3	2.9	1.9	27.5
At 31 December 2019		15.2	6.8	3.1	3.6	28.7

## 13. Leases

### Group as a lessee

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

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

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

	Note	Property £m	Motor vehicles £m	Total £m
<b>As at 1 January 2018</b>		<b>52.1</b>	<b>0.7</b>	<b>52.8</b>
Additions		2.2	0.1	2.3
Acquisitions	26	3.1	-	3.1
Depreciation charged in year	8.2	(5.6)	(0.3)	(5.9)
Foreign exchange impact		0.4	-	0.4
<b>As at 31 December 2018</b>		<b>52.2</b>	<b>0.5</b>	<b>52.7</b>
Additions		0.5	0.5	1.0
Depreciation charged in year	8.2	(6.7)	(0.4)	(7.1)
Foreign exchange impact		(0.6)	-	(0.6)
<b>As at 31 December 2019</b>		<b>45.4</b>	<b>0.6</b>	<b>46.0</b>

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
<b>As at 1 January 2018</b>		<b>(60.5)</b>	<b>(0.7)</b>	<b>(61.2)</b>
Additions		(2.1)	(0.1)	(2.2)
Acquisitions	26	(3.1)	-	(3.1)
Interest charged	9	(2.5)	-	(2.5)
Payments made		3.2	0.3	3.5
Foreign exchange impact		(0.5)	-	(0.5)
<b>As at 31 December 2018</b>		<b>(65.5)</b>	<b>(0.5)</b>	<b>(66.0)</b>
Additions		(0.5)	(0.5)	(1.0)
Interest charged	9	(2.5)	-	(2.5)
Payments made		5.9	0.4	6.3
Foreign exchange impact		0.6	-	0.6
<b>As at 31 December 2019</b>		<b>(62.0)</b>	<b>(0.6)</b>	<b>(62.6)</b>
<b>Current</b>		<b>(9.3)</b>	<b>(0.3)</b>	<b>(9.6)</b>
<b>Non-current</b>		<b>(52.7)</b>	<b>(0.3)</b>	<b>(53.0)</b>

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

	2019 £m	2018 £m
Expense relating to short-term leases and leases of low-value assets		
– property assets	1.7	5.3
– non-property assets	0.2	0.4
Expense relating to service and other related charges	1.4	2.3

The Group had total cash outflows for leases in the year of £8.1m (2018: £9.0m).



## 14. 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.

### 14.1 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. It also has a £50m undrawn revolving credit facility available until December 2021 should additional investment funding be required.

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

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

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

#### At 31 December 2019

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

**At 31 December 2018**

	< 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	(131.6)	(13.5)	(14.4)	-	(159.5)	(158.3)
Borrowings	-	(100.0)	(818.0)	-	(918.0)	(616.6)
Lease liabilities	(6.3)	(9.7)	(22.6)	(44.1)	(82.7)	(66.6)
Trading derivatives – forward currency contracts	(0.1)	-	-	-	(0.1)	(0.1)
<b>Total financial liabilities</b>	<b>(138.0)</b>	<b>(123.2)</b>	<b>(855.0)</b>	<b>(44.1)</b>	<b>(1,160.3)</b>	<b>(841.6)</b>

**At 1 January 2018**

	< 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	(93.6)	(12.9)	(25.6)	-	(132.1)	(130.5)
Borrowings	-	-	(100.0)	(848.1)	(948.1)	(603.3)
Lease liabilities	(3.5)	(4.5)	(21.9)	(57.1)	(87.0)	(61.2)
Trading derivatives – forward currency contracts	(0.1)	-	(0.1)	-	(0.2)	(0.2)
<b>Total financial liabilities</b>	<b>(97.2)</b>	<b>(17.4)</b>	<b>(147.6)</b>	<b>(905.2)</b>	<b>(1,167.4)</b>	<b>(795.2)</b>

## 14.2 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 5.

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 5 and 15.

### 14.3 Foreign currency risk

The Group has a global 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 19.

The remaining currency exposure is monitored and managed centrally primarily through forecasting net currency requirements in each of the trading currencies and selling excess currency into GBP, the Group's functional currency, on a regular spot basis. The effect of foreign currency differences on profit before tax is disclosed in note 8.2.

#### 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:

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

	USD £m	EUR £m	DKK £m	Other £m	Total £m
<b>At 31 December 2018</b>					
Financial assets	16.0	8.3	3.0	12.4	39.7
Financial liabilities	(4.9)	(2.6)	(3.0)	(5.3)	(15.8)
<b>Net exposure</b>	<b>11.1</b>	<b>5.7</b>	<b>-</b>	<b>7.1</b>	<b>23.9</b>

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

2019	USD £m	EUR £m	DKK £m	Other £m	Total £m
+10%	(1.7)	(0.6)	(0.1)	(0.7)	(3.1)
-10%	2.2	0.7	0.0	0.7	3.6

#### 14.4 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 2019 was £496m (2018: £573m) of which 80% was fixed interest rate instruments (2018: 83%).

The variable rate borrowings consist solely of the Group's £100m senior term loan in both the current and comparative years. Repayment is due in December 2021, within two years of the balance sheet date. 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.

An interest rate swap was put in place at the inception of the senior term loan to fix 95% of the loan value for the period to March 2019 as required under the loan terms and conditions. The swap matured in the current year and with no further contractual obligation to fix the rate, combined with the continued low volatility in the reference interest rates, management have assessed the interest rate risk exposure to be low and therefore no new 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 LIBOR by 0.5% would increase the interest charge by £0.5m (2018: less than £0.1m).

#### 14.5 Capital risk

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

## 15. Financial assets and liabilities

The Group holds the following financial instruments:

	2019 £m	2018 £m	1 January 2018 £m
<b>Financial assets</b>			
<b>Held at amortised cost</b>			
Trade receivables	72.7	70.0	73.6
Loans to key management personnel	0.3	-	-
Other receivables*	2.6	0.7	0.8
Cash and cash equivalents	90.7	132.2	87.3
<b>Held at fair value through profit or loss</b>			
Derivative financial instruments – forward currency contracts	0.2	0.5	0.6
Derivative financial instruments – interest rate swap	-	-	-
	166.5	203.4	162.3
<b>Financial liabilities</b>			
<b>Held at amortised cost</b>			
Trade and other payables*	(163.1)	(158.3)	(130.5)
Borrowings	(546.5)	(618.6)	(606.0)
<b>Held at fair value through profit or loss</b>			
Derivative financial instruments – forward currency contracts	(0.1)	(0.1)	(0.2)
Derivative financial instruments – interest rate swap			(0.3)
Deferred consideration	(0.8)	-	-
	(710.5)	(777.0)	(737.0)

\* Excluding non-financial assets or liabilities

## 15.1 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 20.

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 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments – forward currency contracts	-	0.2	-	0.2
<b>Total financial assets</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>
Financial liabilities				
Derivative financial instruments – forward currency contracts	-	(0.1)	-	(0.1)
Deferred consideration	-	-	(0.8)	(0.8)
<b>Total financial liabilities</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.8)</b>	<b>(0.9)</b>

At 31 December 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments – forward currency contracts	-	0.6	-	0.6
Derivative financial instruments – interest rate swap	-	-	-	-
<b>Total financial assets</b>	<b>-</b>	<b>0.6</b>	<b>-</b>	<b>0.6</b>
Financial liabilities				
Derivative financial instruments – forward currency contracts	-	(0.1)	-	(0.1)
<b>Total financial liabilities</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.1)</b>

At 1 January 2018	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Derivative financial instruments – forward currency contracts	-	0.6	-	0.6
<b>Total financial assets</b>	<b>-</b>	<b>0.6</b>	<b>-</b>	<b>0.6</b>
Financial liabilities				
Derivative financial instruments – forward currency contracts	-	(0.2)	-	(0.2)
Derivative financial instruments – interest rate swap	-	(0.3)	-	(0.3)
<b>Total financial liabilities</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>(0.5)</b>

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

The Group's level 3 financial instrument is deferred consideration recognised from the Group's acquisition in the current year (see note 26). 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 16 to 20.



## 16. Other current assets

	2019 £m	2018 £m	At 1 January 2018 £m
Prepayments	6.2	8.7	6.9
Taxation	4.0	3.8	5.7
Loans to staff	0.3	-	-
Withholding tax debtor	0.9	0.7	0.7
Defined benefit pension asset	-	13.2	-
Other debtors	3.8	4.2	3.9
	15.2	30.6	17.2

## 17. Trade and other current liabilities

	2019 £m	2018 £m	At 1 January 2018 £m
Trade payables	(1.8)	(2.0)	(0.9)
Other taxes and social security	(23.1)	(25.4)	(18.6)
Deferred employee remuneration	(78.4)	(78.3)	(44.8)
Accrued interest on senior debt	(0.3)	(0.2)	(0.2)
Accrued interest on 5% vendor loan notes	-	(1.5)	(1.9)
Other payables	(31.9)	(24.9)	(21.2)
	(135.5)	(132.3)	(87.6)

## 18. Other non-current liabilities

	2019 £m	2018 £m	At 1 January 2018 £m
Deferred employee remuneration	(6.8)	(18.1)	(32.0)
Other payables	(22.7)	(8.9)	(10.9)
	(29.5)	(27.0)	(42.9)

Included in other payables is £6.5m (2018: £3.8m and at 1 January 2018 £0.3m) related to the Group's acquisitions, £16.0m (2018: £6.6m and 1 January 2018 £4.5m) payable to former shareholders and a provision of £0.3m (2018: £1.0m and 1 January 2018 £0.4m) in respect of claims against the Group.

## 19. Derivatives

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

### 19.1 Forward currency contracts

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

#### As at 31 December 2019

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

**As at 31 December 2018**

As at 31 December 2019					
	Buy		Sell		
	Average rate	Currency CCY'000	Average rate	Currency CCY'000	Fair value £'000
<b>Current</b>					
US dollar	1.4432	2,834	1.2932	(3,232)	176
Euro	1.2105	294	1.1123	(788)	20
Danish krone	8.9399	5,889	8.6908	(402)	45
Norwegian krone	11.3649	1,827	10.8571	(5,394)	12
Swedish krona	10.6213	554	10.7873	(444)	(1)
United Arab Emirates dirham	5.9940	408	-	-	18
					<b>270</b>
<b>Non-current</b>					
<b>(between 1 and 3 years)</b>					
US dollar	1.4331	2,277	-	-	142
Euro	1.0937	386	-	-	3
Danish krone	8.4575	9,267	-	-	41
Norwegian krone	11.1035	3,371	-	-	(1)
Swedish krona	10.7996	680	-	-	(2)
					<b>183</b>

**As at 1 January 2018**

	Buy		Sell		Fair value £'000
	Average rate	Currency CCY'000	Average rate	Currency CCY'000	
<b>Current</b>					
US dollar	1.5062	1,428	1.3472	(6,744)	173
Euro	1.1467	248	1.1150	(198)	6
Danish krone	8.5835	5,579	-	-	17
Norwegian krone	11.6037	6,769	-	-	(16)
Swedish krona	10.5298	748	-	-	(3)
United Arab Emirates dirham	5.8845	647	-	-	20
					<b>197</b>
<b>Non-current</b>					
<b>(between 1 and 3 years)</b>					
US dollar	1.4946	2,935	-	-	147
Euro	1.1838	403	1.1646	(36)	20
Danish krone	8.7827	12,253	8.6908	(402)	89
Norwegian krone	11.2919	3,991	-	-	4
Swedish krona	10.6213	554	10.7873	(444)	(1)
United Arab Emirates dirham	5.9940	408	-	-	13
					<b>272</b>

**19.2 Interest rate swaps**

The Group uses interest rate swaps to hedge its exposure to interest rate movements on the senior debt facility. The hedging arrangement was used to fix the total interest payable on 95% of the senior loan facility at 4.139% made up of the swap's fixed-leg rate of 0.889% and debt margin of 3.25% up until March 2019. Cash flows on both the loan and the interest rate swap were matched to pay quarterly until 2019.

The swap matured during the year and consequently the Group has derecognised this instrument. No fair value is included in the balance sheet as at 31 December 2019 (2018: fair value asset of £3,000).

On transition to IFRS the interest rate swap was deemed to not meet certain IFRS 9 documentation criteria and therefore hedge accounting ceased at date of transition. The gain of £293,000 recognised within other comprehensive income in 2018 under FRS 102 has therefore been taken through the income statement in the comparative period and a loss of £3,000 taken in the current year. This is presented within net finance income/(costs).

## 20. Borrowings

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

	Principal £m	Interest rate	Maturity
Senior debt	(100.0)	LIBOR + 3.25%	Dec 2021
Senior debt arrangement fees	4.2	N/A	Dec 2021
Senior debt, net of fees	(95.8)		
Investor loan notes	(147.4)	12%	Dec 2023
Vendor loan notes	(200.0)	5%	Dec 2023
Redeemable preference shares	(134.5)	12%	
Total borrowings, net of fees	(481.9)		

	As at 31 December 2019			As at 31 December 2018			As at 1 January 2018		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Senior debt	-	(100.0)	(100.0)	-	(100.0)	(100.0)	-	(100.0)	(100.0)
Senior debt arrangement fees	0.7	0.6	1.3	0.7	1.3	2.0	0.7	2.0	2.7
Senior debt, net of fees	0.7	(99.4)	(98.7)	0.7	(98.7)	(98.0)	0.7	(98.0)	(97.3)
Investor loan notes	-	(233.5)	(233.5)	-	(208.5)	(208.5)	-	(186.2)	(186.2)
Vendor loan notes	-	-	-	-	(119.9)	(119.9)	-	(150.0)	(150.0)
Redeemable preference shares	-	(213.0)	(213.0)	-	(190.2)	(190.2)	-	(169.8)	(169.8)
Total borrowings, net of fees	0.7	(545.9)	(545.2)	0.7	(617.3)	(616.6)	0.7	(604.0)	(603.3)

The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flow method applying a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values are considered to be materially the same as the carrying values noted above except for the investor loan notes and preference shares which have been assessed as £274.4m and £250.2m respectively (2018: £255.5m and £233.0m). The own non-performance risk as at 31 December 2019 was assessed to be insignificant in all cases.

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

### **Senior debt and related arrangement fees**

The senior debt is a term loan secured by a charge over the entities within the banking group whose parent is Garden Midco 2 Limited. Fees of £4.2m incurred as part of arranging the facility have been capitalised and are being amortised over the life of the loan. Amortisation charged in the year totalled £0.7m (2018: £0.7m).

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

### **Investor loan notes**

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

### **Vendor loan notes**

The loan notes are unsecured and transferable. They accrue interest at 5% per annum, payable in September each year.

The remaining loan notes were repaid in full during the year, total repayment of £119.9m (2018: £30.1m), along with £4.8m of outstanding interest. Consequently, the Group has no remaining liability in relation to these instruments.

### **Redeemable preference shares**

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

## 21. Capital and reserves

### 21.1 Share capital

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

#### 21.1.1 Authorised shares

	2019 Thousands	2018 Thousands	1 Jan 2018 Thousands
Ordinary A shares of £0.01 each	38,250	38,250	38,250
Ordinary B shares of £0.01 each	34,887	34,887	34,887
Ordinary C shares of £0.01 each	25,000	25,000	25,000
	98,137	98,137	98,137

	Ordinary A shares		Ordinary B shares		Ordinary C shares	
	Thousands	Nominal value £m	Thousands	Nominal value £m	Thousands	Nominal value £m
Issued and fully paid						
At 1 January 2018	38,250	0.4	34,887	0.3	9,985	0.1
Issued on 18 May 2018	-	-	-	-	5,061	0.1
At 31 December 2018	38,250	0.4	34,887	0.3	15,046	0.2
Issued on 20 June 2019	-	-	-	-	2,028	-
At 31 December 2019	38,250	0.4	34,887	0.3	17,074	0.2

#### 21.1.2 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

### 21.1.3 Priority on a return of capital or sale

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

## 21.2 Own shares held by employee trust

	2019 Thousands	2018 Thousands	1 Jan 2018 Thousands
Ordinary B shares	194	1	299
Ordinary C shares	-	-	704
	194	1	1,003

The purpose of the PA 2004 ESOP is to facilitate and encourage the ownership of shares by employees by holding shares for subsequent sale or grant. Own shares held are treated as a deduction from shareholders' funds.

## 21.3 Nature and purpose of reserves

### 21.3.1 Own share reserve

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

### 21.3.2 Foreign currency translation reserve

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



## 22. 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 arrangement is in the United Kingdom and comprises both defined contribution and defined benefit schemes.

On 14 June 2018 the Pension Trustees completed a pension buy-in transaction for the Group's main UK defined benefit pension scheme obligation on a fully insured basis. As part of the transaction, the assets of the plan were invested in a bulk-purchase annuity policy with Pension Insurance Corporation plc. The completion of the transaction transfers the pension risk in relation to the scheme to the insurer and therefore the Group no longer has the exposure to movements in the scheme obligations and is no longer required to make contributions into the scheme.

In 2015 the Group contributed £102m additional funding to reduce the scheme's deficit position. There has also been a favourable movement in the market value of the scheme's assets since this contribution, resulting in the scheme being in surplus at the time of the policy purchase. This meant that the cost of the buy-in could be funded through the assets of the scheme without need for any further employer contributions.

Following trustee approval, the remaining scheme assets have been utilised by the Group to satisfy the employer pension contributions to the defined contribution part of the scheme and certain scheme costs. This allowed the Group to take a contribution holiday until October 2019. A scheme asset of £15.4m was recognised at 31 December 2018 to reflect the value of the surplus that was to be utilised in 2019. There is no scheme asset at 31 December 2019 as the surplus available to the Group to take a contribution holiday has been fully utilised.

### 22.1 Defined contribution pension arrangements

The total pension costs for the Group relating to employer contributions to defined contribution pension arrangements were £15.9m (2018: £13.8m). At 31 December 2019 there were outstanding unpaid contributions of £2.8m (2018: £1.8m).

## 22.2 Defined benefit pension arrangements

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

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

	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
<b>As at 31 December 2018</b>				
Defined benefit pension arrangements with gross assets/ (liabilities)	18.0	0.2	(2.1)	16.1
Restriction to apply on recognition of surplus	(2.6)	(0.2)	-	(2.8)
Total pension assets/(liabilities) included in the Group statement of financial position	15.4	-	(2.1)	13.3

## 22.2.2 Analysis of amounts recognised in the Group income statement

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

	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
<b>As at 31 December 2018<sup>i</sup></b>				
Current service cost	-	-	-	-
Use of pension asset for defined contribution scheme	(6.4)	-	-	(6.4)
Running costs	(2.2)	-	-	(2.2)
Historic service cost	(0.9)	-	-	(0.9)
Recognised in arriving at operating profit	(9.5)	-	-	(9.5)
Other finance costs	-	-	(0.1)	(0.1)
Total recognised in the Group income statement	(9.5)	-	(0.1)	(9.6)

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

## 22.2.3 Analysis of amounts recognised in the Group statement of other comprehensive income

	Note	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
<b>As at 31 December 2019</b>					
Actual return on assets less interest		55.0	0.1	-	55.1
Actuarial gain/(loss) on liability		(57.8)	(0.1)	(0.5)	(58.4)
Restriction to apply on recognition of surplus		1.8	-	-	1.8
Actuarial gain/(loss) recognised on defined benefit pension arrangements		(1.0)	-	(0.5)	(1.5)
Deferred taxation	10.5	0.1	-	-	0.1
Total recognised in the Group statement of other comprehensive income		(0.9)	-	(0.5)	(1.4)

	Note	PA pension scheme UK closed £m	Prudential Platinum scheme UK closed £m	Germany closed £m	Total £m
<b>As at 31 December 2018<sup>i</sup></b>					
Actual return on assets less interest		(170.0)	(0.1)	-	(170.1)
Actuarial gain/(loss) on liability		24.6	0.1	(0.6)	24.1
Restriction to apply on recognition of surplus		170.4	-	-	170.4
Actuarial gain/(loss) recognised on defined benefit pension arrangements		25.0	-	(0.6)	24.4
Deferred taxation	10.5	(4.7)	-	-	(4.7)
Total recognised in the Group statement of other comprehensive income		20.3	-	(0.6)	19.7

i. Restated to correct the treatment of the pension contribution holiday. See note 4g.

## 22.3 PA pension scheme UK closed

The PA pension scheme UK is a defined benefit scheme and has been closed to new entrants with effect from 1 January 1998, and new employees are invited to join the defined contribution scheme or a stakeholder arrangement. From 1 April 2007 all active members of the scheme became members of the defined contribution scheme. From 1 April 2007 to 31 March 2012 (or date of leaving if earlier) all active members with accrued benefits received a salary link through to 31 March 2012, and enhanced statutory revaluation rates thereafter plus an additional 1.5%. From 1 April 2007 the Group has agreed to pay 8% of contributory pay in respect of defined contribution members plus an additional 0.5% of contributory pay for administrative expenses. Due to the insurance buy-in, the Group no longer bears the liability for ensuring the defined benefit scheme is fully funded.

Up to the date of buy-in no contributions were necessary due to the scheme's net asset position. Until the buy-in progresses to a buyout in 2020, the valuation of the assets and liabilities will continue to be updated on an annual basis.

### 22.3.1 Principal assumptions

The most recent actuarial funding valuation has been updated by Lane Clark & Peacock LLP in order to assess the liabilities of the scheme at 31 December 2019 for the purposes of IAS 19 Employee Benefits. Scheme assets are stated at their market value at 31 December 2019.

The principal assumptions used in this valuation by the actuaries were:

	2019 %	2018 %
Rate of increase in pensionable salaries	4.7	4.9
Rate of increase in pensions in payment and deferred pensions	2.1	2.3
Discount rate applied to section liabilities	2.1	2.9
Rate of inflation	3.2	3.4
The post-retirement mortality assumptions used were as follows:		
	2019 Years	2018 Years
Longevity at 60 for current pensioners		
• Men	29.1	29.0
• Women	30.1	30.0
Longevity at 60 for future pensioners		
• Men	29.9	29.8
• Women	30.9	30.8

## 22.3.2 Scheme assets and liabilities

	2019 £m	2018 £m
Buy-in insurance policy	654.1	609.0
Bonds	-	-
Infrastructure	-	-
Fund of hedge funds	-	-
Cash	1.3	18.8
Net current liabilities	(0.5)	-
Total fair value of assets	654.9	627.8
Present value of section liabilities	(654.1)	(609.8)
Surplus in the section	0.8	18.0
Restriction to apply on recognition of surplus	(0.8)	(2.6)
Recoverable pension surplus	-	15.4

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

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

	2019 %	2018 %
Buy-in insurance policy	99.9	97.0
Bonds	-	-
Infrastructure	-	-
Fund of hedge funds	-	-
Cash	0.2	3.0
Net current liabilities	(0.1)	-
	100.0	100.0

## 22.3.3 Reconciliation of fair value of scheme assets

	2019 £m	2018 £m
At 1 January	627.8	926.8
Interest on assets	17.3	20.3
Benefits paid	(30.5)	(140.7)
Running costs	(2.4)	(2.2)
Actual return plan assets less interest	55.0	(176.4)
Payments towards defined contribution scheme	(12.3)	-
At 31 December	654.9	627.8

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

## 22.3.4 Reconciliation of present value of scheme liabilities

	2019 £m	2018 £m
At 1 January	(609.8)	(757.8)
Interest on obligation	(17.0)	(16.3)
Benefits paid	30.5	140.7
Past service credit and settlements	-	(0.9)
Actuarial gains/(losses) due to:		
Experience (loss)/gain	2.3	(27.7)
Changes in financial assumptions	(60.1)	52.2
Changes in demographic assumptions	-	-
At 31 December	(654.1)	(609.8)

## 22.3.5 Sensitivity analysis

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

	31 December 2019		31 December 2018	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(9.6)	9.9	(8.7)	9.0
Inflation rate (0.1% movement)	8.3	(8.1)	7.6	(7.4)

## 22.4 Other defined benefit arrangements

At 31 December 2019 the Group had a closed defined benefit scheme in the UK (Prudential Platinum scheme) with net assets of £nil (2018: £nil) and a closed defined benefit scheme in Germany with a net liability of £2.7m (2018: £2.1m, 1 January 2018 £1.4m). 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.

## 23. Capital and other financial commitments

There were capital commitments of £0.8m contracted for but not provided in the financial statements at 31 December 2019 (2018: £1.5m).

The Group has guaranteed bid, performance and rent bonds issued by its banks on its behalf in the ordinary course of business totalling £2.2m as at 31 December 2019 (2018: £2.5m). These are not expected to result in any material financial loss.



## 24. Subsidiary undertakings

The subsidiary undertakings as at 31 December 2019 are shown below. All are included in the Group financial statements and are wholly owned either directly or indirectly by the Company unless otherwise stated. All subsidiaries prepare accounts up to 31 December each year except for PA Consulting Services (India) Private Limited, Nyras Limited and Nyras Capital LLP, which prepare accounts up to 31 March.

### Directly held

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

### Indirectly held

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group A/S	Denmark	Portland Towers, Goteborg Plads 1, K-1250 Copenhagen	Ordinary	Consultancy
PA Consulting Holdings ApS	Denmark	Portland Towers, Goteborg Plads 1, DK-2150 Copenhagen	Ordinary	Holding company
PA Consulting Group GmbH	Germany	An der Welle 3, 60322 Frankfurt, Germany	Ordinary	Consultancy
PA Consulting Group Limited	Hong Kong	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary	Consultancy
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnell Road, Murugeshpalya, Bangalore 560017	Ordinary	Dormant
PA Consulting Group, S.de R.L. de C.V.	Mexico	Torre Mayor, Paseo de la Reforma, No. 505, Piso 2, Col. Cuauhtemoc, Cuauhtemoc, 06500 Mexico City	Quota	Consultancy
PA Consulting Mexico Services S.A.de C.V.	Mexico	Torre Mayor, Paseo de la Reforma, No. 505, Piso 2, Col. Cuauhtemoc, Cuauhtemoc, 06500 Mexico City	Ordinary	Consultancy
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 <sup>i</sup>	Qatar	Level 14, Commercial Bank Plaza, West Bay, Doha	Ordinary	Consultancy
PA Consulting Group AB	Sweden	Jakobsbergsgatan 17, 111 44 Stockholm	Ordinary	Consultancy
PA Consulting Group Holdings SA <sup>ii</sup>	Switzerland	Chemin des Primavera 45, CH-1701 Fribourg	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 2 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 Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Consulting Management Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference	Management services
PA Consulting Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Group Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PA Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company

Name	Country	Registered office address	Class of share held	Nature of business
PA International Consulting Group Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Knowledge Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Middle East Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Netherlands Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PA Overseas Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
PA Pension Trustees Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Dormant
PA Perfect Cost Grid Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Technology Solutions Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Treasury Services (US) Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PACG2 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
Sparkler Limited	United Kingdom	3rd Floor, 58-60 Berners Street, London, W1T 3NQ	Founder shares, growth shares and ordinary shares	Consultancy
We Are Friday Limited	United Kingdom	50 Farringdon Road, London, EC1M 3HE	Ordinary	Dormant
PA Consulting Group Inc.	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference	Consultancy
PA Defense Inc.	USA	10 Canal Park, 4th Floor, Cambridge MA 02141	Common	Consultancy
PA US Holdings Inc.	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	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. Dissolved 10 March 2020

## 25. Related party transactions

### Key management personnel compensation

	2019 £m	2018 £m
Short-term employee benefits	7.5	8.0
Company contributions to money purchase pension schemes	0.1	0.2
Non-executive directors' fees	0.3	0.3
	7.9	8.5

### Directors

	2019 £m	2018 £m
Aggregate emoluments	3.2	2.8
Non-executive directors' fees	0.3	0.3
	3.5	3.1
Directors accruing benefits under defined benefit schemes	-	-
Directors in the defined contribution scheme	2	2

### Highest-paid director

	2019 £m	2018 £m
Aggregate emoluments	2.8	2.4

### Loans to key management personnel

	2019 £m	2018 £m
At 1 January	-	-
Loans advanced	0.3	-
At 31 December	0.3	-

### Key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel-related companies on an arm's-length basis. The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

	Sales to related party £'000	Purchase from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
2019	-	13	-	-
2018	341	19	-	-

### Transactions with entities affiliated with the controlling shareholder

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

	Sales to related party £'000	Purchase from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
2019	46.0	138.0	32.0	(81.0)
2018	349.0	152.0	68.0	(31.0)

## 26. Business combinations

### 26.1 Business combination in 2019

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

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

## 26.2 Business combinations in 2018

On 14 May 2018 the Group acquired control of Sparkler Limited through purchase of 100% of the share capital for a total consideration of £10.7m. Sparkler Limited provides expert consulting services in the strategy sector, operating globally from its London UK office.

On 23 October 2018 the Group acquired control of Essential Inc through purchase of 100% of the share capital for a total consideration of \$6.6m. Essential Inc provides expert consulting services in the product development sector, operating globally from its Boston US office.

On 4 December 2018 the Group acquired control of We Are Friday Limited through purchase of 100% of the share capital for a total consideration of £5.7m. We Are Friday Limited provides expert consulting services in the digital sector, operating globally from its London UK office.

The Group acquired these businesses to bring new and diverse skills to the Group.

For the period from the date of acquisition to 31 December 2018 the aggregate turnover of the acquired businesses was £7.0m and the aggregate loss after tax of the acquired businesses was £0.2m. If the acquisitions had occurred on 1 January 2018, the Group's revenue and loss for the year would have been £517.6m and £14.0m respectively.

Acquisition costs of £0.6m have been recognised in exceptional items in the Group income statement.

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

## 26.2.1 Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value recognised on acquisition £m
<b>Non-current assets</b>	
Intangible assets	5.2
Right-of-use assets	3.1
Property, plant and equipment	0.6
	<b>8.9</b>
<b>Current assets</b>	
Trade receivables	3.5
Contract assets	1.3
Other current assets	1.2
Cash and cash equivalents	3.7
	<b>9.7</b>
<b>Current liabilities</b>	
Trade payables	(1.3)
Lease liabilities	(3.1)
Contract liabilities	(1.7)
Other current liabilities	(2.7)
	<b>(8.8)</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	(0.9)
Other non-current liabilities	(0.7)
	<b>(1.6)</b>
Total identifiable net assets	8.2
Goodwill	13.2
<b>Total consideration</b>	<b>21.4</b>

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

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

All revenue and profit for the acquisition companies is attributable to the acquired group.

The goodwill of £13.2m comprises the value of the workforce and expected synergies arising from the acquisitions.



## 26.2.2 Consideration at acquisition date

	Total value £m
<b>Total consideration</b>	<b>21.4</b>
Less:	
Amounts unpaid at 31 December 2018	(1.2)
Cash and cash equivalents acquired	(3.6)
<b>Net cash outflow on current year purchase of subsidiary undertakings</b>	<b>16.6</b>

## 26.2.3 Acquisition-related costs

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

Payable in	2018 £m	2019 £m	2020-2022 £m	Total £m
Initial consideration	20.2	1.2	-	21.4
Transaction costs	0.6	-	-	0.6
Employment-related consideration and staff retention payments	0.4	3.7	15.3	19.4
<b>Total acquisition-related costs</b>	<b>21.2</b>	<b>4.9</b>	<b>15.3</b>	<b>41.4</b>

Transaction costs are expensed as exceptional costs as incurred. Employment-related consideration and staff retention payments are subject to specific performance targets and are expensed as exceptional costs over the period they relate to. They are included in other payroll costs in note 6.

## 27. Events after the end of the reporting period

The outbreak of the coronavirus pandemic in the period since the balance sheet date has caused economic ramifications throughout the world. The business impact risks of coronavirus include reduction of available resources through illness, reduced fee income due to clients reducing spend, mobility issues caused by travel restrictions and availability of cash to cover outgoings. The Group operates a balanced portfolio of work across public and private sector clients, where the work undertaken is both strategic and necessary in structure, reducing the risk that programmes get sidelined in the initial period of the pandemic.

The performance in 2020 so far has not indicated any materially adverse impact on results. Client deliverables and interactions have been maintained, in many cases through technology-enabled remote working. Cash inflow has remained comparable with previous years and no material write-offs have been required to date nor are expected to be required. Consequently there have been no indicators of impairment of the Group's assets.

To reduce reliance on business structure alone, the directors have also identified a number of actions to help mitigate business impact and ensure that the Group maximises its available liquidity to manage through the current period of uncertainty. To this end, since the balance sheet date the Group has elected, as a precautionary measure, to fully draw on its £50m revolving credit facility, has delayed payment of £20m deferred employee remuneration, has taken advantage of UK and international government-sponsored tax deferrals and has instigated a multipoint cost management programme.

## 28. Controlling party

The controlling shareholder of PA Consulting Group Limited is CEP IV Participations Sarl SICAR and the ultimate controlling entity is Carlyle Europe Partners IV, L.P.

# Company statement of financial position

at 31 December 2019

	Note	2019 £m	2018 £m	As at 1 January 2018 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Investments in subsidiaries	C6	15.6	15.6	15.6
Loans receivable	C7	165.6	147.8	132.0
Other non-current assets		1.3	-	0.8
<b>Total non-current assets</b>		<b>182.5</b>	<b>163.4</b>	<b>148.4</b>
<b>Current assets</b>				
Loans receivable	C7	34.3	30.6	27.3
Other current assets	C8	0.5	0.2	1.5
Cash and cash equivalents	C9	14.6	14.5	11.1
<b>Total current assets</b>		<b>49.4</b>	<b>45.3</b>	<b>39.9</b>
<b>Total assets</b>		<b>231.9</b>	<b>208.7</b>	<b>188.3</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other current liabilities	C10	(10.0)	(5.2)	(7.4)
Current tax liabilities		(4.0)	(3.6)	-
<b>Total current liabilities</b>		<b>(14.0)</b>	<b>(8.8)</b>	<b>(7.4)</b>
<b>Net current assets</b>		<b>35.4</b>	<b>36.5</b>	<b>32.5</b>
<b>Non-current liabilities</b>				
Borrowings	C11	(220.0)	(214.7)	(194.3)
Other non-current liabilities	C12	(12.1)	(3.0)	(1.1)
<b>Total non-current liabilities</b>		<b>(232.1)</b>	<b>(217.7)</b>	<b>(195.4)</b>
<b>Total liabilities</b>		<b>(246.1)</b>	<b>(226.5)</b>	<b>(202.8)</b>
<b>Net liabilities</b>		<b>(14.2)</b>	<b>(17.8)</b>	<b>(14.5)</b>
<b>Equity</b>				
Called-up share capital	C13	0.9	0.9	0.8
Share premium		9.9	8.0	7.3
Own shares reserve		(0.3)	-	-
Retained earnings		(24.7)	(26.7)	(22.6)
<b>Total equity</b>		<b>(14.2)</b>	<b>(17.8)</b>	<b>(14.5)</b>

The financial statements were approved and authorised for issue by the board of directors on 16 April 2020.

Alan Middleton  
Chief Executive Officer  
PA Consulting Group Limited  
Registered number 09761378

## Company statement of changes in shareholders' equity

for the year ended 31 December 2019

	Note	Share capital £m	Share premium £m	Own shares reserve £m	Retained earnings £m	Total £m
<b>At 1 January 2018</b>		<b>0.8</b>	<b>7.3</b>	<b>-</b>	<b>(22.6)</b>	<b>(14.5)</b>
Loss for the financial year		-	-	-	(4.9)	(4.9)
<b>Transactions with owners of the Company</b>						
Issue of ordinary shares	21	0.1	0.7	-	-	0.8
Movement in own shares held by employee trusts		-	-	-	-	-
Cash consideration received for disposal of shares		-	-	-	0.8	0.8
Total transactions with owners of the Company		0.1	0.7	-	0.8	1.6
<b>At 31 December 2018</b>		<b>0.9</b>	<b>8.0</b>	<b>-</b>	<b>(26.7)</b>	<b>(17.8)</b>
Loss for the financial year		-	-	-	(7.3)	(7.3)
<b>Transactions with owners of the Company</b>						
Issue of ordinary shares	21	-	1.9	-	-	1.9
Movement in own shares held by employee trusts		-	-	(0.3)	-	(0.3)
Cash consideration received for disposal of shares					9.3	9.3
Total transactions with owners of the Company		-	1.9	(0.3)	9.3	10.9
<b>At 31 December 2019</b>		<b>0.9</b>	<b>9.9</b>	<b>(0.3)</b>	<b>(24.7)</b>	<b>(14.2)</b>

### C1. Basis of preparation

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

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

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

- IFRS 7 Financial Instruments: Disclosures
- paragraphs 91 to 99 of IFRS 13 Fair Value Management (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- paragraph 38 of IAS 1 Presentation of Financial Statements – comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and at the end of the period)
- the following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B–D (additional comparative information)
  - 111 (cash flow statement information)
  - 134–136 (capital management disclosures)

- IAS 7 Statement of Cash Flows
- paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

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

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

## **C2. Investments**

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

## **C3. Critical accounting judgements and estimates**

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

## **C4. Income statement**

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

## **C5. First-time adoption of FRS 101**

These financial statements, for the year ended 31 December 2019, are the first the Company has prepared in accordance with FRS 101.

For periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with FRS 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 31 December 2019, together with the comparative period data as at and for the year ended 31 December 2018, as described in the summary of significant accounting policies (see note 2).

In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2018, the Company's date of transition to FRS 101. This note explains the principal adjustments made by the Company in restating its financial statements, including the statement of financial position as at 1 January 2018 and the financial statements as at and for the year ended 31 December 2018.

## **Estimates**

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies).

The adjustments required by the Company are described below and the related financial impact on the Company's balance sheet and comprehensive income is shown in the subsequent tables.

## **Consolidation of the employee benefit trusts**

Under FRS 102, the employee benefit trusts were consolidated in the individual financial statements of a subsidiary of the Company. The Company has control of the employee benefit trusts as the recommendations of the Company on how the assets are used for the benefit of the employees are normally followed. Consequently, under FRS 101 the Company has recognised the assets and liabilities of the employee benefit trusts. The carrying value of the Company's ordinary shares held by the trusts is recorded as a deduction in arriving at shareholders' funds until such time as the shares transfer to employees. The trusts' holding of the Company's preference shares is recorded on the balance sheet as a financial asset held at amortised cost. Consideration received for the sale of such shares is also recognised in shareholders' funds, with the value of the shares held being taken to the own shares reserve and any difference between the proceeds from sale and the carrying value taken to the retained earnings. No gain or loss is recognised on the purchase, sale or cancellation of equity shares.

	As at 1 January 2018			As at 31 December 2018		
	FRS 102 £m	Effect of transition £m	FRS 101 £m	FRS 102 £m	Effect of transition £m	FRS 101 £m
<b>Non-current assets</b>						
Investments in subsidiaries	15.6	-	15.6	15.6	-	15.6
Loans receivable	132.0	-	132.0	147.8	-	147.8
Other non-current assets	-	0.8	0.8	-	-	-
	147.6	0.8	148.4	163.4	-	163.4
<b>Current assets</b>						
Loans receivable	27.3	-	27.3	30.6	-	30.6
Other current assets	1.3	0.2	1.5	0.2	-	0.2
Cash and cash equivalents	-	11.1	11.1	-	14.5	14.5
	28.6	11.3	39.9	30.8	14.5	45.3
<b>Current liabilities</b>						
Trade and other current liabilities	(7.0)	(0.4)	(7.4)	(5.2)	-	(5.2)
Current tax liabilities	-	-	-	(3.6)	-	(3.6)
	(7.0)	(0.4)	(7.4)	(8.8)	-	(8.8)
<b>Non-current liabilities</b>						
Borrowings	(169.8)	(24.5)	(194.3)	(190.2)	(24.5)	(214.7)
Other non-current liabilities	-	(1.1)	(1.1)	-	(3.0)	(3.0)
	(169.8)	(25.6)	(195.4)	(190.2)	(27.5)	(217.7)
<b>Net assets</b>	(0.6)	(13.9)	(14.5)	(4.8)	(13.0)	(17.8)
<b>Equity</b>						
Share capital	0.8	-	0.8	0.9	-	0.9
Share premium	7.3	-	7.3	8.0	-	8.0
Retained earnings	(8.7)	(13.9)	(22.6)	(13.7)	(13.0)	(26.7)
Total equity	(0.6)	(13.9)	(14.5)	(4.8)	(13.0)	(17.8)

## C6. Investments in subsidiaries

	2019 £m	2018 £m
At 1 January and 31 December	15.6	15.6

A list of subsidiary undertakings is included in note 24.

## C7. Loans receivable

	2019 £m	2018 £m	As at 1 January 2018 £m
<b>Amounts owed by subsidiary undertakings</b>			
Within 12 months	34.3	30.6	27.3
After more than 12 months	165.6	147.8	132.0
	199.9	178.4	159.3

Comprising:

	Borrower	Principal £m	Repayment date	Interest rate	2019 £m	2018 £m	As at 1 January 2018 £m
Unsecured transferable shareholder loan notes	Garden Midco 1 Limited	104.5	11 Dec 2023	12%	165.6	147.8	132.0
Unsecured transferable shareholder loan	Garden Midco 1 Limited	21.6	On demand	12%	34.3	30.6	27.3
					199.9	178.4	159.3

Interest on each loan compounds annually.

## C8. Other current assets

	2019 £m	2018 £m	As at 1 January 2018 £m
Amounts owed by subsidiaries	-	0.1	1.4
Prepayments	0.4	-	-
Other current assets	0.1	0.1	0.1
	0.5	0.2	1.5

## C9. Cash and cash equivalents

	2019 £m	2018 £m	As at 1 January 2018 £m
Cash and cash equivalents	14.6	14.5	11.1

Cash and cash equivalents include £14.6m (2018: £14.5m and 1 January 2018 £11.1m) held by employee benefit trusts that are not under the Company's control.

## C10. Trade and other current liabilities

	2019 £m	2018 £m	As at 1 January 2018 £m
Trade payables	-	-	(0.2)
Amounts owed to subsidiaries	(7.5)	(5.0)	(6.3)
Accruals	(2.5)	(0.2)	(0.5)
Other current liabilities	-	-	(0.4)
	(10.0)	(5.2)	(7.4)

**C11. Borrowings**

	2019 £m	2018 £m	As at 1 January 2018 £m
Redeemable preference shares	(213.0)	(190.2)	(169.8)
Loan from subsidiary	(7.0)	(24.5)	(24.5)
	(220.0)	(214.7)	(194.3)

**C12. Other non-current liabilities**

	2019 £m	2018 £m	As at 1 January 2018 £m
Amounts payable to former shareholders	(12.1)	(3.0)	(1.1)

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

**C13. Share capital and reserves**

Details of share capital and reserves are set out in note 21 to the Group financial statements.

**C14. Commitments**

The Company has no commitments contracted for but not provided.

**C15. Related party transactions****Directors' transactions**

The remuneration of the directors and related party transactions relating to directors of the Company are shown in note 25.



## About PA.

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

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

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

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

An innovation and transformation consultancy, we are over 3,200 specialists in consumer, defence and security, energy and utilities, financial services, government, health and life sciences, manufacturing and transport. Our people are strategists, innovators, designers, consultants, digital experts, scientists, engineers and technologists. We operate globally from offices across the UK, US, Europe and the Nordics.

**PA. Bringing Ingenuity to Life.**

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