

Registration number: 02235016

PA Holdings Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2021

Contents

Company Information	1
Strategic Report	2
Section 172(1) Statement	3
Directors' Report	4 to 6
Statement of Directors' Responsibilities	7
Income Statement	8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 31

Company Information

Directors	C Barrett K Janjua
Company secretary	J Greenfield
Registered office	10 Bressenden Place London SW1E 5DN
Bankers	HSBC Bank plc West End CBC 69 Pall Mall London SW1Y 5EY

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activities of the Company continue to be that of holding investments and the supply of consultants and administrative staff services to PA Consulting Services Limited, a fellow group company.

Review of the business

The Company provides consulting and administrative staff to PA Consulting Services Limited, a fellow group company and derives all turnover from this. Turnover increased 18% to £348.4 million (2020: £294.8 million), in line with the trading performance of PA Consulting Services Limited resulting in a gross profit of £25.6 million (2020: £20.5 million).

During the year the Company received no dividend income from subsidiaries (2020: £85 million from PA Consulting Services Limited).

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

Principal risks and uncertainties

The Company is a member of the PA Consulting Group of companies ('the Group'). Business performance and principal risks and uncertainties of the Company are integrated with the performance and principal risks of the Group, and are not managed separately. For this reason, the Company's directors believe that further analysis is not necessary for an understanding of the development, performance, position or risks of the business. A detailed review of the business of the Group and a description of the risks and uncertainties facing it can be found in the PA Consulting Group Limited report and accounts for 2021.

Our people

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

We deliver great work because of our brilliant people. They bring real-world experience to tackle our clients' biggest challenges. And they live our purpose every day. We welcomed over 1,300 new people, including 50 partners, to the PA Group in 2021 and we continue to hire at a pace in 2022 - further growing the critical skills that help our clients thrive. In return for our people's expertise and commitment, we offer stimulating work, inspiring teams to learn in an inclusive and supportive culture to help them grow.

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

Approved by the Board on 28 June 2022 and signed on its behalf by:



K Janjuah
Director

Section 172(1) Statement for the Year Ended 31 December 2021

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

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

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

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

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

The governance and control framework which is in place across the Group ensures that our core values are upheld and that decisions made by the board of PA Holdings Limited 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. Examples of how the board has engaged with its stakeholders during the year are included throughout the report.

Directors' Report for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the Company

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

C Barrett

R Cameron (resigned 29 November 2021)

K Janjuah

A Middleton (resigned 31 December 2021)

The following directors were appointed after the year end:

W Lambe (appointed 20 May 2022)

H Maule (appointed 12 January 2022)

Dividends

The directors do not recommend a dividend payment during the year (2020: £85million).

Employee involvement

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

Supporting colleagues with disabilities

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

Directors' Report for the Year Ended 31 December 2021

Social and community issues - engagement with suppliers, customers and others

The business of the Company is that of an intermediate holding company and as such it has a more limited number of third-party business relationships than other companies within the group. Decisions taken by directors are informed by the interests of its wider stakeholders. At PA we have provided our time and expertise to initiatives like our Raspberry Pi competition - now in its tenth year - our Springboard programme and our Women in Tech courses. We continue to support many other good causes and aid social mobility through our Giving Back and Volunteering programme. Our partnership with The PA Foundation will amplify this impact in 2022. Our people will volunteer their skills and experience, working alongside the Foundation, to make a real difference

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

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

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

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

Governance

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

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

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

Best practice governance processes are in place across the Group and we have comprehensive Code of Conduct, conflicts management programme and training programme which reinforce adherence to good working practices and will protect us from a regulatory breach.

Future developments

In 2022 the Company will continue to provide consulting and administrative staff to PA Consulting Services Limited, a fellow group company and derives, and will continue to derive, all of its turnover from this activity.

Directors' Report for the Year Ended 31 December 2021

Going concern

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

As described in the Group Annual Report the Directors have taken into account short and mid-term trading and cash forecasts, covering the period to June 2023, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group. The base forecasts used as part of the review align with the Group's board-approved budget and long-term plan and show operating cashflow to be strong throughout. Consideration has been given to any potential downside from the current Ukraine-Russia conflict and the increasing inflationary environment in the UK (the Group's predominant geography).

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

On the basis of the Group's forecast position, and from the outcome of the downside scenario, the directors are satisfied that the Company's business model is robust and flexible. The directors are further satisfied that the Company has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there are no significant doubts about the Company's ability to continue as a going concern.

Directors' liabilities

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

Approved by the Board on 28 June 2022 and signed on its behalf by:



K Janjuah
Director

Statement of Directors' Responsibilities

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

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

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

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

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

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

Income Statement for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	2	348,425,241	294,822,495
Cost of sales		<u>(322,867,101)</u>	<u>(274,325,842)</u>
Gross profit		25,558,140	20,496,653
Administrative expenses		(1,989,754)	(1,445,777)
Exceptional items	3	<u>(241,863)</u>	<u>(5,955,895)</u>
Operating profit	4	23,326,523	13,094,981
Income from shares in group undertakings	5	-	85,000,000
Net interest payable and similar items	6	<u>(1,053,764)</u>	<u>(874,244)</u>
Profit before tax		22,272,759	97,220,737
Taxation	9	<u>238,395</u>	<u>13,358,405</u>
Profit for the financial year		<u><u>22,511,154</u></u>	<u><u>110,579,142</u></u>

The notes on pages 12 to 31 form an integral part of these financial statements.

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £	2020 £
Profit for the year	<u>22,511,154</u>	<u>110,579,142</u>
Actuarial gain recognised on defined benefit pension arrangements	17,500	837,200
Movement on deferred tax relating to actuarial gain on pensions	<u>-</u>	<u>(159,068)</u>
Total other comprehensive income	<u>17,500</u>	<u>678,132</u>
Total comprehensive income for the year	<u><u>22,528,654</u></u>	<u><u>111,257,274</u></u>

The notes on pages 12 to 31 form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	10	302,291,695	302,291,695
Current assets			
Debtors: amounts falling due within one year	11	26,058,316	21,690,015
Debtors: amounts falling due after more than one year	12	16,091,324	15,285,176
Cash at bank and in hand	13	<u>500,211</u>	<u>8,880</u>
		42,649,851	36,984,071
Creditors: amounts falling due within one year	14	<u>(77,370,173)</u>	<u>(90,939,217)</u>
Net current liabilities		<u>(34,720,322)</u>	<u>(53,955,146)</u>
Total assets less current liabilities		267,571,373	248,336,549
Creditors: amounts falling due after more than one year	14	(257,813)	(3,749,937)
Provisions for liabilities	15	<u>(1,000,000)</u>	<u>(1,142,868)</u>
Net assets		<u>266,313,560</u>	<u>243,443,744</u>
Capital and reserves			
Called up share capital	17	13,455,679	13,455,679
Share premium reserve	18	35,968,626	35,968,626
Capital redemption reserve	18	415,000	415,000
Other reserves	18	3,832,634	3,491,472
Profit and loss account		<u>212,641,621</u>	<u>190,112,967</u>
Total equity		<u>266,313,560</u>	<u>243,443,744</u>

For the financial year ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

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

The financial statements of the Company were authorised for issue by the Board of Directors on 28 June 2022 and signed on its behalf by:



K Janjua
Director

PA Holdings Limited
Registration number: 02235016

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2021	13,455,679	35,968,626	415,000	3,491,472	190,112,967	243,443,744
Profit for the year	-	-	-	-	22,511,154	22,511,154
Other comprehensive income	-	-	-	-	17,500	17,500
Total comprehensive income	-	-	-	-	22,528,654	22,528,654
Share based payment transactions	-	-	-	341,162	-	341,162
At 31 December 2021	<u>13,455,679</u>	<u>35,968,626</u>	<u>415,000</u>	<u>3,832,634</u>	<u>212,641,621</u>	<u>266,313,560</u>

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

The notes on pages 12 to 31 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies

Statement of compliance

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

The Company's financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable to the UK and the Republic of Ireland' as it applies to the financial statements of the Company for the year ended 31 December 2021.

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

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

Basis of preparation

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

The financial statements have been prepared on the going concern basis of accounting under the historical cost convention, except for pension assets and liabilities that are measured at fair value.

The financial statements are presented in pounds sterling.

Going concern

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

As described in the Group Annual Report the Directors have taken into account short and mid-term trading and cash forecasts, covering the period to June 2023, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group. The base forecasts used as part of the review align with the Group's board-approved budget and long-term plan and show operating cashflow to be strong throughout. Consideration has been given to any potential downside from the current Ukraine-Russia conflict and the increasing inflationary environment in the UK (the Group's predominant geography).

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

On the basis of the Group's forecast position, and from the outcome of the downside scenario, the directors are satisfied that the Company's business model is robust and flexible. The directors are further satisfied that the Company has sufficient resources and liquidity to continue to trade for the foreseeable future and conclude that there are no significant doubts about the Company's ability to continue as a going concern.

Notes to the Financial Statements for the Year Ended 31 December 2021

Summary of disclosure exemptions

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

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

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

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows as required by FRS 102 Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);

(ii) from disclosing share based payment arrangements using equity instruments of another group entity as required by FRS 102 paragraphs 26.18(a), 26.18(b), 26.19 to 26.21 and 26.23;

(iii) from disclosing transactions entered into between the Company and other wholly owned companies within the PA Consulting Group Limited group as required by FRS 102 paragraphs 33.8 to 33.14;

(iv) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

(v) from disclosing the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b) / (c) / (e) / (f), 11.42, 11.44 to 11.45, 11.47, 11.48 (a) (iii) / (iv), 11.48 (b) / (c) and paragraphs 12.26 to 12.27, 12.29 (a) / (b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.

Turnover

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in cost of sales on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Interest income and expense

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

Notes to the Financial Statements for the Year Ended 31 December 2021

Foreign currency transactions and balances

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Tax

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

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

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

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Fixed asset investments

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

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

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

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

Notes to the Financial Statements for the Year Ended 31 December 2021

Financial instruments

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

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

Cash

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

Provisions

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

Share capital

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

Dividends

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

Employee benefits

Defined contribution pension obligation

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

Notes to the Financial Statements for the Year Ended 31 December 2021

Defined benefit pension obligation

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

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

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

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

Share based payments

The Company provides benefits to certain senior personnel in the form of equity-settled share-based payment transactions, whereby employees render services in exchange for shares in PA Consulting Group Limited.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straightline basis over the vesting period (the expense being recorded within the Company's employment costs together with a corresponding capital contribution from PA Consulting Group Limited in reserves), based on the estimate of the number of equity instruments that will eventually vest. At each reporting date, the estimate of the number of equity instruments expected to vest as a result of the effect of service or non-market-based vesting conditions is revised. The impact of the revision of the original estimates, if any, is recognised in employment costs in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

The cumulative capital contributions from the parent company are recorded in the other reserve.

Details of the share-based payment arrangements are disclosed in the annual report of PA Consulting Group Limited.

Exceptional items

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

Critical accounting judgements and estimation uncertainty

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

Notes to the Financial Statements for the Year Ended 31 December 2021

Taxation

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

Impairment of investments

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

Pension assets and liabilities

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

2 Revenue

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

	2021	2020
	£	£
Rendering of services	<u>348,425,241</u>	<u>294,822,495</u>

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

Notes to the Financial Statements for the Year Ended 31 December 2021

3 Exceptional items

	Note	2021 £	2020 £
Pension adviser fees	3.1	(465,122)	(757,170)
Defined benefit pension scheme historic service cost	3.2	-	(1,000,000)
Acquisition-related credit/(charge)	3.3	340,029	(3,855,356)
Business closure costs	3.4	<u>(116,770)</u>	<u>(343,369)</u>
		<u>(241,863)</u>	<u>(5,955,895)</u>

- (1) These costs were professional fees associated with the winding-up of the PA Pension Scheme.
- (2) Following the Lloyds case ruling in November 2020, this is the estimated cost of the additional uplift required for the equalisation of guaranteed minimum pension for historic transfers out of the PA Pension Scheme.
- (3) In 2021 the credit relates to a release of excess deferred consideration related to historic acquisitions. In 2020 these costs comprised professional fees, consideration accounted for as employment costs and staff retention costs.
- (4) These costs relate to the closure of businesses driven by the PA Group simplification initiative in the period.

4 Operating profit

Arrived at after charging

	2021 £	2020 £
Foreign exchange gains/(losses)	<u>1,427</u>	<u>(19,220)</u>

5 Income from shares in group undertakings

	2021 £	2020 £
Income from shares in group undertakings	<u>-</u>	<u>85,000,000</u>

During the year the Company received no dividend income (2020: £85 million) from its subsidiary PA Consulting Services Limited.

6 Net interest payable and similar items

	2021 £	2020 £
Interest payable on amounts owed to group undertakings	(1,045,964)	(860,244)
Interest on defined benefit pension arrangement	<u>(7,800)</u>	<u>(14,000)</u>
	<u>(1,053,764)</u>	<u>(874,244)</u>

Notes to the Financial Statements for the Year Ended 31 December 2021

7 Staff costs

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

	2021	2020
	£	£
Wages and salaries	268,502,433	225,952,441
Social security costs	22,882,995	19,586,319
Pension costs for defined benefit pension arrangements	34,100	1,368,300
Pension costs for the defined contribution scheme	13,032,753	12,356,094
Share-based payment expenses	341,162	-
Other employee expense	<u>18,073,658</u>	<u>15,062,688</u>
	<u><u>322,867,101</u></u>	<u><u>274,325,842</u></u>

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

	2021	2020
	No.	No.
Consultants	2,163	2,012
Administration and support	<u>545</u>	<u>500</u>
	<u><u>2,708</u></u>	<u><u>2,512</u></u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021	2020
	£	£
Aggregate emoluments in respect of qualifying services	2,943,868	6,340,493
Company contributions to money purchase pension schemes	<u>16,015</u>	<u>28,900</u>
	<u><u>2,959,883</u></u>	<u><u>6,369,393</u></u>

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

	2021	2020
	No.	No.
Directors in the defined contribution scheme	<u><u>2</u></u>	<u><u>2</u></u>

Notes to the Financial Statements for the Year Ended 31 December 2021

In respect of the highest paid director:

	2021	2020
	£	£
Remuneration	<u>1,361,474</u>	<u>4,996,113</u>

The emoluments of all of the directors of the Company are disclosed above including emoluments paid by other PA Group undertakings. Two directors were employed by and received emoluments from PA Consulting Management Services Limited, a fellow group company, in 2021 and 2020 and are included in the disclosure of directors remuneration in the accounts of that company. The other directors were employed by and received all emoluments in 2021 and 2020 from the Company. The directors perform duties for multiple entities in the PA Group. There is no allocation of their compensation between group entities as it is impractical to do so.

9 Taxation

(a) Tax on profit on ordinary activities

Tax (credited)/charged in the income statement

	2021	2020
	£	£
Current taxation		
UK corporation tax	1,673,322	1,121,355
UK corporation tax adjustment to prior periods	<u>(946,500)</u>	<u>(4,175,910)</u>
	<u>726,822</u>	<u>(3,054,555)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(829,513)	2,071,355
Deferred tax adjustment relating to previous years	<u>(135,704)</u>	<u>(12,375,205)</u>
Total deferred taxation	<u>(965,217)</u>	<u>(10,303,850)</u>
Tax credit in the income statement	<u>(238,395)</u>	<u>(13,358,405)</u>

The tax on profit before tax for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021	2020
	£	£
Profit before tax	<u>22,272,759</u>	<u>97,220,737</u>
Corporation tax at standard rate	4,231,824	18,471,940
Expenses not deductible for tax purposes	64,820	870,770
Effect of income exempt from taxation	-	(16,150,000)
Recognition of tax losses from previous years	-	1,773,552
Tax over provided in previous years	(1,082,204)	(18,324,667)
Deferred tax rate difference	<u>(3,452,835)</u>	<u>-</u>
Total tax credit	<u>(238,395)</u>	<u>(13,358,405)</u>

Notes to the Financial Statements for the Year Ended 31 December 2021

Deferred tax

Deferred tax assets and liabilities

2021	Asset	
	£	
Accelerated capital allowances		7,331
Pension costs		-
Recognition of tax losses		<u>16,083,993</u>
		<u>16,091,324</u>
	Asset	Liability
	£	£
Accelerated capital allowances	7,331	-
Pension costs	-	159,068
Recognition of tax losses	<u>15,277,845</u>	-
	<u>15,285,176</u>	<u>159,068</u>

As at 31 December 2021 there are unrecognised tax losses of £nil (2020 - £nil).

(b) Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20 per cent to 19 per cent from 1 April 2017 and to 17 per cent from 1 April 2020. The rate reduction to 17 per cent was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax from 1 April 2021 remains at 19 per cent.

The Finance Act 2021 confirmed an increase of UK corporation tax rate from 19 per cent to 25 per cent with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

10 Investments in subsidiaries

Subsidiaries	£
Cost or valuation	
At 1 January 2021	<u>302,291,695</u>
At 31 December 2021	<u>302,291,695</u>
Carrying amount	
At 31 December 2021	<u>302,291,695</u>
At 31 December 2020	<u>302,291,695</u>

Notes to the Financial Statements for the Year Ended 31 December 2021

Subsidiary undertakings

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

Directly held			
Name	Country	Registered office address	Class of share held
PA Consulting Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Consulting Government Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
Nyras Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Knowledge Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
7 Safe Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Perfect Cost Grid Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA International Consulting Group Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
Sparkler Limited	United Kingdom	3rd Floor, 58-60 Berners Street, London, W1T 3NQ	Founder shares, growth shares and ordinary shares
We Are Friday Limited	United Kingdom	50 Farringdon Road, London, EC1M 3HE	Ordinary
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
The PA Foundation	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Company limited by guarantee; PA Holdings Limited guarantee of £1

Notes to the Financial Statements for the Year Ended 31 December 2021

Indirectly held			
Name	Country	Registered office address	Class of share held
PA Consulting Group A/S	Denmark	Portland Towers, Goteborg Plads 1, K-1250 Copenhagen	Ordinary
PA Consulting Holdings ApS	Denmark	Portland Towers, Goteborg Plads 1, DK-2150 Copenhagen	Ordinary
PA Consulting Group GmbH	Germany	An der Welle 3, 60322 Frankfurt, Germany	Ordinary
PA Consulting Group Limited	Hong Kong	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnell Road, Murugeshpalya, Bangalore 560017	Ordinary
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
PA Consulting Services BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary
PA International Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary
PA Consulting Group BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary
PA Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary and preference
PA Consulting Group Limited	New Zealand	BDO Auckland, Level 4, BDO Centre, 4 Graham Street, Auckland Central 1010	Ordinary
PA Consulting Group AS	Norway	Verkstedveien 1, PO Box 150, Skøyen, 0277 Oslo	Ordinary
PA Consulting Group (Qatar) LLC ¹	Qatar	Level 14, Commercial Bank Plaza, West Bay, Doha	Ordinary
PA Consulting Group AB	Sweden	Jakobsbergsgatan 17, 111 44 Stockholm	Ordinary
Nyras Capital LLP	United Kingdom	10 Bressenden Place, London, SW1E 5DN	
PA Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Group Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Middle East Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Netherlands Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Overseas Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Technology Solutions Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Treasury Services (US) Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Pension Trustees Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Pension Trustees Two Limited ²	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Consulting Group Inc.	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference
PA US Holdings Inc.	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference
Essential, Inc.	USA	143 South Street, 6th Floor, Boston MA 02111	Common
Cooper Perkins, Inc.	USA	10 Maguire Road, Building 4, Lexington MA 02421	Common stock of no-par value

¹ 49% holding in accordance with Qatar Commercial Companies Law

² 48% owned by PA Consulting Services Limited, 52% owned by trustees.

Notes to the Financial Statements for the Year Ended 31 December 2021

11 Debtors: amounts falling due within one year

	2021	2020
	£	£
Amounts owed by group undertakings	25,958,006	21,456,368
Prepayments	11,218	80,831
VAT asset	89,092	152,816
	<u>26,058,316</u>	<u>21,690,015</u>

12 Debtors: amounts falling due after one year

	2021	2020
	£	£
Deferred tax	<u>16,091,324</u>	<u>15,285,176</u>

13 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	<u>500,211</u>	<u>8,880</u>

14 Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	17,340	135,259
Amounts owed to group undertakings	69,836,190	81,000,371
Accrued expenses	216,507	375,415
Corporation tax liability	2,818,042	2,091,220
Deferred income	51,563	26,250
Deferred consideration on acquisition of subsidiaries	4,430,531	7,310,702
	<u>77,370,173</u>	<u>90,939,217</u>

Due after one year

Deferred income	257,813	157,500
Deferred consideration on acquisition of subsidiaries	-	3,592,437
	<u>257,813</u>	<u>3,749,937</u>

Deferred income relates to government grants received and released to the Income Statement over the periods the grant is intended to compensate, ending 31 December 2027. An initial grant of £202,500 was received in 2019 and a further grant of £262,500 was received in 2021.

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Provisions for liabilities

	Deferred tax £	Pension £
At 1 January 2021	159,068	983,800
Increase in existing provisions	-	16,200
Provisions used	<u>(159,068)</u>	<u>-</u>
At 31 December 2021	<u>-</u>	<u>1,000,000</u>

16 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £13,032,753 (2020 - £12,356,094).

Defined benefit pension schemes

On 14 June 2018 the Pension Trustees completed a pension buy-in transaction for the PA 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 buy-in transaction transferred the pension risk in relation to the scheme to the insurer and therefore the Company no longer has the exposure to movements in the scheme obligations and is no longer required to make contributions into a defined benefit pension scheme.

On 24 February 2021 the liabilities for a subset of pensioner members were transferred from the PA Pension Scheme into a new defined benefit pension scheme, the PA Mirror Legacy Pension Scheme. The buy-in policy held by the PA Pension Scheme was split on 15 December 2020 so that part of the policy was assigned to the PA Mirror Legacy Pension Scheme on transfer. The purpose of this transfer was to maintain individual tax protections that would otherwise be lost on buy-out with Pension Insurance Corporation plc. Members will be bought out when they no longer rely on the tax protection. This broadly means that the scheme will reduce in size by a third every 5 years, with the scheme fully bought out with Pension Insurance Corporation plc in 16 years' time.

On 24 June 2021 Pension Insurance Corporation plc issued individual buy-out policies to all remaining members, following which the PA Pension Scheme ceased to hold the liabilities for those members and the liabilities no longer sit under the Company.

On 7 September 2021 the Trustee of the PA Mirror Legacy Pension Scheme signed a transfer agreement and received an estimated liability of £1m from the PA Pension Scheme in relation to potential top-ups in respect of GMP equalisation for members who transferred out of the PA Pension Scheme prior to the purchase of the original buy-in policy on 14 June 2018. The £1m cost was recorded as a past service cost in the PA Pension Scheme in 2020. The movement of the liability is shown as a past service credit for the PA Pension Scheme, offset by a matching past service cost for the PA Mirror Legacy Pension Scheme. Following this movement of the past service cost, the PA Pension Scheme was left with no liabilities or assets and the PA Pension Scheme was wound up on 7 September 2021.

Notes to the Financial Statements for the Year Ended 31 December 2021

PA Pension Scheme

The total credit relating to this defined benefit scheme for the year recognised in the income statement was £966,300, primarily relating to the £1,000,000 GMP liability transferred to the PA Mirror Legacy Pension Scheme (2020 - cost of £(2,382,300)).

Analysis of amounts recognised in the statement of comprehensive income

	2021	2020
	£	£
Actual return on assets less interest	(50,554,900)	82,934,600
Actuarial loss on liability	50,572,400	(82,963,600)
Restriction to apply on recognition of surplus	-	866,200
Actuarial gain recognised on defined benefit pension arrangements	17,500	837,200
Deferred taxation	-	(159,068)
Total recognised in the statement of other comprehensive income	17,500	678,132

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

	2021	2020
	£	£
Fair value of scheme assets	-	723,139,700
Present value of defined benefit obligation	-	(724,123,500)
Defined benefit pension scheme deficit	-	(983,800)

Reconciliation of present value of scheme liabilities

Changes in the defined benefit obligation are as follows:

	2021
	£
Present value at start of year	724,123,500
Interest cost	5,909,500
Benefits paid	(12,967,300)
Experience gains	(11,420,100)
Changes in financial assumptions losses	(39,152,300)
Transfer of subset of pensioner liabilities to PA Mirror Legacy Pension Scheme	(35,464,800)
Curtailments and settlements (on issuance of individual policies to the remaining members)	(630,028,500)
Past service cost: transfer of historical GMP equalisation liabilities to PA Mirror Legacy Pension Scheme	(1,000,000)
Present value at end of year	-

Notes to the Financial Statements for the Year Ended 31 December 2021

Reconciliation of fair value of scheme assets

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

	2021 £
Fair value at start of year	723,139,700
Interest income	5,901,700
Return on plan assets, excluding amounts included in interest income	(50,554,900)
Employer contributions	8,200
Benefits paid	(12,967,300)
Running costs	(34,100)
Transfer of part of the buy-in asset to PA Mirror Legacy Pension Scheme	(35,464,800)
Curtailments and settlements (on issuance of individual policies to the remaining members)	<u>(630,028,500)</u>
Fair value at end of year	<u><u>-</u></u>

Analysis of scheme assets

The major categories of scheme assets are as follows:

	2021 £	2020 £
Buy-in insurance policy	-	723,123,500
Cash and cash equivalents	-	555,900
Net current liabilities	<u>-</u>	<u>(539,700)</u>
	<u><u>-</u></u>	<u><u>723,139,700</u></u>

Actual return on scheme assets

	2021 £	2020 £
Return on scheme assets	<u>(44,653,200)</u>	<u>(96,100,000)</u>

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

Principal actuarial assumptions

The principal actuarial assumptions at 31 December 2020 are as follows (as the scheme was wound up on 7 September 2021, no assumptions were required at 31 December 2021):

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

Notes to the Financial Statements for the Year Ended 31 December 2021

Post retirement mortality assumptions

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

PA Mirror Legacy Pension Scheme

The date of the most recent comprehensive actuarial valuation was 31 March 2021. The scheme's actuary has projected the present value of the benefit obligation from the date of the last full valuation of the scheme, to the balance sheet date. The scheme's administrator has confirmed that there were no membership movements between the date of the most recent comprehensive valuation and the balance sheet date. The projection allows for updating the projected benefit cash flows generated as at the valuation date to the balance sheet date allowing for:

- actual benefit payments from the scheme over the projection period;
- actual inflation experience over the projection period;
- any updates to benefits;
- updated future inflation assumptions; and
- any changes to the demographic assumptions.

The updated future benefit cash flows falling due after the balance sheet date are then discounted to the balance sheet date based on market conditions as at 31 December 2021.

The total cost relating to this defined benefit scheme for the year recognised in the income statement as an expense was £(1,000,000), due to the transfer of the £1,000,000 GMP liability from the PA Pension Scheme (2020 - £Nil).

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

The amounts recognised in the statement of financial position are as follows:

	2021 £
Fair value of scheme assets	35,917,700
Present value of defined benefit obligation	<u>(36,917,700)</u>
Defined benefit pension scheme deficit	<u>(1,000,000)</u>

Notes to the Financial Statements for the Year Ended 31 December 2021

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021
	£
Transfer of subset of pensioner liabilities to PA Mirror Legacy Pension Scheme	35,464,800
Interest cost	549,900
Benefits paid	(1,063,500)
Past service cost: transfer of historical GMP equalisation liabilities to PA Mirror Legacy Pension Scheme	1,000,000
Experience losses	873,000
Changes in financial assumptions losses	181,700
Changes in demographic assumptions gains	(88,200)
	<hr/>
Present value at end of year	<u><u>36,917,700</u></u>

Fair value of scheme assets

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

	2021
	£
Transfer of part of the buy-in asset to PA Mirror Legacy Pension Scheme	35,464,800
Interest income	549,900
Return on plan assets, excluding amounts included in interest income	966,500
Benefits paid	(1,063,500)
	<hr/>
Fair value at end of year	<u><u>35,917,700</u></u>

Notes to the Financial Statements for the Year Ended 31 December 2021

Analysis of assets

The major categories of scheme assets are as follows:

	2021
	£
Buy-in insurance policy	<u>35,917,700</u>

Return on scheme assets

	2021
	£
Return on scheme assets	<u>1,516,400</u>

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

Principal actuarial assumptions

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

	2021
	%
Retail Price Inflation (% pa)	3.50
Consumer Price Inflation until 31 January 2030 (% pa)	2.50
Consumer Price Inflation after 31 January 2030 (% pa)	3.40
Weighted average Consumer Price Inflation (% pa)	2.90
Discount rate (% pa)	1.90
Pension increase rate RPI (% pa)	3.50
Pension increase rate based on weighted average CPI (% pa)	<u>2.90</u>

Post retirement mortality assumptions

	2021
	Years
Current UK pensioners at retirement age - male	28.9
Current UK pensioners at retirement age - female	31.4
Future UK pensioners at retirement age - male	30.1
Future UK pensioners at retirement age - female	<u>32.7</u>

17 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>134,556,790</u>	<u>13,455,679</u>	<u>134,556,790</u>	<u>13,455,679</u>

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Reserves

Share premium

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

Capital redemption

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

Other reserve

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

19 Dividends

	2021 £	2020 £
Interim dividend of £Nil (2020 - £0.6317) per ordinary share	-	85,000,000

20 Parent and ultimate parent undertaking

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

The ultimate parent is Jacobs Engineering Group, Inc, incorporated in United States of America.

The most senior parent entity producing publicly available financial statements is Jacobs Engineering Group, Inc. These financial statements are available upon request from 1999 Bryan Street, Suite 1200, Dallas, TX 75201, USA

The ultimate controlling party is Jacobs Engineering Group, Inc.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Jacobs Engineering Group, Inc, incorporated in United States of America.

The address of Jacobs Engineering Group, Inc is:
1999 Bryan Street, Suite 1200, Dallas, TX 75201, USA

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

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

21 Post balance sheet events

On 24 May 2022, the company acquired the share capital of Design Partners Limited, an award-winning product design and innovation agency based in Ireland. The investment complements the company's existing investments in consultancy businesses.