Annual Report
Twenty twenty-three

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 technologies to progress further, faster. Our clients adapt and transform, and together we achieve enduring results.

PA. Bringing Ingenuity to Life.

Contents

Strategic report

The board of directors of PA Consulting Group Limited present their strategic report for the financial year ended 31 December 2023. These financial statements comprise PA Consulting Group Limited's consolidated and company results for the financial year ended 31 December 2023.

We believe in the power of ingenuity to build a positive human future. This is our purpose and it guides our every action.

The degree of political, economic, and environmental change means finding ways to build a positive human future is more urgent than ever. Our clients are looking to us to help them navigate these challenging times – to create opportunity from the complexity.

With our purpose front and centre, we're creating insight with impact, to change the face of businesses, economies, and societies for better. Devising new solutions around climate response, closing the infrastructure gap, tackling healthcare divides, and making the world a safer and more secure place to live and work.

Our people's deep technical and industry expertise across a range of disciplines means we get to the answer faster, and create enduring results. Like enabling clients to seize the opportunities from AI and the next wave of digital innovation, and scaling our products and platforms business.

For example, at Amsterdam's Schiphol Airport, we've developed a range of bespoke digital solutions that address the airport's biggest operational challenges and can be commercialised by the client, including an AI-driven solution to optimise plane turnaround times. Meanwhile, Patient Catalyst is our AI-enabled platform that helps clinical staff to match patients to care pathways faster and more effectively, while our Oakdoor data diode protects data and critical networks and is used by clients across the public and private sectors.

Our relationship with Jacobs continues to create new opportunities to bring the might of our two organisations together to solve even more client challenges. Watching the dynamism and expertise of our two organisations complement each other – and the enduring value this delivers for clients – is hugely motivating. We look forward to further strengthening our strategic partnership.

Of course, sustainable growth will only happen if we keep investing in our people. Delivering on our purpose, strategy, and growth, depends on continuing to build an ever more compelling, caring, and inclusive experience for our people.

2023 was a challenging year for the consulting industry. Economic headwinds, arising in part from inflationary pressures and political uncertainty ahead of general elections in the UK and US in 2024, contributed to a reduction in client demand. As a result, we took decisive action to reduce our overall cost base which included ensuring we had the right skills on the team to match client needs.

Despite the challenges, we saw new opportunities as clients adapted and transformed. Behind our continued growth as a company were further investments in our client offers, strategic hires where we saw increased client demand, and attention to strengthening our supportive and inclusive culture.

By living our purpose, creating partnerships with our clients based on insight that delivers lasting impact, all underpinned by a culture we live by and clients value, we look forward to another year of bringing ingenuity to life, to build a positive human future.

Results and performance

PA ended the year with good financial results, delivering £789.7 million of fee income and a 21 percent adjusted EBITDA margin. Contracted sales of £275 million – a two percent increase on 2022 – with a healthy sales pipeline. Indeed, the attention to cost control in the year ensured we entered 2024 better able to capitalise on opportunities, and continue healthy, sustainable growth.

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, certain costs or income from non-trade activities, and non-cash gain or loss on disposal of assets.

£m	2023	2022	
Fee income	**789.7**	**785.4**	**+0.5%**
Project costs recharged	165.2	126.4	+32%
Revenue	954.9	911.8	+5%
Adjusted EBITDA*	**205.0**	**207.8**	**-1%**
Margin	21%	23%	

*Excluding non-trade related adjusting items. Reconciliation of these numbers to GAAP reporting measures is detailed in Note 6.

Fee income

Fee income remained broadly flat compared with 2022, ending the year at £789.7 million. During 2023, we saw a continuation of many market demand trends in our key sectors. We saw strong demand for our Defence and Security services, winning major complex programme projects across the sector as global instability continued. Our landmark CRENIC programme – a large scale, multi-year contract providing next-generation solutions to counter threats – successfully reached its first year anniversary. AI and cyber security also continued to drive client interest, and demand for our data and digital skills.

Climate change also continued to drive significant client growth, with our energy transition offers. Projects included work to respond to regulatory changes, secure energy supply chains, and exploit new technologies such as hydrogen. Our expert energy markets team won mandates with energy companies such as Invenergy and energyRe helping them to win major offshore wind auctions. We continued to deliver innovative work within the transport sector, including a collaboration with Schipol Airport harnessing technology to become more sustainable.

However, economic conditions in 2023 did impact growth in other markets, and throughout the year we saw a slowdown in client decision-making, with projects paused due to uncertainty and industry disruption. In addition, we saw a reduction in projects related to the Covid pandemic. Combined, this resulted in lower fee income growth than in prior years.

This year has seen the development efforts come to fruition on our complimentary revenue streams with the first commercial sales being recorded for our Oakdoor cyber security hardware products. We strengthened our partnership with PulPac to further develop their cellulose fibre manufacturing processes, heading up working collectives with participants from multiple industries with a focus on complex application to specific product packaging.

From a geographical perspective, the proportion of fee income contributed from our key global regions has remained consistent, with the UK and Ireland representing over 75 percent of fee income and the US remaining our second largest market.

Adjusted EBITDA

The Group generated adjusted EBITDA of £205 million, and a margin of 21 percent, ending the year slightly down on prior year performance (2022 £207.8 million and 23 percent). Adjusted EBITDA is the main profit measure used by the board to monitor the Group's performance and excludes certain costs and income not related to underlying activities (detailed in Note 6) , but does include £1.6m of cost in relation to the PA Foundation's operations and charitable contributions (2022 £0.2 million credit).

Underlying personnel and direct costs increased by six percent to £696.9 million, of which the largest cost component relates to employees which makes up around 75 percent. Employment costs are relatively fixed in nature and any reduction in consultant utilisation directly impacts on our ability to recover those costs and affects profit margins. In the year personnel costs excluding adjusting items reduced by £7.1million against 2022, with annual salary increases being offset by a reduction in the Group's performance-related deferred remuneration costs.

Due to the combined impact of higher opening headcount compared with a dampening market, non-partner consultant utilisation was on average five percent below our Group target levels throughout the year, while utilisation in the UK remained strong, our US region saw consistently lower utilisation. Resource realignment started in May focusing on where the largest market declines had been observed. Including any effects from natural turnover our closing headcount was lower by around 11 percent compared with the beginning of the year. These actions have helped to align the underlying employment cost base with trading performance and are expected to give annual savings in the region of £35 million and to significantly improve future margins. There have been encouraging signs of utilisation improvement in the early part of 2024.

Our other direct cost increases have mainly been from recoverable expenditure with non-rechargeable costs increasing by just £3.5 million, predominantly additional framework and levy costs, a necessity for participating in our public sector work, increase in travel expenses and impact from currency headwinds on project related receivables.

Tight cost control has been implemented over our other administrative costs with overall spend neutral to prior year, a strong achievement given external cost pressures from inflation continuing throughout 2023. For example, we saw our gas and electricity rates for our UK properties increase our utilities spend by 155 percent in the year, despite two UK government relief schemes in this period. With the market becoming more stable, the Group has secured better utility rates with our supplier for 2024 which positively are now below the scheme assistance threshold.

The impact from these costs was offset in the year by a one-off back-dated rates reimbursement following a change in assessed ratable value of our UK head office space. Systems and related costs make up a large part of our cost base. This year we experienced an increase in software costs predominantly for new cloud-based systems and tools implemented, due to the additional licences required and the associated implementation costs being mostly expensed as an operating cost over the life of the underlying licence compared with historical capital treatment of on-premise solutions.

We have reviewed spend on legal and third-party professional and outsourced services and have incurred significantly lower recruitment costs, in line with maintaining tight control on the cost base, we only replaced select roles, with our in-house recruitment team handling placements. These cost mitigation actions have helped counteract the other increases where the Group has had less ability to influence.

While we mainly contract client work in functional currencies and therefore have limited transactional currency risk, translation exposure can be created where central funding is required by an overseas trading subsidiary. During the year an unrealised £3.7 million foreign currency loss resulted from the volatility of the USD:GBP, the biggest contributor being the currency exposure of funding our US business, effectively a reversal of the £5.8 million gain recorded in prior year as the US dollar regained its previous strength through 2023.

As in previous years, there have been certain activities not deemed part of the underlying business trading which collectively cost £28.3 million (2022 £8.9 million). As detailed in Note 6, the main activities contributing to this were the Group's restructuring initiative which incurred £12.6 million of employment, legal, and other related costs; charges for deferred payments linked with the Group's prior acquisitions, £7.2 million full-year charge compared with £4 million for partial-year in 2022 (Note 24 contains information on the Group's business combinations); and a £8.8 million Management Equity Plan share-based payment charge (2022 £4.7 million), a higher charge due to the increasing number of concurrently running annual issuances combined with one-off acceleration of charge from modifications made to vesting conditions for certain individuals. Note 20 contains more details of the Plan's issuances and the movements in the year.

Underlying amortisation and depreciation charges, including non-cash loss on disposals, totalled £83.2 million, 78 percent relates to acquired intangible asset amortisation which has on average a remaining 10 years to run. A further £0.3 million was incurred on right of use lease assets due to exiting leases as part of the restructuring activities noted above to give reported charges in the current year of £83.5 million (2022 £79.9 million).

After taking into account these charges, the Group operating profit finished at £93.5 million, £121.8 million underlying (2022 £119 million and £127.9 million respectively).

Loss before tax

The Group had net financing costs of £201.0 million (2022 £179.9 million) of which the most significant element relates to the 12 percent accumulating dividend on preference shares issued as part of the Company's share units, stapled 5.6:1 to an A or B ordinary share. The preference shares are accounted for as debt-like due to their terms and conditions and consequently the cost of the dividend is accounted for as a financing charge which was £166.3 million for the year (2022 £154.0 million). The financing costs and profit before tax, excluding the impact of the preference shares, is noted below to provide a more comparable view had the preference shares terms and conditions enabled equity classification. Net financing costs would have been, £34.7 million (2022 £25.9 million) and profit before tax of £87.1 million (2022 £102.0 million).

	Reported		Underlying		Excluding preference shares*	
£m	2023	2022	2023	2022	2023	2022
Group operating profit (Note 6)	**93.5**	**119.0**	**121.8**	**127.9**	**121.8**	**127.9**
Net interest payable and similar items and other finance costs	(201.0)	(179.9)			(34.7)	(25.9)
(Loss)/Profit on ordinary activities before taxation	**(107.5)**	**(60.9)**			**87.1**	**102.0**

*Excludes £166.3m (2022 £154.0m) relating to the accumulating dividend on the Group's preference shares.

Interest payable on the Group's term loan and revolving credit facility are the main part of the remaining net finance costs. The inflationary control measures in the UK have continued to impact the cost of borrowing for the Group. SONIA, the benchmark rate for these financing instruments, increased by 1.76 percent in the 12 months, resulting in a 2023 weighted average borrowing rate of 7.00 percent (2022 weighted average rate of 3.98 percent), this being the predominant reason for the increase in net finance costs. The other components relate to the Group's defined benefit pension schemes which had a net income of £0.7 million, return on scheme assets being in excess of the interest charge on scheme liabilities, and the financing charge on lease obligations which was in-line with prior year at £2.2 million.

The Group closed the year with a reported loss before tax of £107.5 million (2022 £60.9 million) but excluding preference shares dividend and non-trade activity costs would have been, £87.1 million profit (2022 £101.9 million profit) the reduction fundamentally from increased borrowing rates and impact of GBP:USD currency loss in the year.

Statement of financial position and cashflow

The Group's financial position at the end of the year was net liabilities of £451.3 million (2022 £326.7 million) due to the required accounting treatment of the Group's preference shares which results in inclusion in the Group's borrowings rather than alongside the ordinary share capital within equity. These represent over 70 percent of the Group's non-current liabilities and are ultimately what drives the Group's balance sheet into a net liability position. The position excluding these capital instruments is a net asset of £1,100.2 million (2022 £1,078.9 million), a 2 percent strengthening compared to prior year position and management believe this is a better reflection of the Group's operational financial position. Further information relating to the preference shares is available in note 17.

	Reported		Excluding preference shares*		
£m	**2023**	2022	**2023**	2022	
Non-current assets	**1,710.4**	1,784.7	**1,710.4**	1,784.7	
Net current (liabilities)/assets	38.0	21.1	**38.0**	21.1	
Non-current liabilities - Borrowings	(2,026.5)	(1,945.6)	**(475.0)**	(540.0)	**+12%**
Non-current liabilities - Other	(173.2)	(186.9)	**(173.2)**	(186.9)	
Non-current liabilities	(2,199.7)	(2,132.5)	**(648.2)**	(726.9)	**+11%**
Net (liabilities)/assets	**(451.3)**	**(326.7)**	**1,100.2**	**1,078.9**	**+2%**

*Removes the preference share net liability at 31 December of £1,551.5m (2022 £1,405.6m)

Net current assets

Working capital

The Group's working capital position reflects the consistent year-on-year trading, the previous efficiency level has been maintained through all the core working capital elements. Trade receivables ended at £103.0 million (2022 £102.1 million) and despite the struggling global economy, the Group's debtor days remain low at 39 days (2022 41 days) and boast a healthy aging profile, with 86 percent current, an improvement of six percent, demonstrating the quality of the Group's customer base. The Group also continues to be a member of the UK Prompt Payment Code ensuring payment practices are upheld, resulting in our trade creditors remaining below £5 million. The net position of contract assets and liabilities is also consistent at £5.1 million in 2023 compared with £5.6 million in 2022.

Cashflow and Cash and cash equivalents

The Group had another year of strong operational cash generation, closing the year with a healthy cash and cash equivalents balance of £130.2 million (2022 £134.0 million), 97 percent unrestricted (2022 96 percent), and has maintained its revenue-to-cash conversion efficiency despite the global inflationary pulls on the business cost base.

£m	2023	2022	
Operating cash flows before payments for taxes	161.0	162.9	
Remove payments not related to underlying trading			
Restructuring activities	9.0	-	
Payments linked with past acquisitions	5.0	1.1	
Underlying operating cash flows before payments for taxes	**175.0**	**164.0**	**+7%**
% revenue to cash conversion	18%	18%	

During the year, there have been significant cash payments, related to activities not deemed part of underlying trading, £9.0 million from business restructuring and £5.0 million from payments linked with the Group's prior acquisitions which are included in the reported operating cash flows. Excluding these items, the Group generated £175.0 million before tax payments (2022 £164.0 million), an increase of seven percent in the year.

In 2023, the investing and financing activities undertaken by the Group have been focused predominantly on successful completion of the investments which were in progress at the beginning of the year and driving efficient use of surplus cash.

The £11.0 million refurbishment project which commenced in 2022 on the Group's Global Innovation and Technology Centre near Cambridge, UK, ('GITC') completed in the second half, providing a significantly enhanced client area equipped with technology to allow seamless remote client collaboration but also better facilities for hosting on-site client workshops, including providing space to showcase examples of the Group's previous innovative product development work, a more accessible entrance for visitors and employees and improving thermal efficiency of the whole building through a complete roof upgrade and air handling unit replacement. Total spend in the year was £8.2 million of which, £8.1 million was capitalised within property, plant and equipment and £0.1 million expensed through operating profit. A remaining £0.2 million retention payment will be payable in 2024.

The Group has also continued to repay its debt from the surplus cash reserves, the £65 million debt reduction during the year combined with active investment of cash, has helped partially mitigate the rises in sterling interest rates – despite the weighted average cost of the Group's borrowing increasing by three percent, nearly double the average rate incurred in 2022, the overall cash impact from net interest paid was only an increase of £3.3 million.

The Group has continued to repurchase its shares from leavers where this is deemed an appropriate use of surplus cash. Buybacks were actioned throughout 2023, a total of 2.9 million B-share units and 6.7 million C-ordinary shares purchased at an overall cost of £30.2 million including stamp duty. Sales of own shares held generated cash proceeds of £7.8 million and a further £2.3 million was received from C-ordinary shares awarded under the Group's Management Equity Plan, £1.1 million of this from new share issuance.

Non-current assets: £1,710.4 million (2022 £1,784.7 million)

Non-current assets predominantly consist of goodwill and acquired trademark and customer relationships intangible assets from the Group's historical acquisitions, which represents 94 percent of the overall non-current asset value. This remains consistent with 2022, book value of these assets reducing in the year due to £64.7 million of amortisation.

£0.9 million of additional development costs have been capitalised in relation to our Oakdoor security products and due to achieving the first successful commercial product sales, amortisation of the total capitalised costs has commenced resulting in £0.2 million charge in the year which will continue over an assessed useful asset life of five years, an expected annual rate of £0.9 million going forward.

Property, plant and equipment increased by £2.6 million, ending the year at £38.5 million. The business is not capital intensive and the majority of this value is held in the GITC freehold property. The completion of the development work in July resulted in recognition of £9.7 million additional freehold asset value, £2.7 million of which was held as under construction at the end of last year, £0.3 million of plant and machinery and £0.7 million network and conferencing infrastructure. Following the project finalisation, the directors have reviewed the remaining useful life of the building and extended this in-line with third party professional valuation expectations and in keeping with the life of the new component enhancements resulting in an average remaining asset life of 19.5 years, an increase of 9.5 years, the depreciation charge from completion date reflects this adjustment. Other asset additions included £0.4 million of spend on machinery mainly in relation to laboratory equipment and warehouse vehicles and £2.0 million of laptop and other computer hardware expenditure, a reduced annual spend mainly due to lower new joiners in the year.

During the year, the Group entered into a new lease in the UK to provide space located close to our GITC property for continued development work on the PulPac production line, increased the leased space at our Ireland office and exercised options to extend the lease term on five other existing global properties, contributing an additional £4.9 million to lease asset value, these additions being offset by £9.2 million of normal depreciation on the portfolio and £0.3 million acceleration of charge for the US properties exited following local workforce reductions as part of the restructuring activities. A consistent lease portfolio remains across the Group's other geographies.

Non-current tax-related assets have reduced by £5.6 million following the derecognition of £5.1 million deferred tax asset relating to trading losses reflecting reduced certainty over relevant future profit generation to continue the recognition and there has been a small reduction of £0.5 million in relation to research and development (R&D) tax credits where the level of qualifying work has reduced in comparison to the prior year.

Non-current liabilities: £2,199.7 million (2022 £2,132.5 million)

As described earlier, the largest element of non-current liabilities is the amount relating to the Group's issued preference shares, a net liability of £1,551.5 million (2022 £1,405.6 million) consisting of the gross liability of £1,631.2 million which has increased £174.8 million from the accumulating 12 percent dividend, offset by 57.7 million preference shares which were held by the Group's employee benefit trust at the year end, valued at £79.7 million, (2022 41.3 million shares and £50.8 million).

Excluding the net preference share liability, the non-current liabilities of the Group reduced from £726.9 million to £648.2 million, the key movements from each component being:

- Drawn debt under the Group's £400 million term loan and £300 million revolving credit facility (RCF) reduced by £65 million following principal repayments during the year while also maintaining timely interest servicing, £32.8 million paid in year.
- Total lease liabilities reduced by £5.4 million with the non-current portion reducing from £44.3 million to £39.0 million, overall reduction coming from £11.9 million of lease payments exceeding the £5.1 million additional liabilities from the small new or extended leases contracted in the year combined with £2.2 million of financing charges. Of the closing £50.0 million liability, property leases represent £49.3 million over 65 percent of this being contributed by the UK head office lease which has annual repayments of £4.7 million through to 2032.
- A net increase in other non-current liabilities of £0.5 million reflecting a new £1.9 million fair value liability for C-ordinary shares retained by leavers, offset by £1.4 million reduction in deferred acquisition payments the remaining obligation now all due in the next 12 months and therefore held solely as a current liability.
- Deferred tax liabilities mainly relate to the Group's previously acquired intangible assets and have reduced in correlation with the amortisation of those assets. When offset against other deferred tax movement this has led to a net reduction of £8.6 million in the year.

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 continued to expand our Inclusion and Diversity programme during 2023. Growing the representation of women at partner level and in other senior fee and non-fee-based roles across PA remains a priority, is supported by our Women in Leadership programme, advancements in our recruiting practices, our performance and career frameworks, and by our Women's and PA Women in Tech Networks.

Our employee network groups continue to drive change as partners to our business. Joining our five existing networks in 2023: Racial Inclusion and Social Equity (RISE); Mental Health and Wellbeing; Pride; Women's and Military Networks; were our new Accessibility, Neurodiversity & Disability (AND); and Working Families Networks, alongside network Communities representing Christians, Hindus and parents with caring responsibilities. These groups are empowered to deliver impactful and inspirational campaigns for our people.

Our 'inclusive by design' recruitment strategy successfully contributes towards recruiting diverse talent at every level. New improved processes and systems, along with partnerships with schools, colleges and universities, specialist recruitment firms and Generation Success, continue to deliver increasingly diverse results for all new hires.

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 respectful workplace behaviours, which was required learning for all our people and are continuing to empower our leaders through workshops on inclusive leadership and psychological safety.

PA is committed to creating a work environment that enables all people to work at their best and meet their potential. We give full consideration to applications from people with disabilities. Arrangements are made for PA employees who become disabled in their time at PA to be supported in their current roles, or to be trained for other positions within our organisation. In all relevant circumstances, employees with disabilities are provided with the same access to learning, career development and promotions, as are reasonably available to all employees.

Employee wellbeing and development

We continue 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 a free subscription to the mindfulness and meditation app, CALM, for all our people globally. We offer regular Mental Health First Aid training and have an active network of mental health first aiders and champions to support our people.

In terms of career wellbeing, our evidence-based approach to supporting the wellbeing of our consultants on assignment, includes guidance for assignment managers, team charters, wellbeing plans, and a regular feedback loop within assignment teams. We are expanding this work further in 2024, by introducing more support for our people's wellbeing at critical employee touchpoints.

We have introduced a new policy provision to support those experiencing or suffering from domestic abuse. This vital resource enables people to seek support (both financial and pastoral) from PA in times of extreme need.

We ran our engagement survey in Q3 2023, to gather feedback on how we can continue to enhance and support our people's experience at PA. Our people told us that what sets PA apart, is the opportunity it offers to work with great people, to learn and grow, and to deliver great work that makes a meaningful difference to our society and communities. In 2024, we will continue to enhance our people's experiences by focusing on opportunities to learn and grow, and on inclusion, and wellbeing.

Finally, our LifeAtPA Champions initiative, provides resources to each of our offices to run social events to bring PA people together beyond their day jobs. In 2023, over 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.

Supporting our communities

Building 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 at a firm-wide level through our PA in the Community programme and by partnering with charitable organisations that are having a demonstrable impact in society.

In 2023, we continued our support to The PA Foundation, which, by the end of 2023, had disbursed over £2 million of grant funding to 33 charitable organisations in the UK, US, Nordics, and Netherlands with the aim of reaching over 9,000 people from disadvantaged backgrounds and more than 65 social enterprises.

Through our community engagement initiatives, PA people delivered more than 21,000 hours of volunteer time and supported over 200 charities and non-profit organisations. Our community engagement highlights from 2023 include:

- Hosting our annual global volunteer week bringing our people together to contribute 1,200 hours of volunteer time across 17 initiatives including consulting insight days for young people, support to local foodbanks and nature conservation.
- Providing mentoring to 120 young people not in education or employment from diverse backgrounds, through our Generation Success mentoring scheme in the UK.
- Delivering our Springboard programme to provide 60 students from low-income backgrounds with meaningful work experience in London, Cambridge, Denver and New York.
- Running our Raspberry Pi Competition for the 11th year, 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.
- Developing STEM educational resources on sustainability and artificial intelligence in partnership with The Economist Educational Foundation reaching over 10,000 young people globally. Supported the Royal British Legion's annual Poppy Day appeal raising over £60,000 across London through the support of over 80 PA volunteers from across the firm.
- Winning the Silver Award at the 2023 UK Social Mobility Awards in the category 'organisation of the year'.

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 anti-bribery policies and guidelines on 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 and climate response

PA recognises the scale of the climate emergency and the need for decisive action to respond to it. In 2023, we continued to build our capability to rise to the challenge of decarbonising our operations, while working better with our suppliers and customers to spread change across the value chain.

Governance

The Chief Transformation Officer (CTO), is responsible for the management of climate-related risks and opportunities, with reference to the board of directors. Day-to-day responsibility and technical oversight sits with the Head of Health, Safety, Environment and Quality (HSEQ). Climate-related risks are overseen through the Operational and Security Risk Management Steering Committee (OSRSC), which reports to the board of directors through the Risk Management Committee. Ultimate accountability for management of climate-related matters sits at board level.

The Head of HSEQ is responsible for the assessment and management of climate-related risks and reports to the CTO. PA regularly completes a climate-related risk assessment (CRRA), which aligns with the Task Force on Climate-related Financial Disclosures (TCFD) and the International Financial Reporting Standards (IFRS) standards and is written on the basis of double-materiality. This CRRA identifies key recommendations for action which are then taken forward through the usual management structures of the organisation. Climate-related risk is also integrated into the business risk register and falls under the purview of the Risk Management Committee.

Key risks and opportunities

Risks and opportunities identified in the CRRA are categorised thematically in line with TCFD recommendations and by timescale. Key risks and opportunities identified in the CCRA are summarised below:

Risk description	Potential impact	Mitigation
Volatile regulatory landscape; Immediate and ongoing	Rapid change in government regulation leading to increased requirements for climate action and disclosure. Potential for divergence between requirements across geographies in which PA operates.	Review of governance structure for sustainable development, incorporating climate change risk. Formalisation of reporting of sustainability risks and performance.
Introduction of low carbon technology; Before 2030	Need to adapt owned real estate to lower carbon technologies and to facilitate transition to lower carbon commuting (i.e. electric vehicles (EVs)).	Ongoing investment programme for GITC.
Increasing customer expectations of climate change mitigation; Immediate and ongoing	Increase in customer requirements for PA to demonstrate sustainable development/climate change mitigation measures. Loss of business if unable to respond positively.	In addition to the revised governance structure above, PA has implemented a Social Value Community of practice to monitor client requirements, establish means to best respond to them and to feed client requirements in to PA's management structure and sustainability planning.
Physical risks; Beyond 2030	Physical effects of climate change affect PA locations or workers.	Due to the nature of PA's operations and our ability to work flexibly this is not considered to be a substantial risk until well beyond 2030.

Opportunity description	Potential impact	Strategy
Increasing sustainability market	Potential for increased revenue for sustainability and circular economy team.	PA's Sustainability and Circular Economy (S&CE) Proposition is resourced and aligned to be able to exploit the increased opportunities in this space.
Incorporation of sustainability and climate change resilience into other workstreams	Changing customer expectations for 'standard' services, which incorporate sustainability principles will change the way we need to deliver work.	Alongside the S&CE team, firm-wide opportunities for training and development will up-skill our teams to take advantage of these opportunities.

PA is intrinsically an agile and flexible organisation, so our existing governance and management structures are well-adapted to take advantage of the emerging opportunities, while responding to the risks. Climate-related risks are analysed within our climate-change risk assessment, discussed at OSRSC and fed through to the company risk register. Beyond taking action because it's the right thing to do, in a low-carbon climate scenario (i.e. -1.5°C warming), PA will need to respond positively to the increasing regulatory and client pressures on carbon reduction. We are already strengthening our management systems across the sustainabilty space to both foresee and adapt to this landscape, though we note that these changes will need to be resourced. Continued investment in low carbon technology will be needed to ensure GITC remains within the expected tighter operating parameters imposed through regulation. Other necessary shifts in our business model, such as reducing travel-related emissions, are likely to be achieved through changes of behaviour, rather than a need for substantial investment.

Under a business as usual scenario (3+°C warming), regulatory pressures overall are likely to be lesser. However we may see a greater split between high-regulation jurisdictions such as the EU, and lower-regulation areas such as the US. In practical terms, this will require much the same response as a low-carbon scenario – more vigilance, careful management of requirements – though the actual rules will differ. As the adverse impacts of climate change become increasingly apparent, we will require greater flexibility in the way we operate, and more focus on resilience; minimising the impact of inevitable disruption.

In both scenarios (and the intermediate cases), PA's agile and innovative business model and talent pool sets us up well to be able to not only respond to these risks, but to capitalise on the varying opportunities presented.

Metrics and Key Performance Indicators

The centrepiece of our climate response is our commitment to the Science-Based Targets (SBT) initiative. We have set targets in line with the SBT initiative guidelines and are awaiting validation of those targets. We are also developing a process to monitor biodiversity change on our owned sites.

At the time of this report, our targets, which are largely driven by our SBTs, are:

- Reduce Scope 1 and 2 emissions (market-based, though we will also track location-based emissions) by 75 percent
- Source 100 percent of our electricity from renewable sources
- Reduce Scope 3 emissions intensity (i.e. emissions per £ EBITDA) by 55 percent

These will be tracked towards our 2030 targets, and are based on a 2019 baseline. Along with our SBT programme, we will also track the biodiversity on sites we own and control. Wider sustainability-related targets will be set, in line with WEF recommendations.

2023 Energy and Carbon Summary

UK data, 2022 vs 2023

Scope	Source	2022 consumption/ distance	2022 GHG emissions (tCO_2e)	2023 consumption/ distance	% change	2023 GHG emissions (tCO_2e)	% change
Scope 1 - direct GHG emissions	Gas consumption	1,724,964 kWh	348.9	1,597,549 kWh	-7	340.5	-2
	F-gas consumption	9 kg	5.9	0 kg	-100	0.0	-100
	Other fuel consumption	6,196 kWh	1.2	126 kWh	-98	0.4	-67
Scope 2 – energy indirect emissions	Purchased electricity	2,759,836 kWh	530.1	2,730,389 kWh	-1	559.6	+6
Scope 3 – other indirect emissions	Purchased electricity T&D losses	See above consumption	49.2	See above consumption	0	94.6	+92
	Water consumption and treatment	11,098 m^3	4.6	18,579 m^3	+67	7.5	+63
	Waste (recycling and landfill)	81,183 kg	2.7	101,460 kg	+25	2.2	-19
	F-gas consumption (leased offices) (i)	0 kg	0	0 kg	0	0	0
	Business air travel	7,265,607 km	1,982.7	6,520,606 km	-10	2,204.0	+11
	Business car and taxi travel	3,097,265 km	677.8	3,734,505 km	+21	786.0	+16
	Business train travel	6,534,816 km	290.2	2,703,254 km	-59	697.6	+140
	Business public transport travel	26,417 km	3.1	536,025 km	+1,929	77.2	2,390
	Employee commuting	16,597,731 km	2,121.4	22,246,945 km	+34	3,346.6	+58
Total kWh		4,490,996 kWh		4,328,064 kWh			
Total km		33,521,836 km		35,741,335 km			
Total tCO_2e			6,017.8			8,116.2	+35

Global data, 2022 vs 2023

Scope	Source	2022 consumption/ distance	2022 GHG emissions (tCO_2e)	2023 consumption/ distance	% change	2023 GHG emissions (tCO_2e)	% change
Scope 1 - direct GHG emissions	Gas consumption	1,724,964 kWh	348.9	1,597,549 kWh	-7	340.5	-2
	F-gas consumption	9 kg	5.9	0 kg	-100	0.0	-100
	Other fuel consumption	6,196 kWh	1.2	133,863 kWh	+2060	23.3	+1842
Scope 2 – energy indirect emissions	Purchased electricity	3,570,760 kWh	754.4	3,436,495 kWh	-4	763.7	+1
Scope 3 – other indirect emissions	Purchased electricity T&D losses	See above consumption	62.4	See above consumption	0	138.8	+122
	Water consumption and treatment	15,400 m^3	6.5	21,876 m^3	+42	8.7	+34
	Waste (recycling and landfill)	88,471 kg	3.1	188,751 kg	+113	15.0	+384
	F-gas consumption (leased offices) (i)	0 kg	10.6	0 kg	0	0.0	0
	Business air travel	14,662,135 km	3,632.6	11,820,353 km	-19	3,143.7	-13
	Business car and taxi travel	3,376,320 km	765.2	4,179,852 km	+24	879.7	+15
	Business train travel	7,262,055 km	322.5	3,380,537 km	-53	1,047.3	+225
	Business public transport travel	64,242 km	7.4	1,066,003 km	+1559	155.7	+2004
	Employee commuting	21,615,027 km	2,720.1	27,015,427 km	+25	4,200.6	+54
Total kWh		5,301,920 kWh		5,167,907 kWh			
Total km		46,979,779 km		47,462,172 km			
Total tCO_2e			8,640.8			10,717.0	+24

In 2023, despite a modest increase in stated emissions, we made good progress towards our science based targets. Like-for-like scope 1 emissions reduced, with the increase in our global emissions coming from the introduction of Netherlands-based pool car emissions into our calculations. We are in the planning stages for heating upgrades at GITC aimed at substantially reducing our scope 1 emissions. Global electricity consumption also reduced, although there were increases on sites without renewable power contracts, resulting in an increase in emissions overall. We intend to procure post-market instruments to reduce the emissions corresponding to our non-renewable electricity consumption in the near future.

Energy efficiency actions

During 2023, work continued to improve the efficiency of GITC (our only owned building), including completion of the internal refurbishment work and further updates to our heating, ventilation, and air conditioning system. We have also invested in upgraded submeters for the electricity distribution system.

We have also taken action to support the transition to electric vehicles via providing an EV salary sacrifice scheme and on-site chargers.

Intensity measures

	2022		2023	
	UK	**Global**	**UK**	**Global**
Carbon emissions (tCO2(e))	6,017.8	8,640.8	8,116.2	10,717.0
Revenue (£m)	601.0	785.0	710.3	911.8
Emissions intensity ratio (tCO2e/£m)	10.01	11.01	11.43	11.75
Change (%)			**+14**	**+7**

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 2023 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 SECR
	F-gas	Included	
	Fuel oil	Included	
Scope 2	Grid-supplied electricity	Included	Not required under SECR
	Purchased heating and cooling (not in UK)	Included	
Scope 3	Cat. 3: Electricity transmission and distribution	Included	
	Cat. 5: Waste generated in operations	Included	
	Cat. 6: Business travel	Included	
	Cat. 7: Employee commuting	Included	
	Cat. 8: Downstream leased assets	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. We are seeking ISO 14064 validation of our carbon footprint.

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 the following categories:

- Financial risk
- Compliance/legal risk
- Group systems risk (IT risk)
- Market risk
- Operational risk
- People risk
- Reputation risk

The principal risks and uncertainties identified in the strategic report reflect those considered by PA's Risk Management Committee to be detrimental to the ongoing business performance of PA and the achievement of its strategic objectives. Operational risks are managed day to day by corporate functions and are escalated to, or de-escalated from, the principal risk register in response to a change in risk profile or the effectiveness of mitigating actions.

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.

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 an account management programme in place which focuses 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.
Reputational risk PA's response to adverse press coverage in the event of an incident could be poorly managed.	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.
Operational risk PA could fall victim to cyber attacks from third parties and/ or an employee could intentionally or unintentionally introduce malware.	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.

Risk description	Potential impact	Mitigation
People risk PA is unable to attract or retain appropriate calibre and numbers of people.	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 to perform 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.
Compliance/Legal risk 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 Funds could be invested in financial instruments with unacceptable levels of risk verses the reward profile.	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.
Market risk The inability to sufficiently diversify PA's markets and geographies away from UK public sector and UK consulting.	Our brand and reputation has grown considerably from a base of strong work in the UK, largely in the public sector. While we maintain this focus, opportunities for future global revenue and profitability may be missed and we could be at a disadvantage during a poor UK macro economic climate.	We invest time in monitoring market developments and identifying newly emerging sectors or offerings, including competitor business streams. The balance between private and public sector business is being shifted through growth towards private sector accounts. This includes continuing our plan of growing our private sector through partner hiring, acquisitions, with an enhanced focus on key accounts. We also prioritise receiving and addressing client feedback through our account management process, to ensure that we maintain our excellent quality work while seeking opportunities to grow existing relationships to other business areas or geographies.
People risk An overreliance on key individuals leading to poor leadership succession planning.	Our consulting service leaders ensure that strategy, innovation and experience are disseminated through all layers of the organisation. If this becomes inconsistent due to frequent or unexpected changes in leadership, business performance could be jeopardised and knowledge lost.	Succession planning processes and actions are under way for all PA talent identified, particularly at a leadership level. Key consulting service leads have been prioritised in this process, which is managed by the Group with partnering support from HR.

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 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 at the top of the minds 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 in a variety of ways. 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, most recently in Q3 2023. 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.

We frequently assess our ethical responsibilities to ensure fairer treatment of our people, gender parity, and social mobility through recruitment. To improve how we collect data on our people, we introduced a new HR system in 2023 which is informing our new gender, ethnicity, and recruitment strategies.

Our shareholders

PA is 65 percent owned by Jacobs Engineering Group Inc, and 35 percent by PA employees. Employee share ownership is an important part of PA's culture and 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, the Group Company Secretary, and a Non-Executive Director.

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 and the environment

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 2023, we continued to give back to our communities through The PA Foundation and our PA in the Community Programme.

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.

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 principles help ensure that we treat all suppliers fairly and that we engage with a diverse range of businesses, including minority-owned, women-owned, veteran-owned and small businesses.

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 15 April 2024 and signed on its behalf by:

Christian Norris
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 2023.

In accordance with section 414C(11) of the Companies Act 2006, the Company has chosen to set out in its strategic report the following information required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008 which it would otherwise be required to disclose in its directors' report: Schedule 7.10(3) – employment of disabled persons, Schedule 7.11(1) – engagement with employees, Schedule 7.11B(1) – Engagement with suppliers, customers and others in a business relationship with the company, and Schedule 7A.20D(1), (2), (5) and 20H – greenhouse gas emissions, energy consumption and energy efficiency action.

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 2023, 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 22.

Directors

The directors of the Company who were in office during the year ended 31 December 2023 and up to the date of signing of the financial statements were as follows:

John Alexander

Kevin Berryman (resigned on 17 October 2023, appointed on 1 April 2024)

Steven J. Demetriou

Kully Janjuah (appointed 18 May 2023)

Claudia Jaramillo (appointed on 17 October 2023, resigned on 1 April 2024)

Alan Middleton

Christian Norris (appointed 21 September 2023)

Robert Pragada

Kenneth Toombs (resigned 12 May 2023)

William Lambe (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 year ended 31 December 2023 (2022: £nil). Amounts accruing on preference shares at year end are included in Note 17 of these financial statements.

Political donations

No political donations were made during the year.

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 31 December 2025, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group.

The board-approved 2024 budget forms the basis of the forecast used as part of the review with extrapolation at growth rates deemed achievable for the 12 months after this. In creating the budget, consideration has been given to the shape and size of workforce required to service anticipated demand and rates of utilisation achievable in the current economic climate, potential impact on demand from the UK general election, continued inflationary impacts on the more volatile cost base components, such as utilities, and have assumed financing rates remain towards the top end of the rates experienced in 2023. The forecast shows operating cashflow to be strong throughout the review period.

The directors have also assessed the tolerance of the cash flows to adverse impacts on these assumptions for the key financial performance drivers. These are considered in the review period to be the risk of client demand dropping through continued pressure on discretionary spend in parallel with the UK post-election government tightening the public spending policy on professional services and continued wage inflation above budgeted rates. The downside case, incorporating a combination of significant revenue reduction and employment cost increase, demonstrated that the Group's business model, is sufficiently robust and has excess liquidity headroom to absorb a sizeable and sustained downturn. Other global events have been considered as part of the review, principally the on-going Israel-Gaza conflict, but these are not considered by the directors to create a significant risk of impact for the Group's operations.

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 £225.0 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. Settlement of these instruments is only triggered by an investment disposal by Jacobs Engineering Group Inc or as part of a valuation event, contracted to be within five years of the March 2021 issue date, at which point new investment funds will be raised. Therefore the directors do not expect settlement to be within the going concern review period, nor 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 the 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 23, confirms that to the best of their knowledge and belief:

- The financial statements for the financial year ended 31 December 2023, prepared for the Group, in compliance with UK adopted international accounting standards, and for the Company, in accordance with the 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 2023, these principles were applied as follows:

Purpose and leadership: PA's purpose and strategy has been developed by the board of directors. The board of directors are responsible for ensuring that the purpose and strategy are clearly articulated and implemented throughout the organisation and that the behaviours and conduct of the organisation and its employees align with with that.

Our success as a 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 representatives from the executive management team, 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 receive 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 15 April 2024 and signed on its behalf by:

Christian Norris
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 2023 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 company statement of changes in shareholders' equity and the related Notes 1 to 26, including a summary of material accounting policy information. 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 reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2023 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- Performing a walkthrough of the Group's financial close process, to confirm our understanding of management's going concern assessment process and checking all key risk factors were considered in management's assessment.
- Obtaining management's going concern assessment, including the cashflow forecasts and covenant calculations for the going concern period which covers the period to 31 December 2025.
- Performing procedures to confirm the clerical accuracy and appropriateness of the underlying model.
- 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 to 31 December 2025.

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

Other information

The other information comprises the information included in the annual report set out on pages 4 to 27, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 24 and 25, 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 UK adopted International Accounting Standards (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 review of correspondence with relevant authorities.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through discussions with management and our own independent assessment of the risk of management override of controls and the risk of fraud in revenue recognition.
- 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, review of board minutes, whistleblowing logs, and enquiry with the Group's external legal counsel. To address the identified fraud risks, we incorporated data analytics into our testing of revenue recognised throughout the year. We also reviewed material customer contracts to verify revenue was recognized in accordance with the agreement. In addition, we performed journal entry testing meeting specific risk criteria to address the risk of management override.

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

Adrian Bennett (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK

15 April 2024

Financial Statements

Consolidated statement of profit or loss

for the year ended 31 December 2023

	Note (i)	2023 £m	2022 £m
Revenue			
Fee income	4.1	**789.7**	785.4
Project costs recharged	4.1	**165.2**	126.4
Revenue	4.1	**954.9**	911.8
Personnel and direct costs - underlying	5	(696.9)	(660.1)
Personnel and direct costs - non-underlying	6	(25.7)	(8.2)
Personnel and direct costs		**(722.6)**	(668.3)
Gross profit		**232.3**	243.5
Administrative expenses - underlying		(136.2)	(123.9)
Administrative expenses - non-underlying	6	(2.6)	(0.7)
Administrative expenses		**(138.8)**	(124.6)
Other operating income	7.1	**-**	0.1
Operating profit/(loss)	7.2	**93.5**	119.0
Net finance income/(costs)	8	**(201.0)**	(179.9)
Loss on ordinary activities before taxation		**(107.5)**	(60.9)
Taxation	9.1	**(27.0)**	(23.1)
Loss for the financial year		**(134.5)**	(84.0)
Adjusted EBITDA (ii)	6	**205.0**	**207.8**

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

ii. Adjusted EBITDA is operating profit before interest, taxation, depreciation, amortisation, non-underlying items, 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 2023

	Note (i)	2023 £m	2022 £m
Loss for the financial year		**(134.5)**	**(84.0)**
Other comprehensive income not to be reclassified as profit or loss in subsequent periods:			
Actuarial (loss)/gain recognised on defined benefit pension arrangements	20.2.3	(0.1)	3.1
		(134.6)	(80.9)
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		1.4	0.5
Total comprehensive loss relating to the year		**(133.2)**	**(80.4)**

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

Consolidated statement of financial position

at 31 December 2023

	Note (i)	2023 £m	2022 £m
Non-current assets			
Goodwill	10	1,064.3	1,065.2
Other intangible assets	10	553.0	617.5
Property, plant and equipment	11	38.5	35.9
Right-of-use assets	12	47.4	52.7
Deferred tax assets	9.3	-	5.1
Other non-current assets		7.2	8.3
		1,710.4	**1,784.7**
Current assets			
Trade receivables	4.2.1	103.0	102.1
Contract assets	4.2.2	39.0	39.4
Other current assets	15	19.5	20.6
Cash and cash equivalents		130.2	134.0
		291.7	**296.1**
Total assets		**2,002.1**	**2,080.8**
Current liabilities			
Trade and other current liabilities	16	(192.8)	(208.0)
Contract liabilities	4.2.3	(33.9)	(33.8)
Derivative financial instruments		-	(0.1)
Lease liabilities	12	(11.0)	(11.1)
Current tax liabilities		(16.0)	(22.0)
		(253.7)	**(275.0)**
Net current assets		**38.0**	**21.1**
Non-current liabilities			
Borrowings	17	(2,026.5)	(1,945.6)
Lease liabilities	12	(39.0)	(44.3)
Pension and other post-employment liabilities	20.2.1	(2.9)	(3.1)
Deferred tax liabilities	9.3	(123.8)	(132.4)
Other non-current liabilities		(7.5)	(7.1)
		(2,199.7)	**(2,132.5)**
Total liabilities		**(2,453.4)**	**(2,407.5)**
Net liabilities		**(451.3)**	**(326.7)**
Equity			
Share capital	18	2.7	2.6
Share premium	18	14.2	13.1
Own shares reserve	18	(8.3)	(7.0)
Foreign currency translation reserve	18	2.0	0.6
Retained earnings		(461.9)	(336.0)
Total equity		**(451.3)**	**(326.7)**

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

The financial statements were approved and authorised for issue by the board of directors on 15 April 2024.

Christian Norris
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2023

	Note (i)	Share capital £m	Share premium £m	Own share reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
At 1 January 2022		**2.3**	**9.1**	**(1.1)**	**0.1**	**(264.2)**	**(253.8)**
Total comprehensive loss for the year							
Loss for the financial year		-	-	-	-	(84.0)	**(84.0)**
Actuarial gain recognised on defined benefit pension arrangements	20.2.3	-	-	-	-	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)**
Total transactions with owners of the Company for the year							
Issue of ordinary shares	18.1.1	0.3	4.0	-	-	-	**4.3**
Share-based payments		-	-	-	-	4.7	**4.7**
Acquisition of own shares	18	-	-	(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)**
At 1 January 2023		**2.6**	**13.1**	**(7.0)**	**0.6**	**(336.0)**	**(326.7)**
Total comprehensive loss for the year							
Loss for the financial year		-	-	-	-	(134.5)	**(134.5)**
Actuarial gain recognised on defined benefit pension arrangements	20.2.3	-	-	-	-	(0.1)	**(0.1)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	-	1.4	-	**1.4**
Total comprehensive loss		**-**	**-**	**-**	**1.4**	**(134.6)**	**(133.2)**
Issue of ordinary shares	18.1.1	0.1	1.1	-	-	-	**1.2**
Share-based payments		-	-	-	-	6.8	**6.8**
Acquisition of own shares	18	-	-	(2.2)	-	(0.2)	**(2.4)**
Cash consideration received for disposal of shares		-	-	0.9	-	2.1	**3.0**
Total transactions with owners of the Company		**0.1**	**1.1**	**(1.3)**	**-**	**8.7**	**8.6**
At 31 December 2023		**2.7**	**14.2**	**(8.3)**	**2.0**	**(461.9)**	**(451.3)**

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

Consolidated statement of cash flows

for the year ended 31 December 2023

	Note (i)	2023 £m	2022 £m
Operating profit	7.2	**93.5**	**119.0**
Add back:			
Amortisation of intangible fixed assets	6, 7.2, 10	65.1	64.4
Depreciation of property, plant and equipment	6, 7.2, 11	8.4	6.7
Loss on disposal of property, plant and equipment	6, 7.2	0.1	0.2
Depreciation of right-of-use assets	6, 7.2, 12	9.9	8.8
Net foreign exchange differences		4.6	(3.5)
Difference between pension charge and cash contributions		(0.5)	-
Share-based payment expense		8.8	4.7
Operating cash flows before movements in working capital		**189.9**	**200.3**
(Increase) in trade and other receivables and contract assets		(10.6)	(18.8)
(Decrease) in trade and other payables and contract liabilities		(18.3)	(18.6)
Operating cash flows before payments for taxes		**161.0**	**162.9**
Taxation paid		(24.6)	(7.8)
Net cash flows from operating activities		**136.4**	**155.1**
Investing activities			
Purchase of property, plant and equipment	11	(11.4)	(14.0)
Purchase of intangible assets	10	(0.9)	(2.4)
Purchase of subsidiary undertakings (net of cash acquired)	24.2.2	-	(33.0)
Interest received	8	3.5	1.9
Net cash flow from investing activities		**(8.8)**	**(47.5)**
Financing activities			
Issue of ordinary shares	18.1.1	1.1	4.3
Repayment of borrowings		(65.0)	(110.0)
Repayment of lease principal	12	(11.9)	(9.4)
Interest paid		(32.8)	(27.9)
Net cash from purchase/sale of own shares		(21.2)	(17.0)
Net cash flow from financing activities		**(129.8)**	**(160.0)**
Net (decrease) in cash and cash equivalents		**(2.2)**	**(52.4)**
Cash and cash equivalents at 1 January		134.0	183.2
Net foreign exchange difference		(1.6)	3.2
Cash and cash equivalents at 31 December		**130.2**	**134.0**

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

Cash and cash equivalents include £3.8 million (2022: £5.4 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 private company limited by shares 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.

Statement of compliance

The Group's financial statements have been prepared in compliance with UK-adopted accounting 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 2025, potential global or economic impacts on the numbers included in those forecasts and the availability of funding sources for the Group.

The board-approved 2024 budget forms the basis of the forecast used as part of the review with extrapolation at growth rates deemed achievable for the 12 months after this. In creating the budget, consideration has been given to the shape and size of the workforce required to service anticipated demand and rates of utilisation achievable in the current economic climate, potential impact on demand from the UK general election, continued inflationary impacts on the more volatile cost base components, such as utilities, and have assumed financing rates remain towards the top end of the rates experienced in 2023. The forecast shows operating cashflow to be strong throughout the review period.

The directors have also assessed the tolerance of the cash flows to adverse impacts on these assumptions for the key financial performance drivers. These are considered in the review period to be the risk of client demand dropping through continued pressure on discretionary spend in parallel with the UK post-election government tightening the public spending policy on professional services and continued wage inflation above budgeted rates. The downside case, incorporating a combination of significant revenue reduction and employment cost increase, demonstrated that the Group's business model, is sufficiently robust and has excess liquidity headroom to absorb a sizeable and sustained downturn. Other global events have been considered as part of the review, principally the on-going Israel-Gaza conflict, but these are not considered by the directors to create a significant risk of impact for the Group's operations.

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 £225.0 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. Settlement of these instruments is only triggered by an investment disposal by Jacobs Engineering Group Inc or as part of a valuation event, contracted to be within five years of the March 2021 issue date, at which point new investment funds will be raised. Therefore the directors do not expect settlement to be within the going concern review period, nor 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. Material 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 2023, using consistent accounting policies. Businesses acquired or disposed of during the year, 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.

Where the Group uses subcontractors to provide services to a customer, an assessment is made of whether the Group controls the subcontracted services before transferring them to the customer. If the Group controls the services, the Group acts as a principal and recognises revenue from subcontractor services on a gross basis (i.e., the full amount billed to the customer) with the subcontractor costs recognised in direct costs. If the Group does not control the services, the Group acts as an agent and recognises revenue from subcontractor services on a net basis (i.e., the amount billed to the customer less the amount paid to the subcontractor).

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

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

The software costs capitalised during prior years 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 has been estimated as five years.

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	5 years

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

2.14 Property, plant and equipment

Property, plant and equipment are 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

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on, or after, 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 17 Insurance Contracts
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of accounting estimates (Amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

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:

- Classification of liabilities as current or non-current (Amendments to IAS 1). The directors expect to apply this amendment on 1 January 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The directors expect to apply this amendment on 1 January 2024.
- Disclosures: Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7). The directors expect to apply this amendment on 1 January 2024.
- Lack of exchangeability (Amendments to IAS 21). The directors expect to apply this amendment on 1 January 2025.
- Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The directors expect to apply this amendment on the effective date as determined by the IASB.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the group in future periods.

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 19.

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 24.

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 2023		
	Consultant fees £m	Project costs recharged £m	Total £m
Geographical markets, based on the billing location of the client			
UK	592.7	152.4	745.1
Americas	96.8	6.1	102.9
Scandinavia	72.3	4.0	76.3
Europe	22.8	2.2	25.0
Asia Pacific	5.1	0.5	5.6
Total revenue from contracts with customers	**789.7**	**165.2**	**954.9**
Contract duration			
One year or less	422.5	62.6	485.1
Over one year	367.2	102.6	469.8
Total revenue from contracts with customers	**789.7**	**165.2**	**954.9**

	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**

Revenue from time and materials, fixed-price and milestone contracts of £953.5 million (2022: £911.6 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 £1.4 million (2022: £0.2 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	2023 £m	2022 £m
Trade receivables	4.2.1	103.0	102.1
Contract assets	4.2.2	39.0	39.4
Contract liabilities	4.2.3	(33.9)	(33.8)

4.2.1 Trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2023, £0.3 million (2022: £1.1 million) was recognised as provision for expected credit losses on trade receivables.

	2023		2022	
	Gross carrying amount £m	Provision for expected credit losses £m	Gross carrying amount £m	Provision for expected credit losses £m
Current (not past due)	88.5	(0.1)	81.8	-
1–30 days past due	10.9	-	15.1	-
31–60 days past due	2.4	-	3.1	-
61–90 days past due	0.8	-	1.4	-
91–180 days past due	0.5	-	0.5	-
More than 180 days past due	0.1	(0.1)	0.2	-
Credit impaired trade receivables	0.1	(0.1)	1.1	(1.1)
	103.3	**(0.3)**	**103.2**	**(1.1)**

Movement on expected credit loss on trade receivables	2023 £m	2022 £m
At 1 January	(1.1)	(0.7)
Net remeasurement of expected credit loss allowance	(0.7)	(0.6)
Amounts written off	1.5	0.2
At 31 December	**(0.3)**	**(1.1)**

4.2.2 Contract assets

	2023 £m	2022 £m
Gross carrying amount	39.6	39.6
Expected credit loss allowance	(0.6)	(0.2)
Net contract asset	**39.0**	**39.4**

Movement on contract assets	2023 £m	2022 £m
At 1 January	39.4	31.6
Acquired on subsidiary acquisitions	-	0.3
Decrease due to invoicing	(39.1)	(30.8)
Increases as a result of services performed but not invoiced during the period	39.4	39.1
Movement in provision and amounts written off in the period	(0.7)	(0.8)
At 31 December	**39.0**	**39.4**

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 £8.6 million (2022: £16.0 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	2023 £m	2022 £m
At 1 January	(33.8)	(30.3)
Acquired on subsidiary acquisitions	-	(0.8)
Increases due to invoicing, excluding amounts recognised as revenue during the period	(29.7)	(31.5)
Revenue recognised that was included in the contract liability balance at the beginning of the period	29.6	28.8
At 31 December	**(33.9)**	**(33.8)**

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:

	2023 Number	2022 Number
Consultants	3,493	3,509
Support	708	713
Total average number of employees	**4,201**	**4,222**

5.2 Employee remuneration

The aggregate remuneration of these persons was:

	2023 £m	2022 £m
Wages and salaries	(337.0)	(322.0)
Deferred remuneration	(93.6)	(116.0)
Social security costs	(40.0)	(38.6)
Contributions to defined contribution pension arrangements	(25.0)	(24.2)
Share-based payment charge	(8.8)	(4.7)
Other payroll costs	(40.3)	(29.2)
Total aggregate employee benefits	**(544.7)**	**(534.7)**

5.3 Directors' emoluments in respect of qualifying services

	2023 £m	2022 £m
Directors		
Aggregate emoluments	3.5	2.6
Directors accruing benefits under defined benefit schemes	-	-
Directors in the defined contribution scheme	1	1
Highest paid director		
Aggregate emoluments	0.9	1.1

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

Two directors purchased shares in the company under the Group's Management Equity Plan 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-underlying in nature or by quantum. This provides management with increased comparability of performance between reporting periods. These items are disclosed as non-underlying in the Group's income statement under the appropriate reported section based on their nature.

	2023			2022		
	£m	Adjustments £m	Underlying £m	£m	Adjustments £m	Underlying £m
Group operating profit	93.5	28.3	121.8	119.0	8.9	127.9
Amortisation of other intangible assets	65.1	-	65.1	64.4	-	64.4
Depreciation of property, plant and equipment	8.4	-	8.4	6.7	-	6.7
Depreciation of right-of-use assets	9.9	(0.3)	9.6	8.8	-	8.8
Loss on disposal of tangible fixed assets	0.1	-	0.1	-	-	-
EBITDA	**177.0**	**28.0**	**205.0**	**198.9**	**8.9**	**207.8**

The adjustments relate to the following items

		2023			2022		
	Note	Personnel and direct costs £m	Adminis-trative costs £m	Total adjustment £m	Personnel and direct costs £m	Adminis-trative costs £m	Total adjustment £m
Restructuring	a	(10.7)	(1.9)	(12.6)	-	-	-
Share-based payment charge	b	(8.8)	-	(8.8)	(4.7)	-	(4.7)
Acquisition-related costs	c	(6.4)	(0.8)	(7.2)	(3.5)	(0.5)	(4.0)
Business closure costs	d	-	(0.2)	(0.2)	-	(0.5)	(0.5)
Pension credits/(costs)	e	-	(0.1)	(0.1)	-	0.3	0.3
Settlement credits	f	0.2	0.4	0.6	-	-	-
Total adjusting items		**(25.7)**	**(2.6)**	**(28.3)**	**(8.2)**	**(0.7)**	**(8.9)**

During the period the Group incurred certain costs that the directors believe are of a non-underlying nature and quantum and should be separately disclosed.

a. These costs relate to restructuring plans executed during the year.
b. Non-cash charges recorded in relation to the Group's Management Equity Plan (see Note 19 for details).
c. Comprise stamp duty and professional fees on executed and aborted transactions, consideration deemed to be employment costs and staff retention costs.
d. These costs relate to the closure of businesses driven by the Group simplification initiative in the period.
e. In 2023, the costs were professional fees associated with the UK closed defined benefit scheme. 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.
f. These credits relate to the settlements of one-off audit and legal cases.

7. Income and expenses

7.1 Other operating income

	2023 £m	2022 £m
Rental income from property sub-leases	-	0.1

7.2 Included in operating profit

Operating profit is stated after charging/(crediting):	Note	2023 £m	2022 £m
Depreciation of property, plant and equipment	11	8.4	6.7
Loss on disposal of property, plant and equipment	11	0.1	0.2
Depreciation of right-of-use assets	12	9.9	8.8
Total depreciation charge		**18.4**	**15.7**
Amortisation of intangible assets	10	65.1	64.4
Charges in relation to short-term leases and lease of low-value assets		0.7	0.7
Foreign currency differences		4.1	(6.1)
Government grant income		-	(0.1)
R&D tax credit		(8.5)	(7.3)
R&D expenditure		26.5	47.9

7.3 Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	296	239
Fees payable to the Group's auditor for other services:		
Audit of the accounts of subsidiaries	290	308
Total	**586**	**547**

Included in audit of the financial statements is £20,383 (2022: £18,700) relating to the Company.
The auditor of PA Consulting Group Limited is Ernst & Young LLP.

8. Net finance costs

	Note	2023 £m	2022 £m
Finance income			
Interest income on cash and cash equivalents		3.5	1.9
Interest income from parent undertaking		-	0.1
		3.5	**2.0**
Finance costs			
Preference shares (net of shares held by the Group)		(166.3)	(154.0)
Interest charged on term loan		(28.0)	(24.3)
Interest charged on drawn revolving credit facility		(7.9)	(1.4)
Interest charged on lease liabilities		(2.2)	(2.1)
Interest on defined benefit pension arrangement liabilities	20.2.2	(0.1)	(0.1)
		(204.5)	**(181.9)**
Net finance costs		**(201.0)**	**(179.9)**

9. Tax

9.1 Tax on loss on ordinary activities

	2023 £m	2022 £m
Current tax		
United Kingdom		
UK corporation tax at 23.5% (2022: 19%)	(33.6)	(29.7)
Adjustments in respect of prior years	7.2	(2.6)
UK corporation tax	(26.4)	(32.3)
Foreign tax		
Corporation taxes	(3.4)	(1.7)
Adjustments in respect of prior years	(1.0)	(0.4)
Foreign tax	(4.4)	(2.1)
Total current tax charge	**(30.8)**	**(34.4)**
Deferred tax		
Origination and reversal of timing differences	14.1	11.5
Adjustments in respect of prior years	(10.3)	(0.2)
Total deferred tax	**3.8**	**11.3**
Total tax (charge) on loss on ordinary activities	**(27.0)**	**(23.1)**

9.2 Factors affecting tax charge

The Group's current tax charge is £30.8 million (2022: £34.4 million).

The Group's total tax charge is higher than the standard rate of UK corporation tax for the year at 23.5 percent (2022: 19 percent). The differences are explained below:

	2023 £m	2022 £m
Loss on ordinary activities before taxation	(107.5)	(60.9)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 23.5 percent (2022: 19 percent)	25.3	11.6
Effects of:		
Expenses not deductible for tax purposes	(5.7)	(2.2)
Non-deductible preference share interest	(39.1)	(29.6)
Overseas losses arising in the period not relievable against current tax	(3.8)	(0.6)
Use of tax losses which are relievable against current tax	-	0.3
Adjustments in respect of prior years:		
Relating to current tax	6.2	(3.0)
Relating to de-recognition of historic deferred tax assets in US entities	(6.2)	-
Other adjustments relating to deferred tax	(4.3)	(0.3)
Differential on overseas tax rates	0.4	0.7
Total tax charge for the year	**(27.0)**	**(23.1)**

The Finance Act 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurements of deferred tax balances at 31 December 2023.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The Group is in scope of the enacted or substantively enacted legislation. However, the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes as at 31 December 2023. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Group expects to be in a position to report the impact in its next financial statements for the period ending 31 December 2024.

9.3 Deferred tax

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

	Deferred employee remuneration £m	Pension costs £m	Tax losses £m	Intangible assets £m	Provisions £m	Property, plant and machinery £m	Total £m
At 1 January 2022	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 combinations	-	-	-	(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)**
(Charged)/credited							
- to profit or loss	(5.5)	(1.0)	(3.4)	15.9	0.5	(2.7)	3.8
- foreign exchange and other movements	(0.3)	-	-	-	-	-	(0.3)
At 31 December 2023	**3.3**	**-**	**8.9**	**(135.7)**	**0.2**	**(0.5)**	**(123.8)**

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:

	2023 £m	2022 £m
Deferred tax assets	-	5.1
Deferred tax liabilities	(123.8)	(132.4)
	(123.8)	**(127.3)**

9.4 Unrecognised deferred tax assets

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

	2023 £m	2022 £m
Tax losses	10.1	7.3
Deductible temporary differences	**3.0**	**-**
	13.1	**7.3**

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								
At 31 December 2021		**1,039.1**	**1.3**	**164.2**	**555.6**	**1.4**	**722.5**	**1,761.6**
Acquired on subsidiary acquisitions	24	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**
Additions		-	-	-	-	0.9	0.9	0.9
Effect of movement in exchange rates		(0.9)	-	-	(0.3)	-	(0.3)	(1.2)
At 31 December 2023		**1,064.3**	**1.5**	**164.7**	**565.0**	**4.5**	**735.7**	**1,800.0**
Accumulated amortisation								
At 31 December 2021		**-**	**(0.6)**	**(6.8)**	**(45.8)**	**-**	**(53.2)**	**(53.2)**
Charge for the period	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)**
Charge for the year	7.2	-	(0.2)	(8.4)	(56.3)	(0.2)	(65.1)	(65.1)
At 31 December 2023		**-**	**(1.3)**	**(23.8)**	**(157.4)**	**(0.2)**	**(182.7)**	**(182.7)**
Net book value								
At 31 December 2022		**1,065.2**	**0.4**	**149.3**	**464.2**	**3.6**	**617.5**	**1,682.7**
At 31 December 2023		**1,064.3**	**0.2**	**140.9**	**407.6**	**4.3**	**553.0**	**1,617.3**

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. The remaining amortisation period for the main PA brand is 17 years.

Customer relationships represent the acquired customer base that is expected to continue to support the business. These customer relationships are being amortised over their useful economic lives representing the period over which the Group is expected to benefit from the relationships, ranging from eight to 11 years. The remaining amortisation period for public relationships is eight years, for private relationships is six years, and for Design Partners is six years.

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.

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 2023, has been determined based on a value in use calculation using cash flow projections covering a five-year period based on the 2024 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 10.5 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 2024 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							
At 1 January 2022		**-**	**16.7**	**6.7**	**3.4**	**5.6**	**32.4**
On acquisition	24	-	-	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**
Additions at cost		0.5	7.0	0.3	1.6	2.0	11.4
Disposals		-	-	(0.5)	(0.5)	(1.8)	(2.8)
Transfers		(2.7)	2.7	-	-	-	-
Effect of movement in exchange rates		-	-	(0.2)	-	(0.3)	(0.5)
At 31 December 2023		**0.5**	**26.6**	**9.7**	**6.2**	**12.1**	**55.1**
Accumulated depreciation							
At 1 January 2022		**-**	**(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)**
Disposals		-	-	0.5	0.5	1.7	2.7
Charge for the year	7.2	-	(1.5)	(1.2)	(1.2)	(4.5)	(8.4)
Effect of movement in exchange rates		-	-	-	0.1	0.1	0.2
At 31 December 2023		**-**	**(3.6)**	**(2.8)**	**(2.3)**	**(7.9)**	**(16.6)**
Net book amount							
At 31 December 2022		**2.7**	**14.8**	**8.0**	**3.4**	**7.0**	**35.9**
At 31 December 2023		**0.5**	**23.0**	**6.9**	**3.9**	**4.2**	**38.5**

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
At 1 January 2022		**49.3**	**0.7**	**50.0**
On acquisition	24	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
At 31 December 2022		**51.9**	**0.8**	**52.7**
Additions		4.9	0.2	5.1
Depreciation charged in year	7.2	(9.5)	(0.4)	(9.9)
Effects of movements in exchange rates		(0.5)	-	(0.5)
At 31 December 2023		**46.8**	**0.6**	**47.4**

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
At 1 January 2022		**(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
FX impact		(1.3)	(0.2)	(1.5)
At 31 December 2022		**(54.5)**	**(0.9)**	**(55.4)**
Additions		(4.9)	(0.2)	(5.1)
Interest charged	8	(2.2)	-	(2.2)
Payments made		11.5	0.4	11.9
Effects of movements in exchange rates		0.8	-	0.8
At 31 December 2023		**(49.3)**	**(0.7)**	**(50.0)**
Current		(10.6)	(0.4)	**(11.0)**
Non-current		(38.7)	(0.3)	**(39.0)**

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

	2023 £m	2022 £m
Expense relating to short-term leases and leases of low-value assets		
Property assets	0.4	0.4
Non-property assets	0.3	0.3
Expense relating to service and other related charges	1.9	1.5

The Group had total cash outflows for leases in the year of £11.9 million (2022: £9.4 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 £225.0 million is undrawn at 31 December 2023 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 2023	< 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	(193.2)	(0.7)	(5.9)	-	(199.8)	(199.8)
Borrowings	-	-	(2,558.4)	-	(2,558.4)	(2,026.5)
Lease liabilities	(11.0)	(9.6)	(21.2)	(15.5)	(57.3)	(50.0)
Total financial liabilities	**(204.2)**	**(10.3)**	**(2,585.5)**	**(15.5)**	**(2,815.5)**	**(2,276.3)**

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)**

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.

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 2023	USD £m	EUR £m	DKK £m	Other £m	Total £m
Financial assets	77.9	13.9	5.9	7.6	105.3
Financial liabilities	(4.5)	(4.4)	(13.5)	(12.5)	(34.9)
Net exposure	**73.4**	**9.5**	**(7.6)**	**(4.9)**	**70.4**

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**

As shown on page 67, 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:

2023	USD £m	EUR £m	DKK £m	Other £m	Total £m
+10%	(6.7)	(0.9)	0.7	0.5	(6.4)
-10%	8.2	1.1	(0.8)	(0.7)	7.8

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

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 2023, was £1,657.2 million of which 71 percent was fixed interest rate instruments (2022: £1,722.2 million of which 69 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.

The Group entered the year with most of its debt at lower rates than the market, fixed for the initial months of the year. At the renewal dates of those loans, hedging prices available were considered to be the top end of market expectations which meant contractually fixing rates for longer periods was not considered to be economically optimal. The Group continues to lock-in its debt rates on terms of up to six months through electing appropriate debt renewal periods while hedge pricing remains high. Through 2023, the business also sought to reduce its interest charge by repaying debt where possible.

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 by 0.5 percent would increase the future interest charge by £2.4 million (2022: £2.7 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	2023 £m	2022 £m
Held at amortised cost		
Trade receivables	103.0	102.1
Other receivables*	1.0	1.3
Cash and cash equivalents	130.2	134.0
	234.2	**237.4**

Financial liabilities	2023 £m	2022 £m
Held at amortised cost		
Trade and other liabilities*	(196.3)	(213.4)
Borrowings	(2,026.5)	(1,945.6)
Held at fair value through profit or loss		
Trade and other liabilities	(3.5)	(1.6)
Trading derivatives – forward currency contracts	-	(0.1)
	(2,226.3)	**(2,160.7)**

*Excluding non-financial assets or liabilities

14.1 Fair values

For instruments held at amortised cost, management consider that the carrying amounts approximate to the fair values due to the short-term maturities of these instruments, except for certain of the Group's borrowing instruments as disclosed in Note 17.

For instruments held at fair value, the carrying amount in the table on page 69, 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 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities				
Trade and other current liabilities	-	-	(3.5)	(3.5)
Total financial liabilities	**-**	**-**	**(3.5)**	**(3.5)**

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)**

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

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

Further details of the Group's financial instruments are included in the following Notes 15 to 17.

15. Other current assets

	2023 £m	2022 £m
Prepayments	10.8	7.4
Taxation	2.6	3.5
Withholding tax debtor	1.0	1.3
Other debtors	5.1	8.4
	19.5	**20.6**

16. Trade and other current liabilities

	2023 £m	2022 £m
Trade payables	(4.3)	(2.9)
Other taxes and social security	(36.0)	(36.0)
Deferred employee remuneration	(93.8)	(117.6)
Accrued interest on senior debt	(8.0)	(5.1)
Other payables	(50.7)	(46.4)
	(192.8)	**(208.0)**

17. Borrowings

At 31 December 2023, 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
Senior debt	(400.0)	SONIA + 3.2826%	28 March 2028
Revolving credit facility	(75.0)	SONIA + 3.0326%	28 March 2027
Redeemable preference shares	(1,182.2)		
Redeemable preference shares owned by employee trust	57.7		
Net redeemable preference shares	(1,124.5)	12%	
Total borrowings	**(1,599.5)**		

The revolving credit facility is a £300.0 million facility. A further £225.0 million is available to draw down at the same rates noted above.

	At 31 December 2023			At 31 December 2022		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Senior debt	-	(400.0)	(400.0)	-	(400.0)	(400.0)
Revolving credit facility	-	(75.0)	(75.0)	-	(140.0)	(140.0)
Redeemable preference shares	-	(1,631.2)	(1,631.2)	-	(1,456.4)	(1,456.4)
Redeemable preference shares owned by employee benefit trust	-	79.7	79.7	-	50.8	50.8
Net redeemable preference shares	-	(1,551.5)	(1,551.5)	-	(1,405.6)	(1,405.6)
Total borrowings	**-**	**(2,026.5)**	**(2,026.5)**	**-**	**(1,945.6)**	**(1,945.6)**

17.1 Analysis of changes in borrowings and related items

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 on page 73, except for the preference shares, which have been assessed as £1,747.0 million. The own non-performance risk as at 31 December 2023, 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 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 31 December 2022. No such repayments were made in 2023. In 2023, £65.0 million of the revolving credit facility was repaid (2022: £10.0 million).

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, £75.0 million had been drawn down at 31 December 2023. 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 has rights under the revolving credit facility to redraw funds 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 Company's control and therefore the shares have been recognised as liabilities.

18. Capital and reserves

18.1 Share capital

18.1.1 Authorised shares

	2023 Thousands	2022 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
At 1 January 2022	**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**
Issued on 19 May 2023	-	-	-	-	6,141	0.1
At 31 December 2023	**137,220**	**1.4**	**73,888**	**0.7**	**57,316**	**0.6**

On 19 May 2023, 6,141,078 ordinary C £0.01 shares were issued at £0.18 each for the total cash consideration of £1,105,394 resulting in a share premium of £1,043,983. The allotment of shares is fully paid up.

Issued in prior period:

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.

18.1.2 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

18.1.3 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.

18.2 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:

	2023 Thousands	2022 Thousands
Ordinary B shares	10,311	7,366
Ordinary C shares	4,767	1,080
	15,078	**8,446**

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.

18.3 Other reserves

18.3.1 Foreign currency translation reserve

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

19. 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 £8.8 million (2022: £4.7 million) of which £7.2 million (2022: £4.7 million) is recorded as an equity-settled share-based payment expense and £1.6 million (2022: £Nil) is recorded as a cash-settled share-based payment expense, both within employee remuneration.

The cash-settled charge has arisen due to certain employees who left the business as part of the restructuring actions retaining ownership of a portion of their shares. This is a modification to the vesting terms of the scheme for those individuals only and the scheme terms remain unchanged for all other participants. This has resulted in a liability being recognised for £1.9 million (2022: £Nil).

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
Outstanding at 31 December 2021	17,203,768	£0.05
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	-	-
Granted	12,666,000	£0.18
Forfeited	(10,211,922)	£0.11
Outstanding at 31 December 2023	**52,548,922**	**£0.12**
Of which unconditional FMV shares	9,817,015	£0.11

The weighted average fair value of awards issued during the period was £0.95 (2022: £0.99) and weighted average remaining contractual life was 2.2 years (2022: 3.2 years) as at the reporting date.

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

Issue date	19 May 2023	24 June 2022	7 July 2021
Equity value	£1,613m	£1,603m	£1,178m
Expected volatility	34%	32%	30%
Expected life	2.87	3.77 years	4.73 years
Risk-free rate	3.99%	1.99%	0.25%
Expected dividend yield	0%	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.

20. 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.

20.1 Defined contribution pension arrangements

The total pension costs for the Group relating to employer contributions to defined contribution pension arrangements were £25.0 million (2022: £24.2 million). At 31 December 2023, there were outstanding unpaid contributions of £5.1 million (2022: £5.5 million).

20.2 Defined benefit pension arrangements

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

	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
At 31 December 2023				
Defined benefit pension arrangements with gross assets/(liabilities)	(0.2)	0.2	(2.7)	(2.7)
Restriction to apply on recognition of surplus	-	(0.2)	-	(0.2)
Total pension liabilities included in the consolidated statement of financial position	**(0.2)**	**-**	**(2.7)**	**(2.9)**

	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
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 consolidated statement of financial position	**(0.6)**	**-**	**(2.5)**	**(3.1)**

20.2.2 Analysis of amounts recognised in the consolidated income statement

	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
At 31 December 2023				
Other finance costs	-	-	(0.1)	(0.1)
Total recognised in the consolidated income statement	-	-	(0.1)	(0.1)

	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
At 31 December 2022				
Historical service credit/(costs)	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 consolidated income statement	**0.4**	**-**	**(0.1)**	**0.3**

20.2.3 Analysis of amounts recognised in the consolidated statement of other comprehensive income

	PA Mirror Legacy Pension Scheme UK closed £m	Prudential Platinum Scheme UK closed £m	Germany closed £m	Total £m
At 31 December 2023				
Actual return on assets less interest	0.6	-	-	0.6
Actuarial gain on liability	(0.6)	-	(0.1)	(0.7)
Actuarial gain recognised on defined benefit pension arrangements	-	-	(0.1)	(0.1)
Total recognised in the consolidated statement of other comprehensive income	**-**	**-**	**(0.1)**	**(0.1)**

At 31 December 2022				
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 consolidated statement of other comprehensive income	**-**	**-**	**3.1**	**3.1**

20.3 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 2023, for the purposes of IAS 19 Employee Benefits. Scheme assets are stated at their market value at 31 December 2023. The principal assumptions used in this valuation by the actuaries were:

20.3.1 Principal assumptions

	2023 %	2022 %
Retail price inflation	3.2	3.4
Consumer price inflation until 31 January 2030	2.2	2.4
Consumer price inflation after 31 January 2030	3.1	3.3
Weighted average consumer price inflation	2.6	2.8
Discount rate	4.5	4.9
Pension increase rate RPI	3.2	3.4
Pension increase rate based on weighted average CPI	2.6	2.8

The post-retirement mortality assumptions used were as follows:

	2023 Years	2022 Years
Life expectancy of pensioners age 60 in 2023/2022		
• Men	28.4	28.7
• Women	31.1	31.2
Life expectancy of pensioners age 60 in 2038/2037		
• Men	29.7	29.9
• Women	32.3	32.6
Weighted average duration	**11.2**	**11.6**

20.3.2 Scheme assets and liabilities

	2023 £m	2022 £m
Buy-in insurance policy	25.3	25.0
Total fair value of assets	25.3	25.0
Present value of scheme liabilities	(25.5)	(25.6)
Pension deficit	**(0.2)**	**(0.6)**

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

	2023 %	2022 %
Buy-in insurance policy	100.0	100.0

20.3.3 Reconciliation of fair value of scheme assets

	2023 £m	2022 £m
At 1 January	25.0	35.9
Interest on assets	1.2	0.7
Benefits paid	(1.9)	(1.5)
Actual return plan assets less interest	0.6	(10.1)
Contributions by the employer	0.4	-
At 31 December	**25.3**	**25.0**

The actual return on scheme assets was a gain of £1.8 million (2022: loss of £9.4 million). There is no funding arrangement for this scheme.

20.3.4 Reconciliation of present value of scheme liabilities

	2023 £m	2022 £m
At 1 January	(25.6)	(36.9)
Interest on obligation	(1.2)	(0.7)
Benefits paid	1.9	1.5
Past service credit and settlements	-	0.4
Actuarial gains/(losses) due to:		
Experience gain	(0.5)	(2.1)
Changes in financial assumptions	(0.4)	11.9
Changes in demographic assumptions	0.3	0.3
At 31 December	**(25.5)**	**(25.6)**

20.3.5 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 2023		31 December 2022	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Discount rate (0.1% movement)	(0.3)	0.3	(0.3)	0.3
Inflation rate (0.1% movement)	0.2	(0.2)	0.2	(0.2)

20.4 Other defined benefit arrangements

At 31 December 2023, the Group had a closed defined benefit scheme in the UK (Prudential Platinum Scheme) with net assets of £nil (2022: £nil) and minimum funding requirements which get assessed triennially. An 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 £2.7 million (2022: £2.5 million). The expected contributions to the scheme for the year to 31 December 2024, 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.

21. Capital and other financial commitments

There were capital commitments of £0.7 million contracted for but not provided, in the financial statements at 31 December 2023 (2022: 8.1 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 2023 (2022: £2.0 million). These are not expected to result in any material financial loss.

22. Subsidiary undertakings

The subsidiary undertakings as at 31 December 2023, 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	Youco24 Business Centre, Amelia-Mary-Earhart-Strasse 8, 60549, Frankfurt am Main, Germany	Ordinary	Non-trading
PA Consulting Group Limited	Hong Kong	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary	Non-trading
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnel Road, Murugeshpalya, Bangalore 560017	Ordinary	Non-trading
PA Consulting 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	Non-trading
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	Non-trading
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	Non-trading
PA Consulting Group AS	Norway	Verkstedveien 1, PO Box 150, Skøyen, 0277 Oslo	Ordinary	Consultancy

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	Non-trading
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		Non-trading
Nyras Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Non-trading
PA Consulting Government Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Non-trading
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	Non-trading
PA Middle East Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary	Non-trading
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	Non-trading

Name	Country	Registered office address	**Class of share held**	**Nature of business**
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	Non-trading
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	Non-trading
Cooper Perkins Inc	USA	10 Maguire Road, Building 4, Lexington MA 02421	Common	Non-trading
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	Non-trading
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.

23. Related party transactions

Compensation of key management personnel

	2023 £m	2022 £m
Short-term employee benefits	2.7	2.1
Share-based payment transactions	1.1	0.5
Compensation of key management personnel	3.8	2.6

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
2023	2.6	(0.3)	0.3	-
2022	7.8	-	0.5	-

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
2023	2.0	(0.7)	0.2	(0.1)
2022	2.7	(0.4)	0.9	(0.1)

24. Business combinations

24.1 Business combinations in 2023

There were no business combinations in 2023.

24.2 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.

24.2.1 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.

24.2.2 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**

24.2.3 Acquisition-related costs

The total amounts payable in relation to the Group's acquisitions consist of a number of elements, including consideration, transaction costs and amounts that the Group regards as 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. Controlling party

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

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

The address of Jacobs Solutions, Inc is:

1999 Bryan Street, Suite 1200, Dallas, TX 75201, USA

26. Events after the end of the reporting period

On 29 February 2024, the buy-in insurance policy in respect of the remaining members in the PA Mirror Legacy Pension Scheme was converted into individual policies in the members' names with Pension Insurance Corporation plc (PIC), the insurer, resulting in the pension liabilities being transferred from the Scheme to PIC.

This was treated as a settlement of benefits from the PA Mirror Legacy Pension Scheme, converting the PA Mirror Legacy Pension Scheme to a buy-out status. The estimated liability of £0.2 million in relation to potential top-ups in respect of GMP equalisation for members who transferred out of the PA Pension Scheme prior to the purchase of the original buy-in policy on 14 June 2018, will be transferred to PA Holdings Limited, a member of the Group. There is no impact expected on the Group balance sheet from either of these events as the Group held no net asset or liability in relation to the PA Mirror Legacy Pension Scheme and will retain the GMP equalisation liability within the Group.

Company statement of financial position

at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investment in subsidiaries	C5	1,346.6	1,337.8
Loan receivable	C6	335.2	299.3
Total non-current assets		**1,681.8**	**1,637.1**
Current assets			
Loan receivable	C6	367.5	328.2
Current tax assets		3.6	-
Cash and cash equivalents	C7	0.3	0.1
Total current assets		**371.4**	**328.3**
Total assets		**2,053.2**	**1,965.4**
Liabilities			
Current liabilities			
Trade and other current liabilities	C8	(346.1)	(204.3)
Current tax liabilities		-	(0.9)
Total current liabilities		**(346.1)**	**(205.2)**
Net current assets		25.3	123.1
Non-current liabilities			
Borrowings	C9	(2,026.5)	(1,945.5)
Other non-current liabilities	C10	(7.2)	(5.3)
Total non-current liabilities		**(2,033.7)**	**(1,950.8)**
Total liabilities		**(2,379.8)**	**(2,156.0)**
Net liabilities		**(326.6)**	**(190.6)**
Equity			
Called-up share capital	C11	2.7	2.6
Share premium		14.2	13.1
Own shares reserve		(8.3)	(7.0)
Retained earnings (including loss for the financial year of £144.6m (2022: £118.4m loss))		(335.2)	(199.3)
Total equity		**(326.6)**	**(190.6)**

Company statement of changes in shareholders' equity

for the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Own shares reserve £m	Retained earnings £m	Total £m
At 1 January 2022		**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	18.1.1	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)**
Loss for the financial year		-	-	-	(144.6)	(144.6)
Transactions with owners of the Company						
Issue of ordinary shares	18.1.1	0.1	1.1	-	-	1.2
Acquisition of own shares		-	-	(2.2)	(0.2)	(2.4)
Cash consideration received for disposal of shares		-	-	0.9	2.1	3.0
Capital contributions to subsidiaries		-	-	-	6.8	6.8
Total transactions with owners of the Company		0.1	1.1	(1.3)	8.7	8.6
At 31 December 2023		**2.7**	**14.2**	**(8.3)**	**(335.2)**	**(326.6)**

The financial statements were approved and authorised for issue by the board of directors on 15 April 2024.

Christian Norris
Chief Executive Officer

PA Consulting Group Limited
Company number: 13035335

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

	2023 £m	2022 £m
Investments at cost		
Opening investments	1,337.8	1,333.1
Contributions to subsidiaries in respect of share-based payments	8.8	4.7
Closing Investments	**1,346.6**	**1,337.8**

A list of subsidiary undertakings is included in Note 22 of the consolidated financial statements.

C6. Loans receivable

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings		
Within 12 months	367.5	328.2
After more than 12 months	335.2	299.3
	702.7	**627.5**

	Borrower	Principal £m	Repayment date	Interest rate	2023 £m	2022 £m
Investor loan notes	Garden Midco 1 Limited	147.4	On demand	12%	367.5	328.2
Redeemable preference shares	PA Consulting Group Holdings Ltd	134.5		12%	335.2	299.3
					702.7	**627.5**

Interest on each loan compounds annually.

C7. Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents	0.3	0.1

Cash and cash equivalents include £0.2 million (2022: £0.1 million) held by Employee Benefit Trust that is restricted for specific use only.

C8. Trade and other current liabilities

	2023 £m	2022 £m
Amounts owed to subsidiaries	(338.0)	(199.2)
Accruals	(8.1)	(5.1)
	(346.1)	**(204.3)**

C9. Borrowings

	2023 £m	2022 £m
Redeemable preference shares	(1,631.2)	(1,456.3)
Redeemable preference shares owned by employee trust	79.7	50.8
Net redeemable preference shares	(1,551.5)	(1,405.5)
Revolving credit facility	(75.0)	(140.0)
Parent loan	(400.0)	(400.0)
Total borrowings	**(2,026.5)**	**(1,945.5)**

C10. Other non-current liabilities

	2023 £m	2022 £m
Other payables	(7.2)	(5.3)

C11. Share capital and reserves

Details of share capital and reserves are set out in Note 18 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 23 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 2023:

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%	Non-trading
Nyras Limited	10 Bressenden Place, London, SW1E 5DN	06195106	Ordinary	100%	Non-trading
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%	Non-trading
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%	Non-trading
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%	Non-trading
We Are Friday Limited	50 Farringdon Road, London, EC1M 3HE	07107161	Ordinary	100%	Non-trading
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 £12.8 million (2022: £8.0 million).

BLANK

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.

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

PA. Bringing Ingenuity to Life.