Annual Report
Twenty twenty-two

Bringing Ingenuity to Life.
paconsulting.com

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

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

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

PA. Bringing Ingenuity to Life.

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Strategic report

The board of directors of PA Consulting Group Limited present their strategic report for the financial year ended 31 December 2022. These financial statements comprise PA Consulting Group Limited's consolidated and company results for the financial year ended 31 December 2022.

The global social, political and economic events of 2022 serve as a reminder of the ongoing challenges we all face. As we start our 80th year, we continue to create opportunity from complexity, and take our clients further, faster.

At every step along the journey, we have been guided by our purpose – Bringing Ingenuity to Life. For us, our purpose is a constant – it's what drives us and challenges us to ensure our actions build a positive human future for our clients, our people, and our communities.

Our strategy is clear. We work with clients to accelerate new growth ideas, from concept, through design, development, and to commercial success. And we revitalise organisations, building the leadership, culture, systems, and processes to make innovation a reality.

Partnering with passionate, forward-thinking leaders, we're in pursuit of the most important issues facing the world: gaining consumers' trust, creating healthier lives, building more agile future-focussed organisations, designing businesses for better, keeping people safe, and creating a more sustainable planet. We believe these issues offer tremendous opportunities.

During 2022, our diverse teams of experts – strategists, innovators, designers, consultants, digital experts, scientists, engineers, and technologists – worked alongside our clients to create positive impact: from increasing operational resilience and embedding new ways of working; to using deep insight to create digital-first customer experiences that grew market share; through to combining design, engineering, and science to deliver new 'market-first' product innovations.

Our partnership with Jacobs, which celebrated its first anniversary in 2022, continues to present exciting opportunities to deliver against the requirements of major and complex programmes, with our respective strengths – Jacobs' established track record in engineering, coupled with PA's end-to-end innovation and digital expertise – offering clients expertise unmatched in the market.

Our business has continued to grow. We welcomed more than 1,300 colleagues, including over 52 new partners, into our firm and scaled our teams in areas including renewable energy, digital transformation, and sustainable consumer goods. And we welcomed two new teams into PA. First, Design Partners, based in Dublin, Ireland, strengthens our global design capacity with award-winning capabilities in product design, innovation, and customer experience. And second, The Cambridge Group, based in Chicago, Illinois, provides us with added expertise to serve clients in the consumer retail and healthcare sectors. Their proven experience in growth strategy, market activation, and pricing aligns perfectly with our end-to-end positioning. It also provides us a new office base in Chicago – a major market hub, with more opportunities to deliver innovation and growth for our clients.

We continued to support and develop our people and make a positive impact in the communities in which we live and work. In 2022, we promoted over 800 people and, through our Purpose Awards, celebrated those who went above and beyond in support of our clients and our people. We also progressed our employee inclusion and diversity networks, launched The PA Foundation, set science-based targets to limit the impact of our operations on our environment, and began the refurbishment of our Global Innovation and Technology Centre (GITC) near Cambridge, UK which will greatly improve its energy consumption.

Our strategy is clear and with our purpose as our guide, we believe we are well positioned to take our business from strength to strength in 2023 and continue to build a positive human future.

Results and performance

The Group continued its growth plans during 2022, producing double-digit revenue growth despite the toughening global economic picture and the negative forecasts for the UK economy, which remains the Group's largest geography. Consistent with many other businesses, the current year results have been impacted by rising operational costs from utilities through to materials. Given the nature of the business, the largest impact has been from the associated salary inflation, exacerbated in the UK by the tightening labour market.

Despite the pressures from cost increases, the Group still achieved a healthy adjusted EBITDA margin of 23 percent which is after taking into consideration investment projects where future, rather than in-year, benefit is expected to result.

Whilst there has been some softening in certain markets, the pipeline of work overall remains robust. Looking forward, the Group has a significant stock of work secured, representing over three months of consulting work at our target utilisation rates, ending the year with more active opportunities than it started.

Due to 2021 being the first year of the Group trading and the prior reported period being representative of only 10 months of trade following the acquisition by the Company of the legacy PA Consulting group in March 2021, comparative proforma 2021 performance numbers have been presented below to provide a more appropriate comparative to the 2022 full year performance.

Our Key Performance Measures

How we monitor the business

Revenue measure: Fee income

Represents the fair value of consideration received or receivable for consulting services provided plus the margin on rechargeable project costs

Profit measure: Adjusted EBITDA

Represents profit before interest, tax, depreciation, amortisation, exceptional items, and non-cash share-based payments and gain/loss on disposal of assets

£m	2022	2021			
		Proforma 12 months		Reported 10 months	
Fee income	**785.4**	**691.5**	**+14%**	**588.8**	**+33%**
Project costs recharged	126.4	102.4	+23%	88.0	+44%
Revenue	911.8	793.9	+15%	676.8	+35%
Adjusted EBITDA*	**207.8**	**200.1**	**+4%**	**175.4**	**+18%**
Margin	23%	25%		26%	
Adjusted operating profit (OP)*	127.9	123.2	+4%	111.3	+15%
Margin	14%	16%		16%	

*Excluding exceptional items. Reconciliation of these numbers to GAAP reporting measures is detailed in Note 6.

Fee income

Fee income increased to £785.4 million in the year, 33 percent up against prior year reported numbers and 14 percent against 2021 proforma, predominantly because of the continued team-build that we started in 2021. Our consulting headcount grew by a further 21 percent in the year, including 74 new team members from the acquisitions of Design Partners and The Cambridge Group. We ended the year with more than 3,600 consultants. The growth in team has been across all our capabilities, but particularly expanding the data science and cyber security breadth within our digital and data team, an increase of over 100 consultants in the year.

During 2022, we saw a continuation of the market demand trends from our clients which started in 2021. The largest growth in fee income, came from the energy and utility market. Sustainability was still a priority but we also focused on security of energy supply, including work in the UK to develop a repeatable, factory-built power station that relies on tried and tested nuclear technology and supporting the tender process for the world's first Energy Island in the North Sea. We saw a resurgence of demand from the transport market which was hard hit by the pandemic. The defence and security market also had robust growth, including being selected by the UK public sector as the lead systems integrator for CRENIC – a large scale, multi-year contract providing next-generation solutions to counter threats posed by radio-controlled Improvised Explosive Devices (IEDs), leading the overall collective of expert parties contributing as part of Team Protect. As pandemic-related work ended, these markets helped continue to grow our overall fee income.

On a geographic basis, the Group's main market remains the UK, making up 75 percent of our fee income, consistent with the prior year. We have made further progress in-line with our strategy to grow our US market with fee income increasing over 30 percent when comparing to 2021 proforma. As we move into 2023, the acquisition of The Cambridge Group will present further opportunity in this region.

Adjusted EBITDA

Due to the nature of the business, the largest cost for the Group relates to its employees. Employment costs in the year, excluding exceptional items, increased by £149.3 million, 40 percent, against 2021 reported cost and £75.4 million, 17 percent, against proforma 2021. Our consulting team growth and related support has been the largest reason for the increase, but we have also absorbed the salary impacts from a tight labour market coupled with high inflation driving salaries up.

In recognition of the increasing inflationary environment, the Group undertook a market review of employee salaries and benchmarked existing staff accordingly. The benchmarking, promotions in year, and market conditions have resulted in an increase on average employment cost per head. To help support our lower paid staff, we also made a one-off cost of living payment in the second half of the year.

The efficiency of converting revenue to profit is heavily dependent on recovery of our employment costs, which we measure through our consulting utilisation rate. As discussed in our 2021 report, the rate achieved in that year was unusually high and we expected a slight drop this year, targeting a return to a more normal pre-Covid utilisation rate. Utilisation in 2022 has been impacted by the onboarding of new colleagues and natural time to achieving full performance. We spent more effort on our exciting new internal initiatives and investment projects such as the setup of our Alliance, Platforms, and Products (APP) team. This team is growing potential future complimentary revenue streams by bringing together opportunities to commercialise certain prototype technology products. The strategy entails forming collaborative partnerships with shared innovation goals, and providing access and maintenance to databases and platforms of unique collections of data. And our employees spent more time supporting the charitable activities of The PA Foundation, which is expected to continue. The overall impact has resulted in utilisation dropping slightly below our target rate.

It has been a challenging year to maintain margins. Factors include: business travel and entertainment returning to levels similar to those pre-pandemic; inflationary pressure on overhead and utility costs; and costs to improve our technology environment, like completing the move of the majority of our systems to the Cloud. Migrating our systems to the Cloud provides a more resilient infrastructure and efficient maintenance, but incurs higher service costs than our previous on-premises versions.

There have, however, been some non-trading upsides in the year, helping to counter some of the cost increases: £6.1 million of additional exchange gains recognised resulting from sterling volatility in the latter half of the year, and a boost to our UK research and development (R&D) tax credit for current and prior years, following a detailed review of the nature of the activities performed from our GITC.

After taking into consideration the items noted above, adjusted EBITDA was £207.8 million, an increase of 18 percent against prior year reported and four percent against 2021 proforma.

Items excluded from adjusted EBITDA in the year total an expense of £8.9 million. The share-based payment charge for the Group's Management Equity Plan being the largest item at £4.7 million (prior year charge was £0.5 million). These are detailed in Note 6, along with a reconciliation to reported operating profit, which after a depreciation and amortisation charge of £79.9 million, was £119.0 million (2021: operating loss of £88.5 million).

Loss before tax

The Group incurred a total net financing charge of £179.9 million, of which £154.0 million reflects the 12 percent annually accumulating dividend on the preference shares. A further £25.7 million in interest was incurred in relation to the Group's two borrowing facilities – the increase being due to a twelve-month period rather than ten. As both facilities are variable rate based on the sterling overnight index average (SONIA), the Bank of England base rate rises in response to UK inflation have begun to have a knock-on impact on the Group's borrowing rate, with SONIA increasing from 0.19 percent to 3.43 percent across the year. We have focused on managing this exposure by selecting longer maturity periods for the larger portion of debt to secure a known rate, making debt repayments where possible, and have implemented more active investment of our remaining excess cash to take advantage of increased deposit rates, generating £1.9 million in interest income compared with a negligible amount in 2021. Through this approach, we have managed to maintain the weighted average cost of borrowing at 3.98 percent against a 2021 rate of 3.95 percent, however, we do expect our borrowing rates to be significantly higher next year as we reach maturity/interest reset dates.

After recording £2.1 million in interest-like charges related to our lease liabilities, the Group closed the year with a loss before tax of £60.9 million (2021: £227.0 million reported).

Statement of financial position and cashflow

Net current assets £21.1 million (2021: £66.8 million restated**)

Working capital

During the year, the Group has maintained good control over its working capital position, and not withstanding the uncertain economic backdrop, the Group's trade receivables ended at £102.1 million, representing 41 debtor days (2021: £99.4 million and 46 days), with over 75 percent of this balance not yet due for payment.

Equally, the Group is committed to its supplier relationships and is a signatory to the UK's Prompt Payment Code, which is reflected in our trade payables being consistently low, closing at just £2.9 million (2021: £1.9 million).

Cashflow and cash and cash equivalents

The Group closed the year with £134.0 million of cash and cash equivalents (2021: £183.2 million), which included £5.4 million of cash items with restricted use (2021: £0.2 million). The increase in restricted balances coming mainly from the funding of The PA Foundation, with a total of £5.0 million committed by the Group overall, and £1.5 million received from parties outside the Group out of which £1.2 million has been distributed.

The Group remains highly cash generative from operations, with £155.1 million net inflow, compared with £137.8 million in 2021 excluding £196.3 million exceptional payments (see Note 6 for details). The Group has utilised the growth in available cash to continue its investment and financing strategies, the significant activities that have taken place in the year include:

- £36.1 million cash consideration offset by £3.1 million cash acquired, paid to complete two acquisitions, Design Partners in May, and The Cambridge Group in November, with further deferred equity payments to be made in the subsequent year.
- £2.7 million spent on commencing renovation of the Group's GITC, an owned premises based close to Cambridge, UK. The current phase is expected to complete in 2023, providing enhanced client areas, increased energy efficiency of the building and better accessibility for visitors to the main building reception, with a total expected spend of £7.0 million. The spend to date is held as a construction in progress until the phase is complete.
- £110.0 million reduction in the debt owed under the Group's term loan and revolving credit facility, and settlement of interest on the drawn debt totalling £27.9 million.
- £48.1 million share buyback from former employees comprising B-share units and C ordinary shares. The Group's goal is to ensure B-share units are held by current employees, as far as possible, and repurchases shares periodically to facilitate this.
- £31.1 million sales proceeds from trading the own shares held at the end of 2021 during the annual internal share market and £4.3 million receipt of funds from the 2022 issuance of C ordinary shares under the Group's Management Equity Plan.

Non-current assets: £1,784.7 million (2021: £1,790.2 million restated**)

Our non-current assets mainly come from intangible assets recognised as part of the Group's acquisitions. In the year, the acquisitions of Design Partners and The Cambridge Group, have led to recognition of an additional £26.1 million of goodwill and £10.3 million of other intangible assets. As with all consultancies, a large portion of the consideration paid is for the skill of the workforce which forms part of goodwill for accounting purposes. Further details of the acquisitions are included in Note 25.

During the year, £2.2 million of internal costs from APP product development were identified as meeting capitalisation criteria. The total spend to date of £3.6 million will begin amortisation at the point of commercial launch to match when the business expects to receive benefit from the investment.

The Group continues to invest in the software that underpins the business and the technical tools supporting execution of our client projects. We commenced the replacement of our current HR system, with expected completion in the first half of 2023, and we invested £6.8 million in the computer equipment used by our teams, with the headcount growth increasing the level of new kit-outs required alongside our underlying hardware refresh programme which runs as a continual cycle.

Other than the £2.7 million spend on the GITC improvement project, additions to our property-related assets have been due to fit out costs for new or extended leasehold premises, mainly in the US, totalling £2.8 million. These leases have also added £8.2 million to the consolidated right-of-use lease assets.

Non-current liabilities: £2,132.5 million (2021: £2,110.8 million restated**)

At 31 December 2022, net debt excluding certain restricted cash balances was in an improved position of £466.8 million, compared to £517.8 million at 31 December 2021. During the year, the Group renegotiated the structuring of its debt facilities to a more flexible position, with the partial pay down of the previous £650.0 million term loan leaving a reduced £400.0 million facility but with a corresponding increase in the committed revolving credit facility (RCF), giving the Group a £300.0 million committed credit line. This has provided the Group with the ability to manage its operational cash and debt positions more efficiently. £140.0 million was drawn under the RCF at the end of the year, leaving the Group with drawn debt of £540.0 million (2021: £650.0 million) and £160.0 million funding headroom, in addition to its cash reserves.

The group had total borrowings in relation to lease liabilities (property and non-property) of £55.4 million (2021: £50.7 million), £11.1 million current, repayable in 2023, and £44.3 million non-current, payable between 2024 and 2032. We have established hybrid working across all regions of the Group and have seen increased occupancy of our offices during the year compared with 2021, as employees settle in to balanced home-office working patterns. Consequently, there are currently no plans to exit our main office locations but we will continue to review requirements as leases come up for renewal. During the year we have entered into new leases in Boston and Concord, Massachusetts, contributing £5.3 million to the increase in the Group's lease liabilities, had extensions to some of our smaller leases, and acquired a further two smaller leases with the acquisitions of Design Partners and The Cambridge Group.

The largest element of non-current liabilities is the amount owed by the Company relating to its preference shares, which due to their terms are classified as debt for accounting purposes. Consequently, these are included within Borrowings in Net assets rather than as a component of equity. The related liability has increased by £156.1 million to £1,456.4 million due to the 12 percent accumulating dividend. No dividend payment was made during the year. The Group performed a £48.1 million share buy-back at the end of the year, which consisted of 7,366,491 share units (7,366,491 ordinary B and 41,252,528 preference shares) at an average price of £6.49 and 1,080,000 C ordinary shares at an average price of £0.09. The acquired shares are held by the Group at the year end, the ordinary shares recorded within equity Own Shares and the preference shares held within Borrowings to offset the total issued liability.

As the financial position and profit before tax of the Group are significantly impacted by the classification of the preference shares, the table below is presented to show what the position and results would be if the Group's funding had been through the issuance of ordinary share capital, which is more comparable with normal corporate capital structuring.

	2022			10 months to 31 December 2021			
	Reported £m	Adjustment* £m	Adjusted* £m	Reported £m	Adjustment* £m	Adjusted* £m	
Proforma income statement							
Fee income	**785.4**	**-**	**785.4**	**588.8**	**-**	**588.8**	
Project costs recharged	126.4	-	126.4	88.0	-	88.0	
Revenue	911.8	-	911.8	676.8	-	676.8	
EBITDA	**198.9**	**8.9**	**207.8**	**(24.4)**	**199.8**	**175.4**	(i)
Depreciation and amortisation	(79.9)	-	(79.9)	(64.1)	-	(64.1)	
Group operating profit/(loss)	**119.0**	**8.9**	**127.9**	**(88.5)**	**199.8**	**111.3**	
Net interest payable and similar items and other finance costs	(179.9)	154.0	(25.9)	(138.5)	115.5	(23.0)	(ii)
Profit/(loss) on ordinary activities before taxation	**(60.9)**	**162.9**	**102.0**	**(227.0)**	**315.3**	**88.3**	
Proforma statement of financial position							
				Restated**		Restated**	
Non-current assets	1,784.7	-	1,784.7	1,790.2	-	1,790.2	
Net current assets	21.1	-	21.1	66.8	-	66.8	
Non-current liabilities	(2,132.5)	1,405.6	(726.9)	(2,110.8)	1,271.4	(839.4)	(iii)
Net assets	**(326.7)**	**1,405.6**	**1,078.9**	**(253.8)**	**1,271.4**	**1,017.6**	

*Unaudited

**See Note 25.2

The adjustments in the current period relate to:

i. Removal of exceptional income and costs. (Note 6)

ii. Removal of interest on preference shares. (Note 8)

iii. Removal of amounts due on preference shares. (Note 18)

Investing in our people

Our people are our inspiration. Every day, our multidisciplinary teams bring collective knowledge and insights that enable our clients to solve the world's most complex challenges.

We are as committed to making PA a great place to work as we are to delivering great outcomes for our clients. That's why we've created a culture that's collaborative, diverse, inclusive, and rewarding, where our people feel valued and motivated to do their best.

Inclusion and diversity

We have expanded our work on equity of opportunity and progressed with our Inclusion and Diversity programme during 2022. Our representation of women at partner level and in other senior fee and non-fee-based roles continues to grow, supported by our Women in Leadership programme, advancements in our recruiting practices, and our performance and career frameworks, and the support of our Women's Network and the PA Women in Tech Network.

Our employee network groups continue to drive change as partners to our business. Racial Inclusion & Social Equity (RISE), Mental Health & Wellbeing, PRIDE, Women's and Military Networks have been empowered to deliver impactful and inspirational campaigns for our people, and have been joined in 2022, by a PA Jewish Group, a Working Families Community and a Neurodiversity Community to better support and represent our diverse workforce.

Our partnerships with schools, colleges and universities, and specialist recruitment firms, have successfully contributed towards recruiting more diverse talent at every level, supported by a new recruitment strategy that is 'inclusive by design'. To empower young people from diverse backgrounds to fulfil their ambitions, our links with the National Society for Black Engineers (NSBE) and Generation Success has helped to improve the diversity of our graduate recruitment pipeline.

We have made progress against our commitments to challenge non-inclusive stereotypes, language and assumptions and drive lasting culture change within our firm. We ran firm-wide training on topics like allyship, gender identity and bias, and have continued to challenge our leadership through conversations on diversity topics that are important to our people.

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 promotions, just as are available to all employees, within the limitations of their aptitudes and abilities.

Employee wellbeing and development

We have continued to prioritise the health of our people, adopting an approach which recognises that overall wellbeing is a composite of mental, physical, financial, social and career-related elements. We have been working to address each of these areas through education (webinars and live events), as well as improvements to our policies and processes to ensure our people feel fully supported.

In terms of mental wellbeing, we continued to offer our Employee Assistance Programme services, as well as offering a free subscription to the mindfulness and mediation app, Calm, for all our people globally. We launched the LifeatPA Champions initiative, giving resource to each of our offices to run social events to bring PA people together beyond the day job. In 2022, almost 50 events took place globally, including quiz nights, mental health walks, sports leagues, and talks from external speakers, all helping to boost our people's sense of social cohesion and community. In terms of career wellbeing, we developed an evidence-based approach to supporting the wellbeing of our consultants on assignment, including guidance for assignment managers, team charters, wellbeing plans, and a regular feedback loop within assignment teams. And we will continue to embed this approach in 2023, by further planning how we can support our people's wellbeing at critical employee touchpoints.

Finally, we launched our working families initiative, a range of global policies which help our people to work better around their child and family commitments, thus boosting their overall wellbeing. We are continuing to evolve and develop our approach to hybrid working to ensure we adapt this based on the changing needs of our people.

Supporting our communities

Creating a positive human future extends beyond our clients and people to include our contribution to social and environmental outcomes in the communities where we live and work.

We give our time and expertise to develop and inspire people, particularly those facing disadvantages to be the innovators and leaders of tomorrow, applying their ingenuity to solving the world's biggest challenges. We do that by creating and running impact-driven initiatives at a firm-wide level and by partnering with charitable organisations that are having a demonstrable impact in society.

In 2022, we launched The PA Foundation, an independent charity expanding access to quality education, skills and careers, particularly in fields relating to science, technology, engineering and mathematics (STEM), and working to address the underlying barriers that prevent people from disadvantaged backgrounds from achieving their full potential. The PA Foundation amplifies PA's volunteering efforts by providing grant support to charities and non-profit organisations. By the end of 2022, The PA Foundation had disbursed over £1.2 million of grant funding to 20 organisations in the UK, US, Nordics, and Netherlands with the aim of reaching over 3,000 people from disadvantaged backgrounds and more than 65 social enterprises.

Through our community engagement initiatives, PA people delivered more than 10,000 hours of volunteer time and supported over 100 charities and non-profit organisations. We delivered our first ever global volunteer week bringing together over 300 PA people to deliver 16 community projects ranging from climate change education in schools, to providing consulting support pro bono to social enterprises. Other community engagement highlights from 2022 include:

- Delivery of our Springboard UK and US programme in-person, providing over 60 students from disadvantaged backgrounds a work placement experience
- Supporting 80 people from diverse backgrounds and not in education or employment, through our Generation Success mentoring scheme in the UK
- Celebrated 10 years of our Raspberry Pi Competition, challenging over 1,500 students in the UK and the Netherlands to put their engineering and coding skills to the test, using a Raspberry Pi microcomputer to design technology to create a positive human future
- Donated over 700 PA laptops to The Turing Trust, so they can continue to give children in the UK and Malawi digital access
- Provided coaching services to The Forces Employment Charity to support military veterans who are looking for work or transitioning out of the armed forces.

At PA, we prize our ethical approach and are committed to complying with all laws and regulations applicable to our business, including taking steps to ensure compliance with anti-corruption laws. Our Code of Conduct contains our policies on anti-bribery and how to report suspicious practices. Every PA employee has access to our Code of Conduct and receives annual training on the implications of the Bribery Act and other related international legislation.

Environmental Sustainability

For us, investing in our communities extends to ensuring our actions as an organisation make a positive contribution to addressing the climate crisis.

In 2022, we continued our efforts to transform from a compliance-focused environmental stance to being more proactive. We focused on delivering substantial carbon reductions on our way to net zero, and on delivering a just transition in line with the United Nations' (UN) Sustainable Development Goals.

We have continued to develop and implement our hybrid working model and more of our people have returned to the office. This has resulted in an increase in commuting emissions. Business travel too, has continued to bounce back towards pre-pandemic levels. We have been able to collect more information than ever before on our network of offices, resulting in more robust office data, although work continues to improve the robustness of our Scope 3 data.

In 2022, work started in GITC to refurbish the client area, and we continue to replace end-of-life air handling plant, and re-insulate the building's roof. We expect to see a significant reduction in energy consumption once the work is complete. We have also completed the replacement of fluorescent light fittings with LEDs in the building. Planning is underway for more work in the future to both reduce energy use and improve the quality and granularity of data e.g. through improved submetering systems.

We have maintained our environmental management ISO 14001 certification for selected locations, as well as laying the groundwork for extending that certification to new locations, should the need arise, by ensuring office carbon data is collected in line with our ISO-certified environment, health and safety management system. We have also maintained our energy management ISO 50001 accreditation for GITC, our only owned facility.

We are also pleased to confirm that we have completed our submission for science-based targets, which is pending validation. This submission will commit PA to a set of stringent carbon reduction targets:

- Reducing our absolute Scope 1-2 emissions by 50 percent by 2030
- Sourcing 100 percent renewable electricity by 2030
- Reducing our Scope 3 emissions intensity by 55 percent by 2030
- Achieving Net Zero, in accordance with science-based targets by 2040.

2022 Energy and carbon summary

Data for the UK, 2021 vs. 2022

Scope	Source	2021 consumption/ distance	2021 GHG emissions (tCO_2e)	2022 consumption/ distance	% change	2022 GHG emissions (tCO_2e)	% change
Scope 1 - direct GHG emissions	Gas consumption	2,040,749 kWh	375.5	1,724,964 kWh	-15%	348.9	-7%
	F-gas consumption	0 kg	0	9 kg	-	5.9	-
	Other fuel consumption	not applicable	not applicable	6,196 kWh	-	1.2	-
Scope 2 – energy indirect emissions	Purchased electricity	2,725,875 kWh	578.8	2,759,836 kWh	1%	530.1	-8%
Scope 3 – other indirect emissions	Purchased electricity T&D losses	See above consumption	51.2	See above consumption	-	49.2	-4%
	Water consumption & treatment	10,807 m^3	4.5	11,098 m^3	3%	4.6	2%
	Waste (recycling and landfill)	9,000 kg	0.9	81,183 kg	+802%	2.7	+200%
	F-gas consumption (leased offices) (i)	0.5 kg (estimated)	0.6 (estimated)	-	-	-	-
	Business air travel	1,595,990 km	368.2	7,265,607 km	355%	1,982.7	438%
	Business car & taxi travel	1,427,534 km	278.5	3,097,265 km	117%	677.8	143%
	Business train travel	1,658,561 km	58.9	6,534,816 km	294%	290.2	393%
	Business public transport travel	6,972 km	0.2	26,417 km	279%	3.1	1,450%
	Employee commuting (ii)	23,872 km	706.6	16,597,731 km	69,328%	2,121.4	200%
Total kWh		4,766,624 kWh		4,490,996 kWh	-6%		
Total km		4,712,929 km		33,521,836 km	611%		
Total (tCO_2e)			2,423.9			6,017.8	148%

(i) Partial data – not all landlords provide this.

(ii) Figure reported in 2021 was 23,872km/706.6tCO_2e, however, due to a methodology error, this figure should have been 6,660,898km/889tCO_2e.

Global data, 2021 vs. 2022

Scope	Source	2021 consumption/ distance	2021 GHG emissions (tCO_2e)	2022 consumption/ distance	% change	2022 GHG emissions (tCO_2e)	% change
Scope 1 - direct GHG emissions	Gas consumption	2,074,766 kWh	385.6	1,724,964 kWh	-17%	348.9	-10%
	F-gas consumption	0 kg	0	9 kg	-	5.9	-
	Other fuel consumption	not applicable	not applicable	6,196 kWh	-	1.2	-
Scope 2 – energy indirect emissions	Purchased electricity	3,230,207 kWh	772.3	3,570,760 kWh	11%	754.4	-2%
Scope 3 – other indirect emissions	Purchased electricity T&D losses	See above consumption	60.7	See above consumption	-	62.4	3%
	Water consumption & treatment	13,538 m^3	5.7	15,400 m^3	14%	6.5	14%
	Waste (recycling and landfill)	18,000 kg	1	88,471 kg	392%	3.1	210%
	F-gas consumption (leased offices) (i)	3 kg (estimated)	4.1 (estimated)	-	-	10.6 (estimated)	159%
	Business air travel	2,990,497 km	621.6	14,662,135 km	390%	3,632.6	484%
	Business car & taxi travel	1,568,099 km	300.9	3,376,320 km	115%	765.2	154%
	Business train travel	1,827,855 km	64.8	7,262,055 km	297%	322.5	398%
	Business public transport travel	15,840 km	0.5	64,242 km	306%	7.4	1,380%
	Employee commuting (ii)	29,840 km	882.6	21,615,027 km	72,336%	2,720.1	208%
Total kWh		5,304,973 kWh		5,301,920 kWh	0%		
Total km		6,432,131 km		46,979,779 km	630%		
Total tCO_2e			3,099.8			8,640.8	179%

(i) Partial data – not all landlords provide this.
(ii) Figure reported in 2021 was 29,840km/882.6tCO_2e, however, due to a methodology error, this figure should have been 8,622,780km/1114tCO_2e.

During 2022, we made further efforts to improve our data collection and allocation methodologies and to ensure all emissions were correctly allocated according to Greenhouse Gas (GHG) Protocol guidance. However, for continuity with last year's report, 2021 data is presented here as it was in last year's report, meaning data is not strictly comparable year to year. We have also improved our data gathering, which gives rise to apparent increases in carbon footprint as we understand our emissions better (e.g. the apparent increase in waste is primarily due to collecting this data from more of our landlords in leased offices). The exception is for employee commuting data where an error last year led to a significant under-reporting of commuter distances.

In line with the requirements of Streamlined Energy and Carbon Reporting (SECR), the above data includes electricity consumption figures based on the "location-based" approach, i.e. overall carbon intensities for the electricity grid in each country. We continue to collect the data necessary to switch to market-based electricity emissions, but in 2022, we sourced at least 75 percent of our electricity from renewable sources, corresponding to the five PA sites where renewable sourcing can be evidenced.

Intensity measures:

	2022		2021	
	UK	**Global**	**UK**	**Global**
Carbon emissions (w(e))	6,018	8,641	2,427	3,103
Fee income (£m)	**601.0**	**785.0**	**541.5**	**691.7**
Emissions intensity ratio (tCO_2e/£m)	**10.01**	**11.01**	**4.48**	**4.49**
Change	123%	145%		
Headcount	3,056	4,027	2,709	3,532
Emissions intensity ratio (tCO_2e/head)	1.97	2.15	0.90	0.88
Change	119%	144%		

The rebalancing we have seen in business travel from the restrictions in 2021 has resulted in an expected increase in emissions and intensity. These figures still represent a reduction from our 2019 baseline.

Methodology

This report follows the GHG Reporting Protocol – Corporate Standard, and the 2019 HM Government Environmental Reporting Guidelines. UK Government's Department for Environment, Food, and Rural Affairs (DEFRA) greenhouse gas reporting: conversion factors 2021 were used for making carbon equivalent calculations. These emissions are defined under three different scopes by the GHG Protocol, as shown in the table below:

Scope 1	Natural gas	Included	Required under Streamlined Energy and Carbon Reporting (SECR)
	F-gas	Included	
	Fuel oil	Included	
Scope 2	Grid-supplied electricity	Included	Required under SECR
Scope 3	Cat. 3: Electricity transmission and distribution	Included	**Not required** under SECR
	Cat. 5: Waste generated in operations	Included	
	Cat. 6: Business travel	Included	
	Cat. 7: Employee commuting	Included	
	Cat. 8: Downstream leased assets (emissions associated with leased offices)	Included	

Where possible, verifiable data was used, for example obtained through metered data or using invoices or annual statements from suppliers. Where verifiable data was not available, consumption data was estimated using data from the most recent comparable time period to fill the gap, calculating figures using pro-rata extrapolation or benchmarking to proxy the energy consumption of one site to a similar site.

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

Market risk is managed by the Operating and Client Committees

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

Operational and professional risk is managed by the Risk Management Committee

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

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

Financial risk is monitored by the Audit Committee

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

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

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

Section 172(1) Statement

The directors of PA Consulting Group Limited present their Section 172(1) Statement. 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.

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, using all available information and detailed papers which focus on relevant stakeholder considerations. The directors also have access to advice and guidance from the Group Company Secretary, as well as PA's Group legal function, when discharging their duties.

The board has made a number of decisions during the year which are described in this report. Further examples of how the board has engaged with stakeholders during the year are provided below.

Our clients

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

Our people

We engage with our people regularly throughout the year and through a variety of means. We have a comprehensive intranet site, digital learning academy, weekly PA news updates, and regular all-staff messages from our Chief Executive Officer and other members of our senior leadership team. We also hold many in-person events and gatherings throughout our global offices and provide updates to employees throughout the year on financial and economic factors affecting the performance of the Company.

We regularly undertake an engagement survey of our people and listening and responding to this feedback is a huge part of delivering on our commitment to creating a place which attracts the best and brightest minds and enables everyone to thrive and develop their skills, every day.

Our shareholders

PA is owned 65 percent by Jacobs Engineering Group Inc, and 35 percent by PA employees. Employee share ownership continues to be an important part of PA's culture and brand. It is a key feature of our strategy and is highly valued by our people. Each year, PA operates an internal share market where PA employees have the opportunity to invest in PA shares. Senior employees also receive part of their annual reward directly in PA shares.

PA employee shareholders are represented on the PA board by the Chief Executive Officer and the former Chief Executive Officer.

PA management works closely with Jacobs, who are represented on the PA board by the Executive Chairman, Chief Executive Officer and Chief Financial Officer of Jacobs.

Our communities

We are proud that our people engage in our communities, giving their time and expertise to develop and inspire others, particularly those facing disadvantage, to be the innovators and leaders of tomorrow. In 2022, we continued to give back to our communities through The PA Foundation and other new and established initiatives.

Investing in our communities also extends to ensuring our actions as an organisation make a positive contribution to addressing the climate crisis. As well as the innovative work we do with our clients to tackle climate changes and environmental challenges, we've set science-based targets to ensure our own environmental practices contribute to limiting the global temperature rise to 1.5°C. This commitment will see us make substantial emissions cuts between now and 2030, and then on to reach true net zero by 2040.

Our suppliers

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

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

This strategic report was approved by the board of directors on 19 April 2023 and signed on its behalf by:

Ken Toombs
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

Directors' report

The directors present their report for PA Consulting Group Limited for the year ended 31 December 2022.

Principal activities of the Group

The Company is a holding company within the PA Consulting Group. The principal activities of its subsidiaries are the provision of a range of consultancy services to governments and industry. A fair review of the business of the Group during the financial year ended 31 December 2022, 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 period and future developments, are included in the strategic report on pages 4 to 18.

Directors

The directors of the Company who were in office during the year ended 31 December 2022 and up to the date of signing of the financial statements were as follows:

John Alexander

Kevin Berryman

Steven J. Demetriou

Alan Middleton

Robert Pragada

Kenneth Toombs

William Lambe (appointed 29 April 2022, resigned 18 January 2023)

Directors' indemnity and insurance

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

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

Dividend

The directors do not recommend the payment of a dividend in respect of the financial period ended 31 December 2022 (2021: £nil). Amounts accruing on preference shares at period end are included in Note 18 of these financial statements.

Political and charitable donations

No political donations were made during the period. During the period, the Group made charitable donations of £620,695 (2021: £245,388), which included direct corporate donations and donations by employees of the Group waiving an element of their deferred renumeration or through give as you earn (GAYE). In addition, over £1.2 million was donated by The PA Foundation through support from PA and its benefactors (including individual employee contributions).

Going concern

As required by company legislation, the directors are responsible for reviewing and concluding that the use of the going concern basis of preparation is appropriate for the Group. In consideration of this, the directors have taken into account short and mid-term trading and cash forecasts, covering the period to December 2024, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group.

The base forecast used as part of the review is founded from the board-approved 2023 budget with application of subsequent annual performance taken from the Group's most recent strategic plan. The forecast shows operating cashflow to be strong throughout. In creating the budget, consideration has been given to impacts on key cost items from the heightened UK inflation (as the Group's predominant geography) and assessment of an achievable rate of utilisation in the current economic environment. Other than the impact on utility costs, there have been no other identified implications in relation to the continued Ukraine-Russia conflict.

The directors have also assessed the tolerance of the business cash flows to adverse impacts on the base assumptions which are most at risk from the current global economic environment. These are inflation pressures driving employment and overhead costs at a higher than budgeted rate; client demand dropping from reduced discretionary spend or public spending cuts impacting our ability to achieve target utilisation; and the Group's borrowing rate doubling from the current year achieved rate. The downside case, including a combination of all impacts demonstrated that the Group's business model, is sufficiently robust and has excess funding headroom to absorb sustained external volatility.

The Group's financing is a combination of debt and cash on hand. The maturities on these debt instruments are well beyond 12 months and include £160.0 million headroom within the revolving credit facility. There are no financial covenants that would cause default during the period under consideration. The directors believe these sources provide the Group with access to sufficient longer-term funding and the ultimate lender has appropriate backing and headroom to support the lending for the foreseeable future.

The Group has a net liability position which is as a consequence of the treatment of the Group's preference shares as debt, rather than equity. These instruments are not repayable at the holders' discretion and settlement would only be triggered through a valuation or liquidity event, at which point, new investor funds are received. Therefore, the directors do not expect settlement of these liabilities to require utilisation of the Group's current financial resources.

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

Financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Further information about the most significant financial risks faced by the Group and how these are managed can be found in the strategic report and in Note 2.17 of these financial statements.

Research and development

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

Disclosure of information to auditors

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

Directors' responsibilities

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

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

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

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Group and the Company and enables 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 19, confirms that to the best of their knowledge and belief:

- The financial statements for the financial year ended 31 December 2022, prepared for the Group, in compliance with UK adopted international accounting standards, and for the Company, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the Company respectively; and
- The strategic review includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

Statement on Corporate Governance Practices

The corporate governance arrangements in place at PA are aligned to the Wates Corporate Governance Principles for Large Private Companies. During the year ended 31 December 2022, these principles were applied as follows:

Purpose and leadership: PA's purpose and strategy has been developed by the board of directors. We believe in the power of ingenuity to build a positive human future – that's our purpose. 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. Through this strategy, we will grow the firm, deliver long-tern sustainable value to clients, our people and shareholders, and drive great social impact.

Our success as firm is founded on a set of six core values. These 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 our board and every one of our people worldwide.

Composition: The size and composition of the board is guided by the size and by the scale and complexity of the Company's business. The board believes that its size and composition provides an appropriate balance of skills, backgrounds, experience and knowledge necessary to oversee the Company's business and delivery of its purpose and strategy. During the year, the board comprised a non-executive Chair, a non-executive Director, the Chief Executive Officer, the Chief Financial Officer, and three directors appointed by the Group's majority shareholder.

Responsibilities: The board and individual directors have a clear understanding of their accountability and responsibilities and the policies and procedures adopted by the board support effective decision-making and independent challenge. The relationship between the Company and its shareholders is governed by a shareholders' agreement which provides the framework for the Group's governance practices and sets out the board´s overall leadership responsibilities and the matters reserved for its consideration and approval. The shareholders' agreement establishes a number of board committees which assist the board in providing oversight, challenge, and guidance. The responsibilities of the committees, including decision-making authority and escalation processes, are outlined in their terms of reference which are reviewed annually.

The board and its committees each receives regular and timely information on all matters required to maintain effective oversight of the Company's business, including reports on business and financial performance, progress against key strategic objectives, risks and opportunities, operational matters, market conditions and people matters. All information provided to the board and its committees is prepared by subject matter experts with the relevant experience and skills necessary to ensure the integrity of the information presented.

Opportunity and Risk: The board is responsible for promoting the long-term sustainable success of the Company and identifying opportunities to create and preserve value and has established a firm-wide risk management framework to assist with the identification and mitigation of risk. The board, through its committees, has put in place a structure of policies and processes to identify, assess and manage risk.

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

Remuneration: The board promotes executive remuneration structures that align to the long-term, sustainable success of the Company. The Succession and Compensation Committee, supported by the Remuneration Committee, is responsible for implementing the Company's remuneration policy and compensation practices and ensuring that they are applied consistently, promote effective risk management, and are aligned to the Company's purpose and strategy. The Succession and Compensation Committee and the Remuneration Committee regularly reviews and makes recommendations to the board on the firm's remuneration and compensation policies.

Stakeholder Relationships and Engagement: The board believes that strong and effective relationships with its stakeholders are essential to delivering the Company's purpose and strategy and for protecting the Company's reputation. The board ensures that there are appropriate channels and procedures in place to receive feedback from discussions and interactions with all stakeholders.

This directors' report was approved by the board of directors on 19 April 2023 and signed on its behalf by:

Ken Toombs
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

Independent auditor's report
to the members of PA Consulting Group Limited

Opinion

We have audited the financial statements of PA Consulting Group Limited ('the parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated statement of profit or loss, the consolidated and parent company statement of financial position, consolidated statement of cash flows, the consolidated statement of other comprehensive income, the consolidated and parent statement of changes in equity and the related Notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards. The financial 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

- Performing a walkthrough of the Group's financial close process, to confirm our understanding of management's going concern assessment process and engaging with management early to ensure all key risk factors were considered in their assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts and covenant calculations for the going concern period which covers the period to June 2024.
- Performing procedures to confirm the clerical accuracy and appropriateness of the underlying model. The Group has modelled a base case scenario and plausible downside scenario in their cashflow forecast.
- Assessing the factors and assumptions included in each modelled scenario.
- Verified the credit facilities available to the Group.
- Performing reverse stress testing in order to identify what factors would lead to the Group utilising all liquidity or breaching the financial covenant during the going concern period.
- Reading the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue, being 31 December 2024.

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

Other information

The other information comprises the information included in the annual report set out on pages 4 to 23, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (IAS, FRS 101 and the Companies Act 2006), direct and indirect tax compliance regulations in the jurisdictions in which the Group operates and Miscellaneous Reporting Regulations 2018. In addition, the Group has to comply with laws and regulations relating to domestic and overseas operations, including money laundering regulations, health and safety, employment law, data protection and anti-bribery and corruption.
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit and internal legal counsel to understand how the Group maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes, inspection of internal audit reports and papers provided to the Audit Committee throughout the year, review of correspondence with relevant authorities, as well as consideration of the results of our audit procedures across the Group to either corroborate our findings or provide contrary evidence which was followed up.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there is susceptibility to fraud. We made inquiries with the Head of Legal to identify and assess any whistle blowing incidences which could have a financial reporting impact.
- After completing these inquiries and identifying the Group's employee bonus plan as a potential fraud incentive we concluded that revenue was susceptible to fraud via management overriding controls. This relates to the recognition of revenue on fixed price contracts which are open at year end. In addition, there is a risk of management override in all revenue streams through manual journal entries.
- To address the identified fraud risks, we incorporated data analytics into our testing of manual journals, including segregation of duties and into our testing of revenue recognition, with particular focus on journals around year end. We tested specific transactions back to source documentation to ensure that these have valid business purpose. We also reviewed material customer contracts to verify revenue was recognized in accordance with the agreement.
- Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved discussions with management and internal legal counsel, and review of board minutes, to assess and understand the implications on our audit procedures, testing of journals identified by specific risk criteria and tracing legal expenses incurred back to supporting documentation which describes the matter being invoiced to ensure any other instances of non-compliance with laws and regulations are identified which were not identified through our enquiries with the management.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at *https://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP.

Christabel Cowling (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London, UK

19 April 2023

Financial statements

Consolidated statement of profit or loss

for the year ended 31 December 2022

	Note (i)	2022 £m	10 months to 31 December 2021 £m
Revenue			
Fee income	4	785.4	588.8
Project costs recharged	4	126.4	88.0
Revenue		911.8	676.8
Personnel and direct costs	5	(660.1)	(469.1)
Exceptional personnel and direct costs	6	(8.2)	(192.9)
Gross profit		243.5	14.8
Other administrative expenses		(123.9)	(96.5)
Other operating income	7.1	0.1	0.1
Exceptional administrative costs	6	(0.7)	(8.4)
Other exceptional income	6	-	1.5
Operating profit/(loss)	7	119.0	(88.5)
Net finance costs	8	(179.9)	(138.5)
Loss on ordinary activities before taxation		(60.9)	(227.0)
Taxation	9	(23.1)	(37.1)
Loss for the financial year		**(84.0)**	**(264.1)**
Adjusted EBITDA (ii)	6	**207.8**	**175.4**

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

ii. Adjusted EBITDA is operating profit/(loss) before interest, taxation, depreciation, amortisation, exceptional items, non-cash share-based payments and gain/(loss) on disposal of assets.
A reconciliation between operating profit/(loss) and adjusted EBITDA is provided in Note 6.

Consolidated statement of other comprehensive income

for the year ended 31 December 2022

	Note (i)	2022 £m	10 months to 31 December 2021 £m
Loss for the financial year		**(84.0)**	**(264.1)**
Other comprehensive income not to be reclassified as profit or loss in subsequent periods:			
Actuarial gain/(loss) recognised on defined benefit pension arrangements	21.2.3	3.1	(0.6)
		(80.9)	(264.7)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on retranslation of net assets and results of overseas subsidiaries		0.5	0.1
		0.5	0.1
Total comprehensive loss relating to the year		**(80.4)**	**(264.6)**

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

Consolidated statement of financial position

at 31 December 2022

	Note (i)	2022 £m	Restated* 2021 £m
Non-current assets			
Goodwill	10	1,065.2	1,039.1
Other intangible assets	10	617.5	669.3
Property, plant and equipment	11	35.9	28.1
Right-of-use assets	12	52.7	50.0
Deferred tax assets	9.3	5.1	2.4
Other non-current assets		8.3	1.3
		1,784.7	**1,790.2**
Current assets			
Trade receivables	4	102.1	99.4
Contract assets	4	39.4	31.6
Other current assets	15	20.6	19.7
Cash and cash equivalents		134.0	183.2
		296.1	**333.9**
Total assets		**2,080.8**	**2,124.1**
Current liabilities			
Trade and other current liabilities	16	(208.0)	(226.3)
Contract liabilities	4	(33.8)	(30.3)
Derivative financial instruments	14	(0.1)	-
Lease liabilities	12	(11.1)	(9.7)
Current tax liabilities		(22.0)	(0.8)
		(275.0)	**(267.1)**
Net current assets		**21.1**	**66.8**
Non-current liabilities			
Borrowings	18	(1,945.6)	(1,921.4)
Lease liabilities	12	(44.3)	(41.0)
Pension and other post-employment liabilities	21	(3.1)	(5.0)
Deferred tax liabilities	9	(132.4)	(140.0)
Other non-current liabilities		(7.1)	(3.4)
		(2,132.5)	**(2,110.8)**
Total liabilities		**(2,407.5)**	**(2,377.9)**
Net liabilities		**(326.7)**	**(253.8)**
Equity			
Share capital	19	2.6	2.3
Share premium	19	13.1	9.1
Own shares reserve	19	(7.0)	(1.1)
Foreign currency translation reserve	19	0.6	0.1
Retained earnings		(336.0)	(264.2)
Total equity		**(326.7)**	**(253.8)**

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

*See Note 25.2

The financial statements were approved and authorised for issue by the board of directors on 19 April 2023.

Ken Toombs
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2022

	Note (i)	Share capital £m	Share premium £m	Own share reserve £m	Foreign currency translation reserve £m	Retained earnings £m	**Total £m**
At 2 March 2021		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss							
Loss for the financial period		-	-	-	-	(264.1)	**(264.1)**
Actuarial loss recognised on defined benefit pension arrangements	21.2.3	-	-	-	-	(0.6)	**(0.6)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	0.1	-	**0.1**
Total comprehensive loss		**-**	**-**	**-**	**0.1**	**(264.7)**	**(264.6)**
Transactions with owners of the Company							
Issue of ordinary shares	19	2.3	9.1	-	-	-	**11.4**
Share-based payments		-	-	-	-	0.5	**0.5**
Acquisition of own shares	19	-	-	(1.1)	-	-	**(1.1)**
Total transactions with owners of the Company		**2.3**	**9.1**	**(1.1)**	**-**	**0.5**	**10.8**
At 31 December 2021		**2.3**	**9.1**	**(1.1)**	**0.1**	**(264.2)**	**(253.8)**
At 1 January 2022		**2.3**	**9.1**	**(1.1)**	**0.1**	**(264.2)**	**(253.8)**
Total comprehensive loss							
Loss for the financial year		-	-	-	-	(84.0)	**(84.0)**
Actuarial gain recognised on defined benefit pension arrangements	21.2.3	-	-	-	-	3.1	**3.1**
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	0.5	-	**0.5**
Total comprehensive loss		**-**	**-**	**-**	**0.5**	**(80.9)**	**(80.4)**
Transactions with owners of the Company							
Issue of ordinary shares	19	0.3	4.0	-	-	-	**4.3**
Share-based payments		-	-	-	-	4.7	**4.7**
Acquisition of own shares	19	-	-	(6.2)	-	(0.2)	**(6.4)**
Cash consideration received for disposal of shares		-	-	0.3	-	4.6	**4.9**
Total transactions with owners of the Company		**0.3**	**4.0**	**(5.9)**	**-**	**9.1**	**7.5**
At 31 December 2022		**2.6**	**13.1**	**(7.0)**	**0.6**	**(336.0)**	**(326.7)**

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

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note (i)	2022 £m	10 months to 31 December 2021 £m
Operating profit/(loss)	7.2	**119.0**	**(88.5)**
Add back:			
Amortisation of intangible fixed assets	6, 7.2, 10	64.4	53.4
Depreciation of property, plant and equipment	6, 7.2, 11	6.7	4.2
Loss on disposal of property, plant and equipment		0.2	-
Depreciation of right-of-use assets	6, 7.2, 12	8.8	6.5
Net foreign exchange differences		(3.5)	(0.6)
Share-based payment expense		4.7	0.5
Operating cash flows before movements in working capital		**200.3**	**(24.5)**
(Increase) in trade and other receivables and contract assets		(18.8)	(19.9)
(Decrease)/increase in trade and other payables and contract liabilities		(18.6)	4.5
Operating cash flows before payments for taxes		**162.9**	**(39.9)**
Taxation paid		(7.8)	(18.6)
Net cash flows from operating activities	6.1	**155.1**	**(58.5)**
Investing activities			
Purchase of property, plant and equipment	11	(14.0)	(4.6)
Purchase of acquired intangible assets	10	(2.4)	(1.8)
Purchase of subsidiary undertakings (net of cash acquired)	25.1.2	(33.0)	(1,256.3)
Interest received	8	1.9	0.1
Net cash flow from investing activities		**(47.5)**	**(1,262.6)**
Financing activities			
Issue of ordinary shares		4.3	8.9
Issue of preference shares	19.1.1	-	892.5
Drawdown of senior debt		-	650.0
Repayment of borrowings		(110.0)	-
Repayment of lease principal	12	(9.4)	(7.3)
Interest paid		(27.9)	(14.1)
Net cash from purchase/sale of own shares		(17.0)	(25.9)
Staff loans issued		-	0.1
Net cash flow from financing activities		**(160.0)**	**1,504.2**
Net (decrease)/increase in cash and cash equivalents		**(52.4)**	**183.1**
Cash and cash equivalents at 1 January		183.2	-
Net foreign exchange difference		3.2	0.1
Cash and cash equivalents at 31 December		**134.0**	**183.2**

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

Cash and cash equivalents include £5.4 million (2021: £0.2 million) held by the Group's Employee Benefit Trust, the PA Foundation, or in escrow that is restricted for specific use only.

Notes to the financial statements

1. General information

General information

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

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

The Company was incorporated on 20 November 2020. The comparative reporting period covered is for the Group's initial trading for the 10 months since acquisition on 2 March 2021.

Statement of compliance

The Group's financial statements have been prepared in compliance with UK adopted international standards.

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

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

Basis of preparation

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

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

Going concern

As required by company legislation, the directors are responsible for reviewing and concluding that the use of the going concern basis of preparation is appropriate for the Group. In consideration of this, the directors have taken into account short and mid-term trading and cash forecasts covering the period to December 2024, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group.

The base forecast used as part of the review is founded from the board-approved 2023 budget, with application of subsequent annual performance taken from the Group's most recent strategic plan. The forecast shows operating cashflow to be strong throughout. In creating the budget, consideration has been given to impacts on key cost items from the heightened UK inflation (as the Group's predominant geography) and assessment of an achievable rate of utilisation in the current economic environment. Other than the impact on utility costs, there have been no other identified implications in the relation to the continued Ukraine-Russia conflict.

The directors have also assessed the tolerance of the business cash flows to adverse impacts on the base assumptions which are most at risk from the current global economic environment. These are: inflation pressures driving employment and overhead costs at a higher than budgeted rate, client demand dropping from reduced discretionary spend or public spending cuts impacting ability to achieve target utilisation, and the Group's borrowing rate doubling from current year achieved rate. The downside case including a combination of all impacts demonstrated that the Group's business model is sufficiently robust and has excess funding headroom to absorb sustained external volatility.

The Group's financing is a combination of debt and cash on hand. The maturities on these debt instruments are well beyond 12 months and include £160.0 million headroom within the revolving credit facility. There are no financial covenants that would cause default during the period under consideration. The directors believe these sources provide the Group with access to sufficient longer-term funding and the ultimate lender has appropriate backing and headroom to support the lending for the foreseeable future.

The Group has a net liability position which is as a consequence of the treatment of the Group's preference shares as debt, rather than equity. These instruments are not repayable at the holders' discretion and settlement would only be triggered through a valuation or liquidity event, at which point, new investor funds are received. Therefore, the directors do not expect settlement of these liabilities to require utilisation of the Group's current financial resources.

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

2. Principal accounting policies

2.1 Basis of consolidation

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

The financial statements of the subsidiaries as consolidated in the Group financial statements have been prepared from the last financial year end to 31 December 2022, using consistent accounting policies. Businesses acquired or disposed during the period are accounted for using acquisition method principles from, or up to, the date control passed. Intra-Group transactions and balances are eliminated on consolidation. All subsidiaries use uniform accounting policies for like transactions and other events and similar circumstances.

2.2 Employee benefit trust

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

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

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

2.3 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Consolidation

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

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

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

2.4 Revenue

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

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

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

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

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

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

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

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

2.5 Employee benefits

2.5.1 Defined benefit plans

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

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

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

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

2.5.2 Defined contribution plans

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

2.5.3 Deferred employee remuneration

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

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

2.5.4 Short-term compensated absences

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

2.6 Research and development

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

2.7 Leases

Definition of a lease

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

Group as a lessee

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

2.7.1 Right-of-use asset

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

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

2.7.2 Lease liability

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

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

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

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

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

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

2.8 Share-based payments

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

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

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

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

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

2.9 Interest income and expense

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

2.10 Alternative Performance Measure

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

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

2.11 Tax

The tax charge comprises current tax payable and deferred tax.

2.11.1 Current tax

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

2.11.2 Deferred tax

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

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

2.12 Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method.

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

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

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

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

2.13 Intangible assets

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

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

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

The software costs capitalised during the year represent costs of development and implementation of new software for the Group. Software assets acquired as part of an acquisition are recognised at the net book value on acquisition. Software costs are amortised over a useful life of three years.

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

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

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

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

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

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

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

2.14 Property, plant and equipment

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

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

Asset category	Useful economic life
Computer equipment	2 to 5 years
Office furniture, equipment and machinery	3 to 10 years
Freehold property	10 to 50 years
Leasehold improvements	the remaining period of lease unless the economic life of the asset is determined to be less than that of the lease
Construction in progress	no depreciation until asset is complete

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

2.15 Cash and cash equivalents

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

2.16 Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

2.17 Financial instruments

2.17.1 Classification

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

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

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

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

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

2.17.2 Financial assets

Initial recognition

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

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

Subsequent measurement

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

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

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

Derecognition

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

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

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

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

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

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

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

Impairment

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.17.3 Financial liabilities

Initial recognition

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

Subsequent measurement

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

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

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

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

Derecognition

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

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

2.17.4 Derivative instruments

Initial recognition and subsequent measurement

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

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

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

2.18 Provisions for liabilities

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

2.19 Share capital

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

2.19.1 Preference shares

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

2.19.2 Equity instruments

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

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

2.20 Government grants

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

2.21 New and amended standards and interpretations

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective. The Group intends to adopt these new and amended standards and interpretations when they become effective on 1 January 2023. They are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Definition of accounting estimates (Amendments to IAS 8)
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.

3. Critical accounting judgements and estimation uncertainty

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

3.1 Revenue from fixed price contracts

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

3.2 Leases

Determining the lease term of contracts with renewal and termination options

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

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

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

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

Estimating the incremental borrowing rate

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

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

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

3.3 Impairment of intangible assets

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

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

3.4 Share-based payments

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

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

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

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

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

3.5 Business combinations and goodwill

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

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

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

4. Revenue from contracts with customers

4.1 Disaggregation of revenue

All revenue is derived from the provision of consulting services:

	For the year ended 31 December 2022		
	Consultant fees £m	Project costs recharged £m	Total £m
Geographical markets, based on the billing location of the client			
UK	590.9	119.4	710.3
Americas	109.3	2.8	112.1
Scandinavia	65.9	3.2	69.1
Europe	18.5	0.8	19.3
Asia Pacific	0.8	0.2	1.0
Total revenue from contracts with customers	**785.4**	**126.4**	**911.8**
Contract duration			
One year or less	480.0	43.5	523.5
Over one year	305.4	82.9	388.3
Total revenue from contracts with customers	**785.4**	**126.4**	**911.8**

	For the 10 month period ended 31 December 2021		
	Consultant fees £m	Project costs recharged £m	Total £m
Geographical markets, based on the billing location of the client			
UK	452.3	79.9	532.2
Americas	72.7	4.2	76.9
Scandinavia	46.7	2.9	49.6
Europe	15.5	0.4	15.9
Asia Pacific	1.6	0.6	2.2
Rest of world	-	-	-
Total revenue from contracts with customers	**588.8**	**88.0**	**676.8**
Contract duration			
One year or less	392.4	47.2	439.6
Over one year	196.4	40.8	237.2
Total revenue from contracts with customers	**588.8**	**88.0**	**676.8**

Revenue from time and materials, fixed-price and milestone contracts of £911.6 million (2021: £674.8 million) was recognised on the basis of time worked and expenses incurred. For time and materials contracts, revenue directly reflects time worked and expenses incurred; for fixed-price and milestone contracts, revenue was recognised through the percentage completion method using the time worked and expenses incurred as a proportion of the estimated total costs of the contract. Gain share contract revenue of £0.2 million (2021: £2.0 million) was recognised at a point in time.

4.2 Trade receivables and other contract balances

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

	Note	2022 £m	2021 £m
Trade receivables	4.2.1	102.1	99.4
Contract assets	4.2.2	39.4	31.6
Contract liabilities	4.2.3	(33.8)	(30.3)

4.2.1 Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2022, £1.1 million (2021: £0.7 million) was recognised as provision for expected credit losses on trade receivables.

	2022		2021	
	Gross carrying amount £m	Provision for expected credit losses £m	Gross carrying amount £m	Provision for expected credit losses £m
Current (not past due)	81.8	-	80.8	-
1-30 days past due	15.1	-	14.9	-
31-60 days past due	3.1	-	2.5	-
61-90 days past due	1.4	-	0.6	-
91-180 days past due	0.5	-	0.6	-
More than 180 days past due	0.2	-	-	-
Credit impaired trade receivables	1.1	(1.1)	0.7	(0.7)
	103.2	**(1.1)**	**100.1**	**(0.7)**
Net Trade Receivables	**102.1**		**99.4**	

Movement on expected credit loss on trade receivables	2022 £m	2021 £m
At 1 January	(0.7)	-
Acquired on subsidiary acquisition	-	(2.1)
Net remeasurement of expected credit loss allowance	(0.6)	0.8
Amounts written off	0.2	0.6
At 31 December	**(1.1)**	**(0.7)**

4.2.2 Contract assets

	2022 £m	2021 £m
Gross carrying amount	39.6	31.7
Expected credit loss allowance	(0.2)	(0.1)
Net contract asset	**39.4**	**31.6**

Movement on contract assets	2022 £m	2021 £m
At 1 January	31.6	-
Acquired on subsidiary acquisitions	0.3	42.5
Decrease due to invoicing	(30.8)	(42.0)
Increases as a result of services performed but not invoiced during the period	39.1	31.3
Movement in provision and amounts written off in the period	(0.8)	(0.2)
At 31 December	**39.4**	**31.6**

The movement on contract assets above are net of the recognised and billed revenue amounts in the period. The amounts written off in the period relate to changes in estimates of the stage of completion of fixed price projects and not customer default. This is therefore not representative of the expected credit losses on contract assets. As at 31 December, contract assets include £16.0 million (2021: £19.7 million) unbilled accounts receivable. The right to payment for the unbilled accounts receivable is conditional only on the passage of time.

4.2.3 Contract liabilities

Movement on contract liabilities	2022 £m	2021 £m
At 1 January	(30.3)	-
Acquired on subsidiary acquisitions	(0.8)	(28.3)
Increases due to invoicing, excluding amounts recognised as revenue during the period	(31.5)	(29.4)
Revenue recognised that was included in the contract liability balance at the beginning of the period	28.8	27.4
At 31 December	**(33.8)**	**(30.3)**

The movement on contract liabilities above are net of the recognised and billed revenue amounts in the period.

4.3 Contracted performance obligations

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

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

b. performance obligations from contracts where the Group has the right to consideration in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

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

5. Employee information

5.1 Employee numbers

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

	2022 Number	10 months to 31 December 2021 Number
Consultants	3,509	2,907
Support	713	646
Total average number of employees	**4,222**	**3,553**

5.2 Employee remuneration

The aggregate remuneration of these persons was:

	2022 £m	10 months to 31 December 2021 £m
Wages and salaries	(322.0)	(210.2)
Deferred remuneration	(116.0)	(111.8)
Social security costs	(38.6)	(24.5)
Contributions to defined contribution pension arrangements	(24.2)	(15.8)
Share-based payment charge	(4.7)	(0.5)
Exceptional distribution by employee benefit trust	-	(188.4)
Other payroll costs	(29.2)	(18.4)
Total aggregate employee benefits	**(534.7)**	**(569.6)**

5.3 Directors' emoluments in respect of qualifying services

	2022 £m	10 months to 31 December 2021 £m
Directors		
Aggregate emoluments	2.6	3.5
Directors accruing benefits under defined benefit schemes	-	-
Directors in the defined contribution scheme	1	2
Highest paid director		
Aggregate emoluments	1.1	1.5

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

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

6. Alternative performance measures

As well as Generally Accepted Accounting Principles (GAAP) measures, the directors use certain adjusted financial measures to assess the performance of the business, the primary measures being EBITDA and adjusted EBITDA. The directors believe that adjusted EBITDA provides additional useful information for shareholders on the underlying performance of the business as this measure is consistent with how the underlying business performance is measured internally.

The directors view adjusted EBITDA as the best representation of the business' normal, continuing business performance by seeking to remove unusual items of income or expense which are judged to be one-off or non-trading in nature or by quantum. This provides management with increased comparability of performance between reporting periods.

These items are disclosed as exceptional in the Group's income statement under the appropriate reported section based on their nature.

	2022			10 months to 31 December 2021		
	£m	Adjustments £m	Adjusted £m	£m	Adjustments £m	Adjusted £m
Group operating profit/(loss)	119.0	8.9	127.9	(88.5)	199.8	111.3
Amortisation of other intangible assets	64.4	-	64.4	53.4	-	53.4
Depreciation of property, plant and equipment	6.7	-	6.7	4.2	-	4.2
Depreciation of right-of-use assets	8.8	-	8.8	6.5	-	6.5
EBITDA	**198.9**	**8.9**	**207.8**	**(24.4)**	**199.8**	**175.4**

The adjustments relate to the following items

		2022				10 months to 31 December 2021			
	Note	Personnel and direct costs £m	Adminis-trative costs £m	Other income £m	Total adjustment £m	Personnel and direct costs £m	Adminis-trative costs £m	Other income £m	Total adjustment £m
Shared-based payments	a	(4.7)	-	-	(4.7)	(0.5)	-	-	(0.5)
Acquisition-related costs	b	(3.5)	(0.5)	-	(4.0)	(2.5)	(7.5)	-	(10.0)
Pension credits/(costs)	c	-	0.3	-	0.3	-	(0.4)	-	(0.4)
Business closure costs	d	-	(0.5)	-	(0.5)	(1.0)	(0.5)	-	(1.5)
Contingent income	e	-	-	-	-	-	-	1.5	1.5
Employee Benefit Trust distribution	f	-	-	-	-	(188.4)	-	-	(188.4)
Other costs		-	-	-	-	(0.5)	-	-	(0.5)
Total adjusting items		**(8.2)**	**(0.7)**	**-**	**(8.9)**	**(192.9)**	**(8.4)**	**1.5**	**(199.8)**

a. Non-cash charges recorded in relation to the Group's Management Equity Plan (see Note 20 for details).
b. Comprise stamp duty, professional fees, on executed and aborted transactions, consideration deemed to be employment costs and staff retention costs.
c. The credit in 2022 relates to adjustments to the provision for the equalisation of guaranteed minimum pension for historic transfers out of the closed UK pension scheme, offset by professional fees. In 2021, the costs were professional fees associated with the buy-out of the UK closed defined benefit scheme.
d. Costs relating to the closure of businesses driven by the Group simplification initiative in the period.
e. Settlement of contingent events relating to the disposal of PA Defense Inc in 2020.
f. Employee benefit trust distribution of cash and shares in the Group to employees following the acquisition of the PA Consulting Group.

6.1 Alternative cash flow measure

In the period ended 31 December 2021, the Group's net operating cash outflow included one-off items incurred after the PA Consulting Group acquisition which the directors regard as related to the transaction rather than normal operating cash flows and therefore present an adjusted operating cash flow measure to show the position if these items were removed. There were no equivalent cash flows in 2022.

	Note	2022 £m	10 months to 31 December 2021 £m
Net cash flows from operating activities		155.1	(58.5)
Adjustments			
Exceptional distribution by employee benefit trust	a	-	188.4
Stamp duty cost related to acquisition	b	-	7.9
Adjusted net cash flows from operating activities		**155.1**	**137.8**

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

7. Income and expenses

7.1 Other operating income

	2022 £m	10 months to 31 December 2021 £m
Rental income from property sub-leases	0.1	0.1

7.2 Included in operating profit/(loss)

Operating profit is stated after charging/(crediting):	Note	2022 £m	10 months to 31 December 2021 £m
Depreciation of property, plant and equipment	11	6.7	4.2
Loss on disposal of property, plant and equipment	11	0.2	-
Depreciation of right-of-use assets	12	8.8	6.5
Total depreciation charge		**15.7**	**10.7**
Amortisation of intangible assets	10	64.4	53.4
Charges in relation to short-term leases and lease of low value assets		0.7	0.5
Foreign currency differences		(6.1)	0.3
Government grant income		(0.1)	(0.1)
R&D tax credit		(7.3)	(1.0)
R&D expenditure		47.9	8.2

7.3 Auditor's remuneration

	2022 £'000	10 months to 31 December 2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	239	271
Fees payable to the Group's auditor for other services:		
Audit of the accounts of subsidiaries	308	280
Other assurance services	-	11
Total	**547**	**562**

Included in audit of the financial statements is £18,700 (2021: £60,000) relating to the Company.
The auditor of PA Consulting Group Limited is Ernst & Young LLP.

8. Net finance costs

	Note	2022 £m	10 months to 31 December 2021 £m
Finance income			
Interest income on cash and cash equivalents		1.9	0.1
Interest income from parent undertaking		0.1	-
		2.0	**0.1**
Finance costs			
Preference shares (net of shares held by the Group)		(154.0)	(115.5)
Interest charged on term loan		(24.3)	(21.3)
Interest charged on drawn revolving credit facility		(1.4)	-
Interest charged on lease liabilities		(2.1)	(1.7)
Interest on defined benefit pension arrangement liabilities	21	(0.1)	(0.1)
		(181.9)	**(138.6)**
Net finance costs		**(179.9)**	**(138.5)**

9. Tax

9.1 Tax on loss on ordinary activities

	2022 £m	10 months to 31 December 2021 £m
Current tax		
United Kingdom		
UK corporation tax at 19%	(29.7)	(12.7)
UK tax (under)/overprovided in previous years	(2.6)	-
UK corporation tax	(32.3)	(12.7)
Foreign tax		
Corporation taxes	(1.7)	(4.4)
Foreign tax underprovided in previous years	(0.4)	-
Foreign tax	(2.1)	(4.4)
Total current tax charge	**(34.4)**	**(17.1)**
Deferred tax		
Origination and reversal of timing differences	11.5	(20.0)
Deferred tax adjustment relating to previous years	(0.2)	-
Total deferred tax	**11.3**	**(20.0)**
Total tax (charge) on loss on ordinary activities	**(23.1)**	**(37.1)**

9.2 Factors affecting tax charge

The Group's current tax charge is £34.4 million (2021: £17.1 million).

The Group's total tax charge is higher than the standard rate of UK corporation tax for the year of 19 percent (2021: 19 percent).

The differences are explained below:

	2022 £m	10 months to 31 December 2021 £m
Loss on ordinary activities before taxation	(60.9)	(227.0)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19 percent	11.6	43.1
Effects of:		
Expenses not deductible for tax purposes	(2.2)	(0.1)
Non-deductible preference share interest	(29.6)	(17.5)
Overseas losses arising in the period not relievable against current tax	(0.6)	(0.1)
Use of tax losses which are relievable against current tax	0.3	0.4
Tax underprovided in previous years	(3.3)	-
Effect of change of tax rate on deferred tax asset	-	(25.9)
Differential on overseas tax rates	0.7	(0.5)
Employee benefit trust distribution	-	(36.5)
Total tax charge for the year	(23.1)	(37.1)

The Finance Act 2021 confirmed an increase of UK corporation tax rate from 19 percent to 25 percent 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 stated using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

9.3 Deferred tax

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

	Deferred employee remuneration £m	Pension costs £m	Tax losses £m	Restated* intangible assets £m	Provisions £m	Property, plant and machinery £m	Restated* total £m
At 1 January 2021							
(Charged)/credited							
- to profit or loss	(1.5)	0.1	0.9	(18.8)	(0.1)	(0.6)	(20.0)
- recognised on business combinations	8.9	0.5	15.1	(144.3)	(0.5)	2.5	(117.8)
- foreign exchange and other movements	0.2	-	-	-	-	-	0.2
At 31 December 2021	**7.6**	**0.6**	**16.0**	**(163.1)**	**(0.6)**	**1.9**	**(137.6)**
(Charged)/credited							
- to profit or loss	1.4	0.3	(3.6)	12.8	0.2	0.3	11.4
- recognised on business combination	-	-	-	(2.0)	-	-	(2.0)
- foreign exchange and other movements	0.1	0.1	(0.1)	0.4	0.1	-	0.6
At 31 December 2022	**9.1**	**1.0**	**12.3**	**(151.6)**	**(0.3)**	**2.2**	**(127.3)**

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

	2022 £m	Restated* 2021 £m
Deferred tax assets	5.1	2.4
Deferred tax liabilities	(132.4)	(140.0)
	(127.3)	**(137.6)**

*See Note 25.2

9.4 Unrecognised deferred tax assets

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

	2022 £m	2021 £m
Tax losses	7.3	10.9

10. Intangible assets

		Goodwill	Other intangible assets					Total
	Note	Goodwill £m	Software £m	Trademarks £m	Customer relationships £m	Capitalised development costs £m	Total other intangible assets £m	Intangible assets £m
Cost								
Acquired on subsidiary acquisitions	25	1,039.1	1.1	164.2	555.6	-	720.9	1,760.0
Additions		-	0.4	-	-	1.4	1.8	1.8
Disposals		-	(0.2)	-	-	-	(0.2)	(0.2)
At 31 December 2021 (restated*)		**1,039.1**	**1.3**	**164.2**	**555.6**	**1.4**	**722.5**	**1,761.6**
Acquired on subsidiary acquisitions	25	26.1	-	0.5	9.8	-	10.3	36.4
Additions		-	0.2	-	-	2.2	2.4	2.4
Effect of movement in exchange rates		-	-	-	(0.1)	-	(0.1)	(0.1)
At 31 December 2022		**1,065.2**	**1.5**	**164.7**	**565.3**	**3.6**	**735.1**	**1,800.3**
Accumulated amortisation								
Disposals		-	0.2	-	-	-	0.2	0.2
Charge for the period	7.2	-	(0.8)	(6.8)	(45.8)	-	(53.4)	(53.4)
At 31 December 2021		**-**	**(0.6)**	**(6.8)**	**(45.8)**	**-**	**(53.2)**	**(53.2)**
Charge for the year	7.2	-	(0.5)	(8.6)	(55.3)	-	(64.4)	(64.4)
At 31 December 2022		**-**	**(1.1)**	**(15.4)**	**(101.1)**	**-**	**(117.6)**	**(117.6)**
Net book value								
At 31 December 2021 (restated*)		**1,039.1**	**0.7**	**157.4**	**509.8**	**1.4**	**669.3**	**1,708.4**
At 31 December 2022		**1,065.2**	**0.4**	**149.3**	**464.2**	**3.6**	**617.5**	**1,682.7**

*The amount of goodwill is restated and does not correspond to the figures in the 2021 financial statements since adjustments to the final valuation of the acquisition of PA Consulting Group Holdings Limited were made, as detailed in Note 25.2.

The software intangible assets are the Group's investment in new core back office systems. The assets are being amortised over a useful life of three years.

Trademarks represent the value of the royalty streams associated with the acquired brands, and are being amortised evenly over the directors' estimate of their useful economic life which is 20 years for the main PA brand but may be less for other acquired brands.

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 representing the period over which the Group is expected to benefit from the relationships.

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

See Note 25 for details of intangible assets acquired in the period.

Impairment of goodwill

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

During the year, there were no losses or impairment reversals 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 2022 has been determined based on a value in use calculation using cash flow projections covering a five-year period based on the 2023 financial budget approved by senior management. These business plans and forecasts include management's most recent view of medium-term trading prospects. The post-tax discount rate applied to the cash flow projections is 11.5 percent and cash flows beyond the five-year period are extrapolated at growth rates reducing down to a long-term rate of 2 percent which is within the range of industry accepted long-term rates and in-line with the UK long-term inflation targets.

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 value-in-use of applying a reasonably possible change in assumptions to the level of revenue and costs in the five-year forecast 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 profit margin
- Discount rates
- Growth rates

Revenue and profit margin are based on past experiences and historical knowledge of the CGU. The 2023 budget, which is used as the foundation year for the forecast, was built on a highly detailed bottom-up approach, and took into consideration amongst other things, setting an appropriate target utilisation rate, consulting team composition, and inflationary impact on key cost lines.

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 inputs used in similar third-party valuation models received by management with validation against the fiscal long-term outlook for the UK.

11. Property, plant and equipment

	Note	Construction in progress £m	Freehold land and buildings £m	Short leasehold and property £m	Office furniture equipment and machinery £m	Computer equipment £m	Total £m
Cost							
On acquisition	25	-	16.4	6.3	2.4	2.5	27.6
Additions at cost		-	0.3	0.3	1.0	3.0	4.6
Effect of movement in exchange rates		-	-	0.1	-	0.1	0.2
At 31 December 2021		**-**	**16.7**	**6.7**	**3.4**	**5.6**	**32.4**
On acquisition	25	-	-	0.3	0.2	0.1	0.6
Additions at cost		2.7	0.2	2.8	1.5	6.8	14.0
Disposals		-	-	-	(0.1)	(0.7)	(0.8)
Effect of movement in exchange rates		-	-	0.3	0.1	0.4	0.8
At 31 December 2022		**2.7**	**16.9**	**10.1**	**5.1**	**12.2**	**47.0**
Accumulated depreciation							
Charge for the year	7.2	-	(0.9)	(0.7)	(0.6)	(2.0)	(4.2)
Effect of movement in exchange rates		-	-	(0.1)	-	-	(0.1)
At 31 December 2021		**-**	**(0.9)**	**(0.8)**	**(0.6)**	**(2.0)**	**(4.3)**
Disposals		-	-	-	-	0.6	0.6
Charge for the year	7.2	-	(1.2)	(1.1)	(1.0)	(3.4)	(6.7)
Effect of movement in exchange rates		-	-	(0.2)	(0.1)	(0.4)	(0.7)
At 31 December 2022		**-**	**(2.1)**	**(2.1)**	**(1.7)**	**(5.2)**	**(11.1)**
Net book amount							
At 31 December 2021		**-**	**15.8**	**5.9**	**2.8**	**3.6**	**28.1**
At 31 December 2022		**2.7**	**14.8**	**8.0**	**3.4**	**7.0**	**35.9**

12. Leases

Group as a lessee

The Group has lease contracts for various items of property, vehicles and other equipment used in its operations. Leases of property generally have lease terms between two and 15 years, while motor vehicles and other equipment generally have lease terms between three and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and sub-leasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are considered at the point of entering into a lease and are reviewed periodically with the Group's real estate team to determine whether there has been a confirmed change in any variable payments or any changes to the initial expected extension or termination decisions.

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 related lease costs continue to be reflected within operating profit.

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

	Note	Property £m	Motor vehicles £m	Total £m
On acquisition	25	54.4	0.5	54.9
Additions		1.4	0.4	1.8
Depreciation charged in period	7.2	(6.3)	(0.2)	(6.5)
Effects of movements in exchange rates		(0.2)	-	(0.2)
As at 31 December 2021		**49.3**	**0.7**	**50.0**
Acquisitions	25	1.9	-	1.9
Additions		8.2	0.5	8.7
Depreciation charged in year	7.2	(8.5)	(0.3)	(8.8)
Disposals		-	(0.1)	(0.1)
Effects of movements in exchange rates		1.0	-	1.0
As at 31 December 2022		**51.9**	**0.8**	**52.7**

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

	Note	Property £m	Motor vehicles £m	Total £m
On acquisition		(54.4)	(0.5)	(54.9)
Additions		(1.4)	(0.4)	(1.8)
Interest charged	8	(1.7)	-	(1.7)
Payments made		7.1	0.2	7.3
Effects of movements in exchange rates		0.4	-	0.4
As at 31 December 2021		**(50.0)**	**(0.7)**	**(50.7)**
Additions		(8.2)	(0.5)	(8.7)
Acquisitions		(1.9)	-	(1.9)
Disposals		-	0.1	0.1
Interest charged	8	(2.1)	-	(2.1)
Payments made		9.0	0.4	9.4
Effects of movements in exchange rates		(1.3)	(0.2)	(1.5)
As at 31 December 2022		**(54.5)**	**(0.9)**	**(55.4)**
Split as:				
Current		**(10.7)**	**(0.4)**	**(11.1)**
Non-current		**(43.8)**	**(0.5)**	**(44.3)**

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

	2022 £m	10 months to 31 December 2021 £m
Expense relating to short-term leases and leases of low-value assets		
Property assets	0.4	0.3
Non-property assets	0.3	0.2
Expense relating to service and other related charges	1.5	1.2

The Group had total cash outflows for leases in the year of £9.4 million (2021: £7.3 million).

13. Financial risk management

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

13.1 Liquidity risk

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

The Group is sufficiently cash generative to cover its operational requirements and has significant cash reserves available on a daily basis. Cash is held as easily accessible in interest-bearing current accounts, liquidity funds or short-term deposits. The Group also has access to a £300.0 million revolving credit facility, of which £160.0 million is undrawn at 31 December 2022 and available should exceptional operational or investment requirements arise.

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

The Group has access to currency trading lines to enable conversion of funds from and 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 2022	< 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	(208.5)	(2.4)	(4.1)	-	(215.0)	(215.0)
Borrowings	-	-	(2,623.4)	-	(2,623.4)	(1,945.6)
Lease liabilities	(11.1)	(9.1)	(22.6)	(21.7)	(64.5)	(55.4)
Trading derivatives – forward currency contracts	(0.1)	-	-	-	(0.1)	(0.1)
Total financial liabilities	**(219.7)**	**(11.5)**	**(2,650.1)**	**(21.7)**	**(2,903.0)**	**(2,216.1)**

Restated* At 31 December 2021	< 12 months £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total contractual cash flows £m	Carrying value £m
Trade and other payables	(226.3)	(2.0)	(0.9)	-	(229.2)	(229.2)
Borrowings	-	-	(2,733.4)	-	(2,733.4)	(1,921.4)
Lease liabilities	(9.7)	(7.4)	(18.5)	(24.5)	(60.1)	(50.7)
Total financial liabilities	**(236.0)**	**(9.4)**	**(2,752.8)**	**(24.5)**	**(3,022.7)**	**(2,201.3)**

*See Note 25.2

13.2 Credit risk

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

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

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

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

13.3 Foreign currency risk

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

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

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

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

Sensitivity

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

At 31 December 2022	USD £m	EUR £m	DKK £m	Other £m	Total £m
Financial assets	46.1	14.1	2.3	5.6	68.1
Financial liabilities	(1.8)	(6.8)	(7.5)	(11.4)	(27.5)
Net exposure	**44.3**	**7.3**	**(5.2)**	**(5.8)**	**40.6**

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

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

2022	USD £m	EUR £m	DKK £m	Other £m	Total £m
+10%	(4.0)	(0.5)	0.4	0.5	(3.6)
-10%	4.9	0.8	(0.6)	(0.7)	4.4

2021	USD £m	EUR £m	DKK £m	Other £m	Total £m
+10%	(1.9)	0.0	0.5	0.2	(1.2)
-10%	2.3	(0.1)	(0.6)	(0.2)	1.4

13.4 Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The principal amount of the Group's total long-term borrowings at 31 December 2022, was £1,722.2 million of which 69 percent was fixed interest rate instruments (2021: £1,832.2 million of which 65 percent was fixed interest rate instruments).

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

During the year, the reference interest rates which impact the Group have increased considerably, however due to the inflation uncertainty in the UK, indicative market prices for hedging obtained by the Group were at levels which management did not consider would provide economic benefit over their full term. Consequently, management have assessed the interest rate risk exposure to be within a tolerable level and therefore no specific hedging has been implemented. Instead, focus has been on managing the debt and surplus cash positions to the most advantageous possible, including securing a more flexible debt structure to enable this approach. This position is reviewed on a quarterly basis by obtaining indicative floating-fixed swap pricing for a range of terms up to the repayment date.

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

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

Sensitivity

Profit or loss is sensitive to the interest expense on the Group's borrowings. An adverse movement in SONIA (the replace benchmark rate for sterling London Inter-Bank Offered Rate (LIBOR)) by 0.5 percent would increase the future interest charge by £2.7 million (2021: £3.25 million) annually, based on the level of debt drawn at the end of the period.

13.5 Capital risk

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

14. Financial assets and liabilities

The Group holds the following financial instruments:

Financial assets	2022 £m	2021 £m
Held at amortised cost		
Trade receivables	102.1	99.4
Loans to key management personnel	-	0.1
Borrowings: Own preference shares held by employee benefit trust	50.8	28.9
Other receivables*	1.3	1.2
Cash & cash equivalents	134.0	183.2
	288.2	**312.8**

Financial liabilities	2022 £m	Restated** 2021 £m
Held at amortised cost		
Trade and other payables*	(213.4)	(228.2)
Borrowings	(1,996.4)	(1,950.3)
Held at fair value through profit or loss		
Trade and other payables*	(1.6)	(1.0)
Trading derivatives – forward currency contracts	(0.1)	-
	(2,211.5)	**(2,179.5)**

*Excluding non-financial assets or liabilities

**See Note 25.2

14.1 Fair values

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

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

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

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

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

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

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

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities				
Trade and other current liabilities	-	-	(1.6)	(1.6)
Trading derivatives – forward currency contracts	-	(0.1)	-	(0.1)
Total financial liabilities	**-**	**(0.1)**	**(1.6)**	**(1.7)**

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

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

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

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

15. Other current assets

	2022 £m	2021 £m
Prepayments	7.4	5.9
Taxation	3.5	8.8
Loans to staff	-	0.1
Withholding tax debtor	1.3	0.9
Other debtors	8.4	4.0
	20.6	**19.7**

16. Trade and other current liabilities

	2022 £m	Restated* 2021 £m
Trade payables	(2.9)	(1.9)
Other taxes and social security	(36.0)	(33.4)
Deferred employee remuneration	(117.6)	(135.2)
Accrued interest on senior debt	(5.1)	(7.3)
Other payables	(46.4)	(48.5)
	(208.0)	**(226.3)**

*See Note 25.2

17. Derivatives

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

17.1 Forward currency contracts

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

	Buy		Sell		Fair value
	Average rate	Currency CCY'000	Average rate	Currency CCY'000	£'000
As at 31 December 2022					
Current					
US dollar	-	-	1.2297	(1,117)	(2)
Euro	1.1595	845	1.1743	(1,680)	(39)
Swiss franc	1.1395	50	-	-	1
					(40)
As at 31 December 2021					
Current					
US dollar	-	-	1.3323	(1,244)	20
					20

18. Borrowings

At 31 December 2022, the Group had borrowings comprising senior debt and redeemable preference shares. These are classified as loans and other interest-bearing debt instruments as detailed in the table below.

	Principal £m	Interest rate	Maturity
Term loan	(400.0)	SONIA + 3.2826%	28 March 2028
Revolving credit facility - amounts drawn	(140.0)	SONIA + 3.0326%	28 March 2027
Redeemable preference shares	(1,182.2)		
Redeemable preference shares owned by Employee Benefit Trust	41.3		
Net redeemable preference shares	(1,140.9)	12%	
Total borrowings	**(1,680.9)**		

The revolving credit facility is a £300.0 million facility. A further £160.0 million is available to draw down at the same rates noted above.

	As at 31 December 2022			As at 31 December 2021		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Term loan	-	(400.0)	(400.0)	-	(650.0)	(650.0)
Revolving credit facility	-	(140.0)	(140.0)	-	-	-
Redeemable preference shares	-	(1,456.4)	(1,456.4)	-	(1,300.3)	(1,300.3)
Redeemable preference shares owned by Employee Benefit Trust	-	50.8	50.8	-	28.9	28.9
Net redeemable preference shares	-	(1,405.6)	(1,405.6)	-	(1,271.4)	(1,271.4)
Total borrowings	**-**	**(1,945.6)**	**(1,945.6)**	**-**	**(1,921.4)**	**(1,921.4)**

18.1 Analysis of changes in borrowings and related items

			Non-cash				Non-cash		
	At 2 March 2021 £m	Cashflows arising from financing activities £m	Net finance charge £m	Other £m	**At 31 December 2021 £m**	Cashflows arising from financing activities £m	Net finance charge £m	Other £m	**At 31 December 2022 £m**
Term loan and revolving credit facility	-	650.0	-	-	**650.0**	(110.0)	-	-	**540.0**
Accrued interest on term loan and revolving credit facility	-	(14.1)	21.3	0.1	**7.3**	(27.9)	25.7	-	**5.1**
Preference shares, net of shares owned by Employee Benefit Trust	-	866.2	115.5	289.7	**1,271.4**	(16.4)	154.0	(3.4)	**1,405.6**
	-	1,502.1	136.8	289.8	**1,928.7**	(154.3)	179.7	(3.4)	**1,950.7**

The fair values of the Group's interest-bearing loans and borrowings are determined by using the discounted cash flow method applying a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair values are considered to be materially the same as the carrying values noted above, except for the preference shares, which has been assessed as £1,714.6 million. The own non-performance risk as at 31 December 2022, was assessed to be insignificant in all cases. Specific terms and conditions of the debt instruments are noted below.

Term loan and revolving credit facility

The term loan and revolving credit facility are secured by a charge over the entities within the Group. The borrowing agreement was entered into with Jacobs Engineering Group Inc on 2 March 2021, to provide funding for the Company's acquisition of the PA Consulting Group. Minimal fees were incurred in arranging the facility and therefore the Group did not capitalise any amounts in relation to the loan. In September 2022, £100.0 million of the term loan was repaid. At the same time, the Group negotiated an increase to the revolving credit facility of a corresponding amount and future increases for each early repayment of the term loan made. In October 2022, a further £150.0 million was repaid resulting in the Group having a reduced £400.0 million term loan and a £300.0 million revolving credit facility at the year end.

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

Of the £300.0 million revolving credit facility, £140.0 million had been drawn down at 31 December 2022. Amounts drawn down under the revolving credit facility are generally repayable within 12 months of the reporting date, but have been classified as long-term because the Group expects, and has the discretion, to exercise its rights under the revolving credit facility to refinance this funding. Such immediate replacement funding is available until 28 March 2027.

Redeemable preference shares

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

19. Capital and reserves

19.1 Share capital

19.1.1 Authorised shares

	2022 Thousands	2021 Thousands
Ordinary A shares of £0.01 each	137,220	137,220
Ordinary B shares of £0.01 each	73,888	73,888
Ordinary C shares of £0.01 each	70,369	70,369
	281,477	**281,477**

	Ordinary A shares		Ordinary B shares		Ordinary C shares	
Issued and fully paid	Thousands	Nominal value £m	Thousands	Nominal value £m	Thousands	Nominal value £m
Issued on 2 March 2021	137,220	1.4	73,888	0.7	-	-
Issued on 7 July 2021	-	-	-	-	17,824	0.2
At 31 December 2021	**137,220**	**1.4**	**73,888**	**0.7**	**17,824**	**0.2**
Issued on 24 June 2022	-	-	-	-	33,351	0.3
At 31 December 2022	**137,220**	**1.4**	**73,888**	**0.7**	**51,175**	**0.5**

On 24 June 2022, 33,351,076 ordinary C £0.01 shares were issued at £0.13 each for the total cash consideration of £4,335,640 resulting in a share premium of £4,002,129. The allotment of shares is fully paid up.

Issued in prior period:

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

On 2 March 2021, the 1 ordinary A £1 share was subdivided into 100 ordinary A £0.01 shares and fully paid up at £0.05 each.

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

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

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

19.1.2 Class rights

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

19.1.3 Priority on a return of capital or sale

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

19.2 Own shares held by employee benefit trust

The purpose of the Group's employee benefit trust (EBT) is to facilitate and encourage the ownership of shares by employees. This is achieved by repurchasing shares held by previous employees, and holding them for subsequent sale or grant and within a separate reserve at the purchase cost paid, until the shares are disposed of. Own shares held are treated as a deduction from shareholders' funds.

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

	2022 Thousands	2021 Thousands
Ordinary B shares	7,366	4,696
Ordinary C shares	1,080	620
	8,446	**5,316**

The value held in the own shares reserve also includes the proceeds received from employees on the purchase of the Company's ordinary C shares due to conditions over those shares which have not yet been met.

19.3 Other reserves

19.3.1 Foreign currency translation reserve

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

20. Share-based payments

The Group operates only one share scheme, the Management Equity Plan (MEP). The related expense recognised for employee services received during the year in relation to the scheme is £4.7 million (2021: £0.5 million) which is recorded as an equity-settled share-based payment expense, included within employment costs.

Management Equity Plan

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

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

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

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

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

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

	Number	Weighted average purchase price
At 20 November 2020	-	-
Granted	17,823,768	£0.05
Forfeited	(620,000)	£0.05
Outstanding at 31 December 2021	**17,203,768**	**£0.05**
Of which unconditional FMV shares	-	-
Granted	35,086,076	£0.13
Forfeited	(2,195,000)	£0.07
Outstanding at 31 December 2022	**50,094,844**	**£0.11**
Of which unconditional FMV shares	-	-

The weighted average fair value of awards issued during the period was £0.99 (2021: £0.39) and weighted average remaining contractual life was 3.2 years (2021: 4.2 years) as at the reporting date.

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

Issue date	24 June 2022	7 July 2021
Equity value	£1,603m	£1,178m
Expected volatility	32%	30%
Expected Life	3.77 years	4.73 years
Risk-free rate	1.99%	0.25%
Expected dividend yield	0%	0%

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

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

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

21. Retirement benefits

Group

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

On acquisition of the PA Group in 2021, the UK 'PA Pension Scheme' and the 'PA Mirror Legacy Pension Scheme' were in buy-in arrangements. The assets of the schemes were invested in bulk-purchase annuity policies with Pension Insurance Corporation plc (PIC). The buy-in arrangement means that the Group does not have exposure to movements in the scheme obligations and is not required to make contributions into the schemes.

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

On 7 September 2021, the Trustee of the PA Mirror Legacy Pension Scheme signed a transfer agreement and received an estimated liability of £1.0 million from the PA Pension Scheme in relation to potential top-ups in respect of Guaranteed Minimum Pension (GMP) equalisation for members who transferred out of the PA Pension Scheme prior to the purchase of the original buy-in policy on 14 June 2018. This movement of liability is shown as a negative past service cost for the PA Pension Scheme, offset by a matching positive past service cost for the PA Mirror Legacy Pension Scheme. Following this movement of the past service cost, the PA Pension Scheme was left with zero liabilities/assets and was subsequently wound up on 7 September 2021. In 2022, the estimated liability in respect of GMP equalisation was reassessed and the value revised to £0.6 million.

21.1 Defined contribution pension arrangements

The total pension costs for the Group relating to employer contributions to defined contribution pension arrangements were £24.2 million (2021: £15.9 million). At 31 December 2022, there were outstanding unpaid contributions of £5.5 million (2021: £4.1 million).

21.2 Defined benefit pension arrangements

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

	PA Pension Scheme UK closed £m	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
As at 31 December 2022					
Defined benefit pension arrangements with gross assets/(liabilities)	-	(0.6)	0.2	(2.5)	(2.9)
Restriction to apply on recognition of surplus	-	-	(0.2)	-	(0.2)
Total pension liabilities included in the Group statement of financial position	**-**	**(0.6)**	**-**	**(2.5)**	**(3.1)**

During the year £1.3 million of assets were reclassified from the German net pension liability to other non-current assets due to the terms and conditions of the assets.

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

21.2.2 Analysis of amounts recognised in the Group income statement

	PA Pension Scheme UK closed £m	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
For the year ended 31 December 2022					
Historical service credit	-	0.4	-	-	0.4
Recognised in arriving at operating profit	-	0.4	-	-	0.4
Other finance costs	-	-	-	(0.1)	(0.1)
Total recognised in the Group income statement	**-**	**0.4**	**-**	**(0.1)**	**0.3**
For the period ended 31 December 2021					
Historical service credit/(costs)	1.0	(1.0)	-	-	-
Recognised in arriving at operating profit	1.0	(1.0)	-	-	-
Other finance costs	-	-	(0.1)	-	(0.1)
Total recognised in the Group income statement	**1.0**	**(1.0)**	**(0.1)**	**-**	**(0.1)**

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

As at 31 December 2022	PA Pension Scheme UK closed £m	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
Actual return on assets less interest	-	(10.1)	(0.5)	0.1	(10.5)
Actuarial gain on liability	-	10.1	0.5	3.0	13.6
Actuarial gain recognised on defined benefit pension arrangements	-	-	-	3.1	3.1
Total recognised in the Group statement of other comprehensive income	**-**	**-**	**-**	**3.1**	**3.1**

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

21.3 PA Mirror Legacy Pension Scheme

The most recent actuarial funding valuation has been updated by Lane Clark & Peacock LLP, in order to assess the liabilities of the scheme at 31 December 2022, for the purposes of IAS 19 Employee Benefits. Scheme assets are stated at their market value at 31 December 2022. The principal assumptions used in this valuation by the actuaries were:

21.3.1 Principal assumptions

	2022 %	2021 %
Retail price inflation	3.4	3.5
Consumer price inflation until 31 January 2030	2.4	2.5
Consumer price inflation after 31 January 2030	3.3	3.4
Weighted average consumer price inflation	2.8	2.9
Discount rate	4.9	1.9
Pension increase rate RPI	3.4	3.5
Pension increase rate based on weighted average CPI	2.8	2.9

The post-retirement mortality assumptions used were as follows:

	2022 Years	2021 Years
Life expectancy of pensioners age 60 in 2022/2021		
• Men	28.7	28.9
• Women	31.2	31.4
Life expectancy of pensioners age 60 in 2037/2036		
• Men	29.9	30.1
• Women	32.6	32.7
Weighted average duration	**11.6**	**14.1**

21.3.2 Scheme assets and liabilities

	2022 £m	2021 £m
Buy-in insurance policy	25.0	35.9
Total fair value of assets	25.0	35.9
Present value of scheme liabilities	(25.6)	(36.9)
Pension deficit	**(0.6)**	**(1.0)**

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

	2022 %	2021 %
Buy-in insurance policy	100.0	100.0

21.3.3 Reconciliation of fair value of scheme assets

	2022 £m	2021 £m
At 1 January/on acquisition	35.9	35.5
Interest on assets	0.7	0.5
Benefits paid	(1.5)	(1.1)
Actual return plan assets less interest	(10.1)	1.0
At 31 December	**25.0**	**35.9**

The actual return on scheme assets was a loss of £9.4 million (2021: gain of £1.5 million). There is no funding arrangement for this scheme.

21.3.4 Reconciliation of present value of scheme liabilities

	2022 £m	2021 £m
At 1 January/on acquisition	(36.9)	(35.5)
Interest on obligation	(0.7)	(0.5)
Benefits paid	1.5	1.1
Past service credit and settlements	0.4	(1.0)
Actuarial gains/(losses) due to:		
Experience gain	(2.1)	(0.9)
Changes in financial assumptions	11.9	(0.2)
Changes in demographic assumptions	0.3	0.1
At 31 December	**(25.6)**	**(36.9)**

21.3.5 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 2022		31 December 2021	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(0.3)	0.3	(0.5)	0.5
Inflation rate (0.1% movement)	0.2	(0.2)	0.4	(0.4)

21.4 PA Pension Scheme

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

21.4.1 Reconciliation of fair value of scheme assets

	2022 £m	2021 £m
At 1 January/on acquisition	-	687.7
Interest on assets	-	5.9
Benefits paid	-	(13.0)
Actual return plan assets less interest	-	(50.6)
Curtailments and settlements (on issuance of individual policies to the remaining members)	-	(630.0)
At 31 December	**-**	**-**

21.4.2 Reconciliation of present value of scheme liabilities

	2022 £m	2021 £m
At 1 January/on acquisition	-	(688.7)
Interest on obligation	-	(5.9)
Benefits paid	-	13.0
Transfer of past service credit and settlements	-	1.0
Actuarial gains/(losses) due to:		
Experience gain	-	11.4
Changes in financial assumptions	-	39.2
Curtailments and settlements (on issuance of individual policies to the remaining members)	-	630.0
At 31 December	**-**	**-**

21.5 Other defined benefit arrangements

At 31 December 2022, the Group had a closed defined benefit scheme in the UK (Prudential Platinum Scheme) with net assets of £nil (2021: £nil) and minimum funding requirements which get assessed triennially. A new assessment was undertaken in 2022, which will run for three years. The required funding for this period is £10,500 per annum for 2022-2024.

There is also a closed defined benefit scheme in Germany with a net liability of £2.5 million (2021: £4.0 million). The expected contributions to the scheme for the year to 31 December 2023 are projected to be £0.1 million.

The full disclosures as required by IFRS for these schemes are not provided because, in the directors' opinion, these arrangements are immaterial to the net assets of the Group.

22. Capital and other financial commitments

There were capital commitments of £8.1 million contracted for but not provided in the financial statements at 31 December 2022 (2021: £2.2 million).

The Group has guaranteed bid, performance and rent bonds issued by its banks on its behalf in the ordinary course of business totaling £2.0 million as at 31 December 2022 (2021: £2.0 million). These are not expected to result in any material financial loss.

23. Subsidiary undertakings

The subsidiary undertakings as at 31 December 2022 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, which prepares accounts up to 31 March as required by Indian companies law.

Directly held

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

Indirectly held

Name	Country	Registered office address	Class of share held	Nature of business
PA Consulting Group A/S	Denmark	Portland Towers, Goteborg Plads 1, DK-2150 Copenhagen	Ordinary	Consultancy
PA Consulting Holdings ApS	Denmark	Portland Towers, Goteborg Plads 1, DK-2150 Copenhagen	Ordinary	Holding company
PA Consulting Group GmbH	Germany	An der Welle 3, 60322 Frankfurt, Germany	Ordinary	Consultancy
PA Consulting Group Limited	Hong Kong	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary	Consultancy
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnel Road, Murugeshpalya, Bangalore 560017	Ordinary	Dormant
Design Partners Limited	Ireland	IDA Business Park, Southern Cross Road, Bray. Co. Wicklow, Ireland	Ordinary	Consultancy
PA Consulting Group, S.de R.L. de C.V	Mexico	c/o Velderrain Sáenz y Asociados, S.C., Avenida Insurgentes Sur 1915-602, Col. Guadalupe Inn, Alvaro Obregon, 01020 Mexico City	Quota	Consultancy
PA Consulting Mexico Services S.A.de C.V.	Mexico	c/o Velderrain Sáenz y Asociados, S.C., Avenida Insurgentes Sur 1915-602, Col. Guadalupe Inn, Alvaro Obregon, 01020 Mexico City	Ordinary	Consultancy
PA Consulting Group BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary	Holding company
PA Consulting Services BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary	Consultancy
PA Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary and preference	Holding company
PA International Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary	Holding company
PA Consulting Group Limited	New Zealand	BDO Auckland, Level 4, BDO Centre, 4 Graham Street, Auckland Central 1010	Ordinary	Consultancy
PA Consulting Group AS	Norway	Verkstedveien 1, PO Box 150, Skøyen, 0277 Oslo	Ordinary	Consultancy

Continued.

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

Continued.

Name	Country	Registered office address	Class of share held	Nature of business
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 Pension Trustees Two Limited (ii)	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Trustee company
PA Perfect Cost Grid Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Technology Solutions Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Consultancy
PA Treasury Services (US) Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Treasury services company
PACG2 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Holding company
Sparkler Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Founder shares, growth shares and ordinary shares	Consultancy
The PA Foundation	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Limited by guarantee	Registered charity
We Are Friday Limited	United Kingdom	50 Farringdon Road, London, EC1M 3HE	Ordinary	Dormant
Cooper Perkins Inc	USA	10 Maguire Road, Building 4, Lexington MA 02421	Common	Consultancy
PA Consulting Group Inc.	USA	143 South Street, 6th Floor, Boston, MA 02111	Common and preference	Consultancy
PA US Holdings Inc.	USA	143 South Street, 6th Floor, Boston, MA 02111	Common and preference	Holding company
Essential Inc	USA	143 South Street, 6th Floor, Boston, MA 02111	Common	Dormant
The Cambridge Group LLC	USA	850 New Burton Road, Suite 201, Dover, DE 19904, USA	Member Interests	Consultancy

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

ii. 48 percent owned by PA Consulting Services Limited, 52 percent owned by trustees.

24. Related party transactions

Compensation of key management personnel

	2022 £m	10 months to 31 December 2021 £m
Short-term employee benefits	2.1	27.9
Share-based payment transactions	0.5	0.1
Compensation of key management personnel	2.6	28.0

In 2021, key management personnel compensation included £24.5 million of one-off payments made as part of the overall £188.4 million employee benefit trust distribution (described in Notes 6 and 6.1). These payments were made to key management personnel in their capacity as historical employee shareholders of PA Consulting Group in connection with the acquisition transaction. There were no such payments in 2022.

Transactions with the controlling shareholder

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

	Sales to controlling shareholder £m	Purchases from controlling shareholder £m	Trading amounts owed from controlling shareholder £m	Trading amounts owed to controlling shareholder £m
2022	7.8	-	0.5	-
2021	10.5	-	4.7	-

Transactions with subsidiaries of the controlling shareholder

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

	Sales to related party £m	Purchases from related party £m	Amounts owed from related party £m	Amounts owed to related party £m
2022	2.7	(0.4)	0.9	(0.1)
2021	0.6	(0.4)	0.3	-

25. Business combinations

25.1 Business combinations in 2022

On 23 May 2022, the Group acquired control of Design Partners Limited through the purchase of 100 percent of the share capital for total consideration of £21.3 million. Design Partners Limited is a strategic and product design consulting company based in Bray, Ireland.

On 21 November 2022, the Group acquired control of The Cambridge Group, LLC through the purchase of 100 percent of the units for a total consideration of £16.6 million. The Cambridge Group, LLC is a growth strategy consulting services firm based in Chicago, US.

The acquisitions have been accounted for as business combinations.

For the period from the date of acquisition to 31 December 2022, the aggregate turnover of Design Partners Limited was £3.5 million and the aggregate loss after tax of the acquired business was £2.6 million. If the acquisition had occurred on 1 January 2022, the Group's revenue and loss for the year would have been £914.6 million and £84.7 million respectively.

For the period from the date of acquisition to 31 December 2022, the aggregate turnover of The Cambridge Group, LLC was £1.2 million and the aggregate profit after tax of the acquired business was £0.2 million. If the acquisition had occurred on 1 January 2022, the Group's revenue and profit for the year would have been £922.1 million and £83.7 million respectively.

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

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

25.1.1 Recognised amounts of identifiable assets acquired and liabilities assumed

	Design Partners £m	The Cambridge Group £m	Total fair value recognised on acquisition 2022 £m
Non-current assets			
Intangible assets	5.4	4.9	10.3
Right-of-use assets	0.7	1.2	1.9
Property, plant and equipment	0.4	0.2	0.6
	6.5	**6.3**	**12.8**
Current assets			
Trade receivables	1.4	1.6	3.0
Contract assets	0.1	0.2	0.3
Other current assets	0.2	0.3	0.5
Cash and cash equivalents	2.0	1.1	3.1
	3.7	**3.2**	**6.9**
Current liabilities			
Trade payables	(0.1)	(0.5)	(0.6)
Lease liabilities	(0.1)	(0.3)	(0.4)
Contract liabilities	(0.6)	(0.2)	(0.8)
Other current liabilities	(1.7)	(0.9)	(2.6)
	(2.5)	**(1.9)**	**(4.4)**
Non-current liabilities			
Lease liabilities	(0.6)	(0.9)	(1.5)
Deferred tax liabilities	(0.7)	(1.3)	(2.0)
	(1.3)	**(2.2)**	**(3.5)**
Total identifiable net assets	**6.4**	**5.4**	**11.8**
Goodwill	14.9	11.2	26.1
Total consideration	**21.3**	**16.6**	**37.9**

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

i. The recognition of intangible assets in respect of customer relationships and trade name.

ii. The recognition of right-of-use assets and lease liabilities in respect of the offices leases.

iii. Deferred tax provision arising as a result of the acquisition adjustments.

25.1.2 Purchase consideration and cash flows on acquisition

	Design Partners £m	The Cambridge Group £m	Total value 2022 £m
Total consideration	21.3	16.6	37.9
Less:			
Amounts unpaid at 31 December 2022	-	(1.8)	(1.8)
Cash and cash equivalents acquired	(2.0)	(1.1)	(3.1)
Net cash outflow on current year purchase of subsidiary undertakings	**19.3**	**13.7**	**33.0**

25.1.3 Acquisition-related costs

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

	2022 £m	2023 £m	2024 £m
Initial consideration	36.2	1.8	-
Transaction costs	0.5	-	-
Employment-related consideration and staff retention payments	-	3.4	8.6
Total acquisition-related costs	**36.7**	**5.2**	**8.6**

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 5.

25.2 Business combination in 2021

On 2 March 2021 the Group acquired control of PA Consulting Group Holdings Limited (formerly PA Consulting Group Limited) through the purchase of 100 percent of the share capital for total consideration of £1,575.9 million.
PA Consulting Group Holdings Limited and its subsidiaries provide expert consulting services in Consumer, Defence and Security, Energy and Utilities, Financial Services, Government, Healthcare, Life Sciences, Manufacturing, Transport Travel and Logistics, operating globally from offices across the UK, Americas, Europe and Scandinavia.

***Restatement of net assets**

The net assets recognised in the 31 December 2021 financial statements were based on a provisional assessment of their fair value. The 2021 comparative information was restated to reflect adjustments to the provisional amounts.
As a result, there was an increase in the trade and other current liabilities of £3.8 million and in the deferred tax liabilities of £0.3 million. There was also a corresponding increase in goodwill of £4.1 million.

25.2.1 Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value recognised on acquisition 2021 £m
Non-current assets	
Intangible assets	720.9
Right-of-use assets	54.9
Property, plant and equipment	27.6
Deferred tax assets	4.0
Other non-current assets	10.2
	817.6
Current assets	
Trade receivables	69.6
Contract assets	42.5
Derivative financial instruments	0.2
Other current assets	15.9
Cash and cash equivalents	294.1
	422.3
Current liabilities	
Trade and other current liabilities (restated*)	(222.9)
Contract liabilities	(28.3)
Lease liabilities	(9.0)
Borrowings	(266.8)
Current tax liabilities	(0.1)
	(527.1)
Non-current liabilities	
Lease liabilities	(45.9)
Pension and other post-employment liabilities	(4.3)
Deferred tax liabilities (restated*)	(121.8)
Other non-current liabilities	(4.0)
	(176.0)
Total identifiable net assets (restated*)	**536.8**
Goodwill (restated*)	1,039.1
Total consideration	**1,575.9**

Fair value adjustments have been made in respect of:

- Recognition of customer relationship and trade name intangible assets.
- Deferred tax.

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

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

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

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

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

25.2.2 Purchase consideration and cash flows on acquisition

	Total value 2021 £m
Total consideration	**1,575.9**
Less:	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	(294.1)
Non-cash consideration	(292.3)
Acquisition cost of financial instruments in a subsidiary of the Group	266.8
Net cash outflow on acquisition	**1,256.3**
Transaction costs of the acquisition (included in cash flows from operating activities)	7.9

The Company issued 51,740,887 ordinary B shares and 289,728,290 preference shares as non-cash consideration. The fair value of the consideration given was £292.3 million.

26. Controlling party

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

Company statement of financial position

at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Investment in subsidiaries	C5	1,337.8	1,333.1
Loan receivable	C6	299.3	267.2
Total non-current assets		**1,637.1**	**1,600.3**
Current assets			
Loan receivable	C6	328.2	293.0
Cash and cash equivalents	C7	0.1	0.2
Total current assets		**328.3**	**293.2**
Total assets		**1,965.4**	**1,893.5**
Liabilities			
Current liabilities			
Trade and other current liabilities	C8	(204.3)	(50.9)
Current tax liabilities		(0.9)	-
Total current liabilities		**(205.2)**	**(50.9)**
Net current assets		123.1	242.3
Non-current liabilities			
Borrowings	C9	(1,945.5)	(1,921.4)
Other non-current liabilities	C10	(5.3)	(0.9)
Total non-current liabilities		**(1,950.8)**	**(1,922.3)**
Total liabilities		**(2,156.0)**	**(1,973.2)**
Net liabilities		**(190.6)**	**(79.7)**
Equity			
Called-up share capital	C11	2.6	2.3
Share premium		13.1	9.1
Own shares reserve		(7.0)	(1.1)
Retained earnings (including loss for the financial year of £118.4m (financial period 2021: £289.7m loss))		(199.3)	(90.0)
Total equity		**(190.6)**	**(79.7)**

The financial statements were approved and authorised for issue by the board of directors on 19 April 2023.

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

Company statement of changes in shareholders' equity

for the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Own shares reserve £m	Retained earnings £m	Total £m
Opening reserves on acquisition		**-**	**-**	**-**	**199.3**	**199.3**
Loss for the financial period		-	-	-	(289.7)	(289.7)
Transactions with owners of the Company						
Issue of ordinary shares	19	2.3	9.1	-	-	11.4
Acquisition of own shares		-	-	(1.1)	(0.1)	(1.2)
Capital contribution to subsidiaries		-	-	-	0.5	0.5
Total transactions with owners of the Company		2.3	9.1	(1.1)	0.4	10.7
At 31 December 2021		**2.3**	**9.1**	**(1.1)**	**(90.0)**	**(79.7)**
Loss for the financial year		-	-	-	(118.4)	(118.4)
Transactions with owners of the Company						
Issue of ordinary shares	19	0.3	4.0	-	-	4.3
Acquisition of own shares		-	-	(6.2)	(0.2)	(6.4)
Cash consideration received for disposal of shares		-	-	0.3	4.6	4.9
Capital contribution to subsidiaries		-	-	-	4.7	4.7
Total transactions with owners of the Company		0.3	4.0	(5.9)	9.1	7.5
At 31 December 2022		**2.6**	**13.1**	**(7.0)**	**(199.3)**	**(190.6)**

C1. Basis of preparation

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

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

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

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

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

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

C2. Investments

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

C3. Critical accounting judgements and estimates

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

C4. Income statement

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

C5. Investments in subsidiaries

	2022 £m	2021 £m
Investments at cost		
Opening investments	1,333.1	1,332.6
Contributions to subsidiaries in respect of share-based payments	4.7	0.5
Closing Investments	**1,337.8**	**1,333.1**

A list of subsidiary undertakings is included in Note 23 of the consolidated financial statements.

C6. Loans receivable

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings		
Within 12 months	328.2	293.0
After more than 12 months	299.3	267.2
	627.5	**560.2**

	Borrower	Principal £m	Repayment date	Interest rate	2022 £m	2021 £m
Investor loan notes	Garden Midco 1 Limited	147.4	On demand	12%	328.2	293.0
Redeemable preference shares	PA Consulting Group Holdings Ltd	134.5		12%	299.3	267.2
					627.5	**560.2**

Interest on each loan compounds annually.

C7. Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents	0.1	0.2

Cash and cash equivalents include £0.1 million (2021: £0.2 million) held by Employee Benefit Trust that is restricted for specific use only.

C8. Trade and other current liabilities

	2022 £m	2021 £m
Amounts owed to subsidiaries	(199.2)	(38.6)
Deferred employee remuneration	-	(5.0)
Accruals	(5.1)	(7.3)
	(204.3)	**(50.9)**

C9. Borrowings

	2022 £m	2021 £m
Redeemable preference shares	(1,456.3)	(1,300.3)
Redeemable preference shares owned by employee trust	50.8	28.9
Net redeemable preference shares	(1,405.5)	(1,271.4)
Revolving credit facility	(140.0)	-
Parent loan	(400.0)	(650.0)
Total borrowings	**(1,945.5)**	**(1,921.4)**

C10. Other non-current liabilities

	2022 £m	2021 £m
Other payables	(5.3)	(0.9)

C11. Share capital and reserves

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

C12. Commitments

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

C13. Related party transactions

Directors' transactions

The remuneration of the directors and related party transactions relating to directors of the Company are shown in Note 24 to the consolidated financial statements.

C14. Audit exemptions – s479A

The Company has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2022:

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

As a condition of the exemption, the Company has guaranteed the period-end liabilities of the relevant subsidiaries until they are settled in full. The liabilities of the subsidiaries at the year-end was £8.0 million (2021: £20.4 million).

About PA

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

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

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

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

We are over 4,000 strategists, innovators, designers, consultants, digital experts, scientists, engineers, and technologists. And we have deep expertise in consumer and manufacturing, defence and security, energy and utilities, financial services, government and public services, health and life sciences, and transport.

Our teams operate globally from offices across the UK, Ireland, US, Nordics, and Netherlands.

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