PA REPORT AND ACCOUNTS 2018

Bringing Ingenuity to Life
paconsulting.com

An innovation and transformation consultancy, we believe in the power of ingenuity to build a positive human future in a technology-driven world.

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

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

Bringing Ingenuity to Life.

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Our results

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PA Consulting Group (‘PA’ or ‘the Group’) is an innovation and transformation consultancy headquartered in London, UK. PA employs over 2,800 specialists and operates globally from offices across the Americas, Europe, the Nordics and the Gulf.

The board of directors of PA Consulting Group Limited present their financial and strategic reviews for the year ended 31 December 2018.

These financial statements comprise PA Consulting Group Limited’s consolidated and company results for the year to 31 December 2018.

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

PA Consulting Group Limited is the holding company for the Group. It is owned 47.2 per cent by current and former employees and 52.8 per cent by CEP IV Participations Sarl SICAR, an entity controlled by funds that are affiliates of The Carlyle Group.

The Carlyle Group is a global investment firm with more than 1,650 professionals operating in 31 offices in North America, South America, Europe, the Middle East, Africa, Asia and Australia.

The board of PA Consulting Group Limited sets the strategy and reviews the performance of the Group. Execution of the strategy and responsibility for monitoring operational performance and managing risk in relation to the day-to-day activities of the Group falls to the board of PA Consulting Holdings Limited, a wholly owned subsidiary of PA Consulting Group Limited.

As at the date of this report, the board of PA Consulting Group Limited comprised six directors, the details of whom can be found on page 5 of this report.

OUR DIRECTORS

John Alexander

CHAIRMAN

John was appointed Chairman of PA in April 2018. John is non-executive Chairman of ERM, the world's leading environmental and sustainability consulting firm, having previously served as its CEO for nine years. ERM was acquired in 2015 in a further leveraged buyout by the management team/Partners of ERM together with OMERS and AIMCo, two major Canadian pension funds. John is also Chairman of HKA, one of the world's leading construction industry claims consulting businesses, that was formed following a management buyout, supported by Bridgepoint Capital in 2017. John is a graduate of the Harvard Business School Advanced Management Program and holds a BSc in Geophysics and an MSc in Hydrogeology. He is also a long-term supporter and Fellow of the Royal Geographical Society.

Marcus Agius

DEPUTY CHAIRMAN

Marcus has been Deputy Chairman of PA since April 2018. Prior to that Marcus served as chairman of PA from January 2014. Marcus was chairman of Barclays for six years until October 2012. He was also the chairman of the British Bankers' Association. He was the first non-executive director to be appointed to the BBC's Executive Board, acting as its senior independent director until November 2012. Before then, Marcus was deputy chairman of Lazard Ltd, and chairman of Lazard in London. He also served as a non-executive director of BAA, becoming its chairman in 2002. He is Chairman of the Board of Trustees of the Royal Botanic Gardens, Kew, and Chairman of Reach South Multi-Academy Trust.

Alan Middleton

CHIEF EXECUTIVE OFFICER

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

Andrew Burgess

INVESTOR DIRECTOR

Andrew is a Partner at The Carlyle Group and a Managing Director advising Carlyle Europe Partners on originating and leading buyouts for services and consumer businesses. Andrew joined Carlyle in 2005 and is based in London.

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

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

Andrew currently serves on the boards of MyDentist and Addison Lee. He was formerly on the board of RAC Breakdown Group, Zodiak Marine (USA), Talaris and Britax.

Fraser Robson

INVESTOR DIRECTOR

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

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

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

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

Kully Janjuah

GROUP COMPANY SECRETARY

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

FINANCIAL REVIEW

2018 financial highlights

- Fee income up 14% to £455.8m (2017: £400.1m)
- Adjusted EBITDA* up 22% to £79.5m (2017: £65.0m)
- Operating cash generation of £105.0m (2017: £48.2m) enabling the Group to repay £30.1m of debt held by current and former employees and £12.2m of interest on the Group's debt.

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

Turnover for the year included £455.8m of fee income, up 14% over 2017 (£400.1m)

In 2018 the Group delivered turnover of £503.6m (2017: £438.4m), with the growth predominantly driven by a 14% increase in fee income. Fee income is the Group's primary measure of revenue performance and represents the fair value of consideration received or receivable for consulting services provided, excluding expenses and disbursements recharged.

We introduced our new purpose, 'Bringing Ingenuity to Life', this year. This has resonated well in our markets and with clients, both new and long-standing. This clarity of purpose and a continued clear focus on targeted industries, capabilities and geographies has enabled us to deliver strong sales through 2018, driving our utilisation up and enabling us to finish the year with a solid stock of work for the start of 2019. We have also brought three new teams into the Group in 2018 through the acquisitions of Sparkler, Essential Design and We Are Friday. Each of these acquisitions brings exceptional, talented consultants and partners, adding specific capabilities that are in demand from our clients.

Fee income growth in the year has been achieved through increased sales, corresponding headcount growth and, overall, improved levels of consultant utilisation. Our core UK market has been particularly strong where we have been working with both our private and public sector clients to identify and take advantage of new opportunities. Outside of the UK, growth in the Nordic region was balanced by softer growth elsewhere. Delivering growth outside of the UK remains key to diversifying the firm's geographical footprint.

Adjusted EBITDA was £79.5m, up 22% over 2017 (£65.0m)

Adjusted EBITDA is the principal measure of the Group's underlying trading performance. This metric represents profit before interest, tax, depreciation, amortisation and exceptional items.

The Group delivered adjusted EBITDA of £79.5m in the year, an increase from 2017 of £14.5m, resulting from the strong growth in turnover, and delivered through improved consultant utilisation and close cost control.

Excluded from adjusted EBITDA are non-cash items consisting of £46.4m depreciation and amortisation (2017: £44.8m), £2.2m pension scheme running costs (2017: £1.6m), and £0.1m loss on disposal of tangible assets (2017: loss of £0.1m), together with exceptional cash items which are not representative of the Group's underlying trading activities totalling £0.8m net income (2017: £0.4m net income).

Depreciation and amortisation charges are predominantly as a result of accounting for the intangible assets and goodwill recognised as part of the Carlyle partnership, as well as through the Group's acquisitions. The £1.6m increase in the year is due to the full-year impact from the 2017 acquisition of Nyras and a part-year effect from the three acquisitions completed in 2018.

Exceptional net income includes income from usage of the Group's UK defined benefit pension scheme surplus (see note 22 for further details), costs of employees working on projects to replace the Group's legacy systems (which do not meet capitalisation requirements under UK accounting principles), costs of closing offices, retention payments for employees relating to acquisitions completed and professional fees incurred reviewing the Group's financing strategy.

After taking into consideration the adjusted items the Group delivered an operating profit of £31.5m (2017: £18.9m), an increase of £12.6m in the year.

Further details of adjusted EBITDA, including the reconciliation to Group operating profit, can be found in note 6 of these financial statements.

Loss before tax

The Group's loss before tax position is a result of the financing structure implemented as part of the Carlyle partnership and does not reflect the Group's operational strength.

Due to the financing structure, the Group incurred net interest payable of £55.5m in 2018 (2017: £53.9m) of which £54.5m relates to the Group's debt instruments. Of this amount, only interest charges in relation to the Group's senior debt and vendor loan notes, £7.1m and £4.7m in the year respectively, require cash settlement ahead of maturity. A significant element of the charge, £42.7m, (2017: £38.2m) relates to the investor loan notes and preference shares which is rolled up on an annual basis and only payable at the earlier of Carlyle exiting its investment in the Group or the long-stop maturity date (11 December 2023).

After these debt servicing requirements, the Group generated a reported loss on ordinary activities before tax of £24.0m for the year (2017: loss of £35.0m).

Cash flow

The Group generated significant positive cash flows during 2018. A strong cash conversion driven by a focus on working capital management delivered an operating cash inflow before tax of £112.4m (2017: £51.8m).

In June 2018 the Group achieved a milestone event by completing a successful buy-in to the Group's UK defined benefit pension scheme liability by third party insurers. In addition to delivering a greater degree of operational freedom for the Group, this buy-in also crystallised a significant scheme surplus and represents a beneficial position for the scheme's members due to greater diversification of the insurer's portfolio than the Group could independently provide. The Pension Trustees have permitted the Group to utilise the surplus to take a contribution holiday in relation to amounts payable into the UK defined contribution section of the same scheme until early 2020, realising an operational cash flow benefit in the year of £5.4m.

The Group's investing activities continue to focus on business acquisitions in support of the Group's growth strategy. The Group paid £17.0m, net of cash acquired, for the acquisitions of Sparkler Ltd, Essential Design Inc and We Are Friday Ltd, with a further £0.5m paid for the working capital settlement and outstanding professional fees related to the acquisition of Nyras Ltd in 2017.

During the year the Group has continued to service its debt requirements and make principal repayments. A further £30.1m of vendor loan notes were repaid (2017: £50.0m repaid) and senior debt and loan note interest of £12.2m satisfied (2017: £14.4m).

After investing and financing activities, the Group had an overall inflow of £44.8m (2017: £27.5m outflow), resulting in a closing cash and cash equivalents balance of £132.1m (2017: £87.3m).

Statement of financial position

Goodwill and intangible assets decreased to £443.4m in the year due to amortisation of £42.9m offset by £34.9m of new assets recognised as part of the current year acquisitions and £2.0m of additional software assets recognised as part of the Group's continuing system replacement project.

The Group has maintained a healthy net current asset position at £98.8m consistent with prior year. This reflects the Group's ability to adequately service any short-term obligations. The successful buy-in to the UK defined benefit pension scheme liability, noted above, has resulted in a pension surplus of £15.4m being recognised within the Group's year end debtors.

The Group's long-term liabilities total £689.6m (2017: £681.5m), the largest items being the shareholder funding instruments introduced with Carlyle's partnership in 2015. An overall increase of £8.1m in the year is mainly as a result of the £37.7m vendor loan note principal and related interest repayment offset by £42.7m of accumulating interest and dividends on the shareholder loan notes and preference shares. In line with accounting requirements, preference shares are treated as debt. Further detail of the Group's capital structure can be found in notes 17 and 19.

FINANCIAL REVIEW

Pro forma income statement and financial position

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

In order to represent the Group's underlying financial performance and its financial position more clearly, summarised pro forma financial statements are included below. Income statement adjustments have been applied to remove the non-cash accounting entries relating to the debt and intangibles recognised at the change in the Group's ownership in December 2015 and also exceptional cash items. Financial position adjustments have been applied to remove the shareholder debt instruments recognised as part of the December 2015 transaction. The pro forma result following these adjustments is a profit before tax of £59.8m (2017: profit of £44.0m) and adjusted financial position of net assets of £278.8m (2017: £250.9m).

		2018			2017		
(£m)		Reported	Adjustment*	Adjusted*	Reported	Adjustment*	Adjusted*
Pro forma income statement							
Fee income		**455.8**	**-**	**455.8**	**400.1**	**-**	**400.1**
Client project costs recharged		47.8	-	47.8	38.3	-	38.3
Group turnover		503.6	-	503.6	438.4	-	438.4
EBITDA	(i)	**77.9**	**1.6**	**79.5**	**63.8**	**1.2**	**65.0**
Amortisation of intangible and goodwill assets	(ii)	(42.9)	39.5	(3.4)	(41.1)	39.6	(1.5)
Depreciation of tangible assets		(3.5)	-	(3.5)	(3.8)	-	(3.8)
Group operating profit		**31.5**	**41.1**	**72.6**	**18.9**	**40.8**	**59.7**
Net interest payable and similar items, and other finance costs	(iii)	**(55.5)**	**42.7**	(12.8)	(53.9)	38.2	(15.7)
(Loss)/profit on ordinary activities before taxation		**(24.0)**	**83.8**	**59.8**	**(35.0)**	**79.0**	**44.0**
Pro forma statement of financial position							
Fixed assets		470.9	-	470.9	476.5	-	476.5
Net current assets		98.8	-	98.8	99.9	-	99.9
Creditors: due after more than one year	(iv)	(654.0)	398.7	(255.3)	(641.1)	356.0	(285.1)
Provisions for liabilities		(35.6)	-	(35.6)	(40.4)	-	(40.4)
Net assets		**(119.9)**	**398.7**	**278.8**	**(105.1)**	**356.0**	**250.9**

* unaudited

The adjustments in the current and prior years related to:

(i) removal of exceptional income and pension running costs from reported results

(ii) removal of amortisation of goodwill and intangible assets recognised as a result of the Carlyle transaction

(iii) removal of interest and dividends on shareholder instruments: investor loan notes and preference shares

(iv) removal of amounts due on shareholder instruments.

STRATEGIC REVIEW

At the start of the year we set a target for growth and announced changes to our strategy that would help us deliver our growth ambitions. Our focus on defining our purpose and brand, developing our client relationships and propositions and building a great team has enabled us to achieve our targets.

We firmly believe in a positive human future in a technology-driven world. When you put bright people and brilliant technology together, amazing things happen. We are the optimists. We care about what we do. We work to create a positive lasting impact for our clients and the wider world. We work with clients who want to make a positive contribution.

We reframe problems and complexity to create new opportunities for our clients. Our distinctive approach brings innovative thinking and breakthrough technologies to solve some of the world's toughest problems. We help our clients adapt and transform, in an era of disruptive change.

We combine diverse teams of experts – industry experts, strategists, innovators, technologists, engineers and scientists. Our consulting model – senior people with deep insight – provides experienced people with real market expertise. Our collegial and collaborative culture means our clients get the best from our teams, and from theirs.

We live by the mantra 'think big, start small, scale fast'. We move big ideas from concept to prototype and into delivery, with speed and efficiency. We are flexible and agile, forming and re-forming teams to build and maintain momentum, and deliver enduring results.

Our sector experience covers consumer and retail, defence and security, energy and utilities, financial services, government and public sector, healthcare, life sciences, manufacturing, and transport, travel and logistics.

We have capabilities in agile, artificial intelligence and automation, business design, cyber and digital trust, data analytics and business intelligence, digital, IT transformation, operational excellence, people and talent, programme and portfolio management, product design and development, and srategy.

Our strategy remains to do work of exceptional quality for every client and to be the adviser of choice for both the public and private sector. The five pillars of our strategy – clients, our people, purpose and brand, propositions and capabilities – have helped us to grow our business, focus our efforts and deliver outstanding client work in 2018.

Taking our clients further, faster

This year we focused on ensuring that our clients could see the full range of what we do, so that we can take them further, faster. We continued our investment in improving our sales capabilities throughout the firm and these efforts are reflected in our client feedback. We completed more than 100 client value reviews to gain deeper insight into what our clients think about our work. Some 90 per cent of our clients say that "we exceed expectations in all, or some, areas" and 98 per cent are "happy to recommend us to another client". All of our clients value that we introduce them to new, ingenious ideas and approaches and that we push forward their thinking about what's possible.

Building an ever-better place to work: our people

We continue to maintain a high-performing organisation that can attract, develop and retain individuals with the skills and qualities needed to deliver visible and sustained value for clients.

Our people strategy is to create a great place to work in which all staff can thrive. Internal research that we undertook during the year showed that our people are excited to work for PA because we offer stimulating work, great clients and a collaborative working environment.

In 2018 we hired and integrated more than 600 new colleagues with in-demand skills like digital, agile and innovation. In the summer we started our programme to hire 400 new digital specialists at our office in Belfast. This team works with clients globally, using digital technologies to adapt and transform their businesses.

Bringing Ingenuity to Life: our purpose and brand

We launched to great success our new Purpose for the firm: 'We believe in the power of ingenuity to build a positive human future in a technology-driven world', and brand, 'Bringing Ingenuity to Life'.

Having a clear sense of purpose is crucial to our success. Our purpose: 'Bringing Ingenuity to Life', is crucial to attracting clients who seek new ways of working. They want to work with a different kind of firm, one that can bring ingenuity to help them seize their opportunities. It's crucial for our business as we seek to grow by winning more of the work we love to deliver. And it's crucial for our people who value what we stand for and enjoy the brilliant projects that help them build their careers through working with outstanding people and teams.

STRATEGIC REVIEW

Taking our thinking to our clients: our propositions

Our firm-wide propositions bring together PA's collective insights, expertise and experience into a single and coherent approach that meets our clients' market-specific needs. By working together in go-to-market teams, we tailor our propositions for specific industries and then take them to clients – including our key accounts.

We know our clients expect us to have a strong point of view and market-leading insight on issues impacting their business, and to bring them ideas from other clients and industries. And that's exactly what propositions do.

Our propositions are relevant and insightful, bold and differentiated, authoritative and evidenced, and ambitious and impactful. Our current propositions are Agility, Connected Workforce, Cost Out, Customer 4.0, Dark Data, Data Privacy, Smart Supply Chain and Total Digital.

As an example of how our propositions are addressing client needs, Organisational Agility is helping organisations position themselves to succeed in today's disruptive environment. Our PA experts are helping clients centre on their customers, speed up time to value, design for simplicity, build to evolve and liberate their people. In Q4, we launched it to the market through a series of events, supported by a robust piece of original thought leadership, 'The Evolution of the Agile Organisation. Old Dogs – Ingenious New Tricks'.

Another example of a proposition addressing a real client need is Total Digital. The Total Digital organisation is built on technology that's distinctly different to legacy systems. Old technology stacks were built to serve particular functions and processes. Linking them up and reconfiguring them to deliver new digital propositions is expensive and time-consuming. By contrast, new technology platforms are flexible, modular and typically cloud-based. They create organisations that drive more value in new ways. With Total Digital, we're helping companies acquire and retain the right digital capabilities, embrace data and insight-driven decisions and adopt a mindset of 'transformation as usual'.

Building great teams: our capabilities

We've been combining strategy, innovation and digital skills for years to make organisations faster on their feet and connect with customers. Our experience suggests the demand for this know-how will only continue to grow. That's why we've been growing PA's capabilities to ensure we're positioned to continue delivering exceptional client value in the future. In 2018 we added to our world-class capabilities, acquiring Sparkler and We Are Friday in London, UK, and Essential Design in Boston, USA, and we opened a new digital hub in Belfast. These acquisitions, and the new and diverse skills and experiences they bring, are enabling us to deliver more inspiring work.

Essential Design is an innovation strategy and product design business who are experts in user-centric design, customer experience and getting innovation to market.

Sparkler is a leading digital insight and strategy consultancy. Their expertise in customer insight, brand strategy and service design is helping us steer clients through rapid disruption to customers and markets. Sparkler builds on PA's understanding of how consumers think and behave in the digital world.

We Are Friday is a specialist digital service design and engineering agency. Working together, we're helping clients reimagine and design their customer experience, improve the technology that powers their organisation and develop the capability to better manage their technology themselves.

The arrival of these award-winning businesses into PA reflects our ambition to grow, and we are extremely excited by the prospect of our people and expertise coming together to maximise the opportunities for our people and our clients.

Future trends

Our successes in delivering against our strategy in 2018 means we are well positioned heading into 2019. With a clear purpose and brand, a brilliant team, great clients and a strong sales pipeline, we have the foundations that will support us to deliver our targets in 2019.

We expect that the global consulting market will continue to grow in 2019, and beyond. Our capabilities give us access to 90 per cent of this market. The speed of change in technology and access to capital have combined to mean that the players in a market can start today with a great idea and become a category leader in years, not decades. Every company, large and small, incumbent or challenger, needs to innovate. Governments and businesses must look for ways to innovate and to adapt, and PA is best placed to support our clients to win into the future.

Our range of services brings us into contact with a broad array of competitors, including niche specialists, management, strategy and IT-led consultancies and product and design agencies. However, our ability to combine strategies, technology and innovation gives us a differentiated position in the market. Case in point is the work we do at our Global Innovation and Technology Centre. Home to more than 250 strategists, technologists, digital experts, consultants, designers, scientists and engineers, our experts take our clients' biggest challenges and help them with every step of the innovation journey, from strategy, through prototyping and testing, to taking ideas to market. For example, our experts in deep learning, artificial intelligence and robotics are helping clients combine their data with the latest digital technology to steal a march on the competition. At the same time, our materials experts are creating sustainable product engineering solutions for clients while our strategists work with the same clients to design their business strategy to ensure the products achieve real results.

Principal risks and uncertainties

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

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

The Risk Management Committee has been given overall responsibility by the board for monitoring existing and emerging risks. It maintains oversight of the mitigating actions to manage and reduce risks through keeping a central register of risks and mitigating actions and by viewing regular status reports from its risk subcommittees. The central risk register and a summary of the most significant risks are regularly reviewed by the board. The risks that the board seeks to manage fall into four main categories: market risk, operational risk, professional risk and financial risk.

Market risk is managed by the Management Committee

The Management Committee comprises the leaders of PA's market-facing business units and is chaired by the Group Company Secretary. Market risk is under the direct control of the Management Committee, which considers the appropriateness of PA's strategy and manages the Group's exposure to sector, competitor and geographic risk as well as reputational risk.

STRATEGIC REVIEW

Operational and professional risk is managed by the Risk Management Committee

The Risk Management Committee comprises corporate and consulting staff and is chaired by the Chief Executive Officer. It reviews the Group's non-financial risk, including operational and professional risk. It ensures that all new and emerging risks are appropriately evaluated and that any necessary actions are identified and implemented. The Risk Management Committee also provides guidance to the heads of PA's consulting groups and functions and to those responsible for managing individual risks.

Financial risk is monitored by the Audit Committee

The Audit Committee comprises PA's non-executive directors and is chaired by a non-executive director. It is responsible for overseeing financial control risks. The Audit Committee reviews the effectiveness of systems for PA's internal financial control environment.

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

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

Risk description	Potential impact	Mitigation
Market risk The continued economic uncertainties in many of the major markets could have an adverse impact on client demand.	In these uncertain times, a number of market risks are heightened, such as a reduction in client demand leading to a loss of significant revenue streams, pressure on our billing rates or the collapse of a key client, exposing the Group to potential financial loss.	We have in place an account management programme focusing particular attention on our top accounts to ensure stability, account growth and customer satisfaction are all achieved. Our commercial approach ensures that we position our offerings in a way that is commensurate with market conditions, yet at the same time reflects the value proposition provided to our clients.
Damage to the PA brand and reputation could have an adverse impact on client demand.	The strength of our brand is crucial to our business. It helps us attract clients, generate new and exciting opportunities and attract and retain our people who value what we stand for. The perception of PA and its offering could be damaged by failure to maintain high standards of service delivery and the right culture. This could lead to a loss of future profitability as fewer clients award business to PA and could lead to a deterioration in our reputation.	Our account management programme has a strong focus on ensuring customer satisfaction, with mandatory client value reviews for key clients and assignments. We have strong internal capability in PR and marketing and access to external experts. We also regularly undertake independent client research. Our Code of Conduct and people policies 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, as well as Cyber Essentials and Cyber Essentials Plus, one of very few organisations in the UK that have achieved this standard for its global operations.
Our growing external brand in cyber security consulting increases visibility, which may lead to being targeted by third parties.	Hacktivists, malign outsiders or even foreign governments may target PA. Should such an attack successfully disrupt PA's operations or cause us to lose data, this may have a significant impact on our continuing work for clients.	We have invested in technical systems and controls to actively both detect and prevent cyber threats from affecting PA systems, and have successfully undertaken independent third party assessment of these controls. Our people receive training to maintain their awareness of issues and threats and to educate them as to that role in countering such threats.
Professional risk Our dependence on recruitment and retention of suitably qualified employees.	Our ability to meet the demands of the market and compete effectively with other consultancy firms is, to a large extent, dependent on having the right amount of skilled, experienced and high-performing employees. The loss of key personnel or significant numbers of employees, or the failure to attract a sufficient number of suitably qualified and experienced personnel, could have a serious impact on our ability to service client contracts.	Our most important asset is our people. To ensure that we recruit and retain the right people and always have the right people with the right mix of skills on an assignment team, we have strong recruitment policies and performance appraisal processes that establish objectives and accountabilities. We also have a training and development programme and take a case management approach to coaching top talent, guided by talent dashboards.
Risks arising from legal and regulatory changes and compliance with legislation.	Our operations are subject to a broad spectrum of legal and regulatory requirements in relation to, for example, environmental issues, employment, pensions and tax, and regulations governing the Group's activities and services. We are aware of the importance of complying with all applicable legislation affecting our business activities and of the potential financial impact and damage to reputation that can result from a breach.	Regulatory developments are actively monitored by the Risk Management Committee and by PA's Legal and Company Secretarial departments to ensure that new and existing laws and regulations are complied with and training needs are addressed. Best practice governance processes are in place across the Group and we have a comprehensive Code of Conduct and conflicts management programme that reinforces adherence to good working practices and will protect us from regulatory breach.
Financial risk Exchange rate fluctuations could create earnings and balance sheet volatility.	We operate in a number of different countries and the Group's overseas net asset values and overseas profits are, therefore, subject to currency fluctuations upon translation into sterling.	The substantial majority of PA's assets are denominated in sterling. Material net asset exposures are hedged.
Insufficient funds available in the right currency to be able to settle obligations as they become due.	The Group has a number of operational and debt-servicing cash requirements in a variety of currencies and is therefore dependent on having access to funds at the right time to avoid default.	The Group generates funds from its operational activities in excess of its operational requirements and has substantial cash balances available which are held as easily accessible, with an adequate level maintained in key currencies where appropriate. The Group also has a committed £50m credit facility available for its use.

Our people

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

Our talent life cycle starts with attracting the right people, with the right attributes, into the right roles. PA recruits in several ways: through the use of targeted advertising, PA careers' website and search partners. We also have an excellent track record of recruiting through employee referrals. In 2018 approximately 30 per cent of employees below Partner level joined in this way.

We ensure that our people are fully supported through developing their skills, knowledge and behaviours. We provide our people with a thorough induction into working at PA, as well as opportunities for continuous learning and development throughout their careers. In 2018 we promoted 356 colleagues, including 13 to our Partner team.

We offer all our people an opportunity to participate in and access great learning opportunities around the clock, wherever they are in the world. It is a key part of our commitment to help each of us to become the very best and to develop world-class consultants.

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

We create a collaborative culture that is enabling of high-performance individuals and teams. Our culture is driven by an employee value proposition that fosters engagement and collaboration and encourages people to 'be themselves' through our emphasis on inclusion and diversity.

Inclusion and diversity

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

In 2018 we committed to building a more inclusive culture that attracts and supports further diversity by launching a programme of activity that we will continue to build on for 2019. We engaged our leaders in the change through a series of workshops about 'Creating a more inclusive culture at PA', which all of our Partners, managing consultants, directors and senior leaders attended.

We know that a diverse senior leadership team is good for business and we are committed to taking action to improve our diversity while creating an environment that supports diversity of experience, background, skills and knowledge. We will continue our efforts to increase diversity at every level of our organisation.

The Walker Guidelines for Disclosure and Transparency in Private Equity specifically requires reporting on gender, which we recognise as one facet of diversity. The table below provides a breakdown of gender diversity across various levels at PA as at 31 December 2018.

	Female	Male
Total PA employees As at 31 December 2018 there were 2,851 permanent employees (2017: 2,545), including the senior leadership team and directors, of whom 958 were female and 1,893 were male (2017: 823 female and 1,722 male)	**958**	**1,893**
2017	823	1,722
Senior leadership team As at 31 December 2018 the senior leadership team, excluding company directors listed below, comprised 166 Partners and function heads (2017: 154), of whom 18 were female and 148 were male (2017: 15 female and 139 male)	**18**	**148**
2017	15	139
Directors of PA Consulting Group Limited at 31 December 2018	**0**	**6**
2017	0	5

Through our diversity networks, we provided opportunities for everyone to participate in inclusion and diversity activities. Our Pride Network ran a series of activities throughout the year, including events in our London and Oslo offices, and a breakfast to mark National Coming Out Day in Belfast. We launched our new BAME (Black, Asian and Minority Ethnic) Network, and plans for our new Women's Network were set in place, which will officially launch in early 2019, with a series of events to mark International Women's Day.

We closed the year by investigating what else we could do to build a more inclusive and diverse PA, by running a piece of exploratory research with a number of people from all levels across our firm. The findings from this research have informed our priorities for 2019, which include embedding inclusion through role modelling, improving our people leadership, refining our people policies and practices, and setting measures for success.

Employee wellbeing

We know from our most recent engagement survey that wellbeing remains an area of interest for our people and we continued to focus on this throughout 2018. In February, PA signed the Time to Change Pledge, joining a growing movement of employers committing to change how we think and act about mental health in the workplace. We formed a group of over 80 Mental Health Champions to help spread the word about Time to Change and drive awareness of key wellbeing events and communications campaigns, encouraging our people to look after their wellbeing, and highlighting the importance of talking about mental health. Throughout 2019 we will continue this focus on wellbeing, broadening our approach and driving activity across three key aspects of wellbeing – mental, physical and lifestyle – as well as providing training to our line and assignment managers, to better equip them to support their teams on this topic.

Health and safety

We recognise that we are responsible for ensuring the health, safety and welfare of PA staff at work and that we have a duty of care towards visitors and contractors who visit our premises and who are affected by our activities. We strive to provide a safe and healthy working environment; adequate welfare facilities for our staff; and sufficient information, instruction, training and supervision to enable PA to contribute positively towards safety and welfare. Our health and safety policy reflects our commitment to the principles contained in the UK Health and Safety at Work etc. Act 1974 that we use as our minimum standard in all our offices. We also have an accreditation against BS OHSAS 18001 for our occupational health and safety management systems in our London headquarters, our Global Innovation and Technology Centre near Cambridge, and our offices in Edinburgh and Manchester, UK.

Corporate social responsibility

PA is a leading consulting firm in the area of social responsibility and we recognise seriously it is no longer a ‘nice to do’ but an important ‘must do’ part of conducting business. We take responsibility to minimise, as far as possible, any potential harmful impacts on the environment and on society caused by our day-to-day activities and to support our local communities.

Environment

While we recognise that the nature of our services means that our direct impact on the environment is limited, we continue to look for new and innovative ways to reduce our environmental impact and help our clients to do the same. We continue to operate an environmental management system in compliance with ISO 14001 in all PA-owned offices, and our benefits package for our people offers a plan that promotes greener transport. We have incorporated new media technologies into our operations to prevent unnecessary travel, and we have developed an ecology-based strategy for land associated with PA-owned property. We are a member of the United Nations Global Compact and have signed up to their Sustainable Development Goals. We have joined forces with businesses, governments and NGOs to endorse the New Plastics Economy Global Commitment to eliminate plastic waste and pollution.

And we continue to explore and implement energy-saving initiatives in line with our Carbon Trust approved strategy and are fully compliant with the Energy Savings Opportunity Scheme regulations.

We believe in the power of ingenuity to build a positive human future in a technology-driven world, and our commitment to creating a better environment extends into the work we do with our clients. Just some of the many great examples include helping Skipping Rocks Lab develop a waste-free alternative to plastic bottles, supporting the United Nations drive sustainable development by helping business leaders understand how new breakthrough technologies can speed development, and helping Ecobooth on their mission to create a more sustainable events industry by creating a fully recyclable event stand made of used plastics.

Economic responsibility

Economic responsibility is enshrined in our purpose, our values and our business processes. PA supports sustainable procurement methods, whether prescribed by legislation or through our own policies. As well as the traditional procurement benchmarking criteria of price and quality, we support the 'triple bottom line' ideology and consider social, environmental and economic factors in the procurement decision-making process.

Our UK business is an approved signatory to the Prompt Payment Code and our supplier diversity policy helps ensure that the contracts that we place with suppliers provide not only value for money but that a diverse range of suppliers have fair opportunity to compete for and win new work.

In 2018 we filed our first set of reports in line with the duty to report on payment practices and performance, a mandatory initiative launched by the government to tackle late payment and fair treatment of small business.

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

Human rights

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

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

Since 2007 we have been a member of the United Nations Global Compact, a strategic policy initiative for business that aims to align members' operations and strategies with the internationally accepted principles relating to human rights, labour, the environment and anti-corruption. We also take steps to ensure that there is no human trafficking or modern slavery in our supply chain or within any part of our business, and we encourage our suppliers to adopt best practices in terms of human rights and diversity, which we assess through our supplier pre-qualification questionnaire.

Giving Back and Volunteering

Our Giving Back and Volunteering activities remain an important part of our culture and reflect a strong desire among our people to take part in activities or actions that contribute towards the needs of wider society. This year we launched Springboard, a work experience programme for school students, celebrated another Raspberry Pi competition in the UK and launched the competition in the Netherlands. We've partnered with Code First: Girls, a social enterprise aiming to increase diversity in digital jobs by teaching 20,000 more women to code by the end of 2020. And since 2014 we've worked with Teach First, a charity aiming to end inequality in education. Through this partnership we have helped mentor and coach new teachers to build leadership skills and helped small education start-ups and social enterprises find ways to improve educational outcomes for pupils from the poorest backgrounds.

Each year PA sets aside equivalent to one per cent of budgeted adjusted EBITDA for Giving Back and Volunteering. Those interested in committing time to a socially worthwhile cause can apply to spend time working on an eligible project. PA also enables staff to contribute their own funds to charities via payroll giving.

DIRECTORS' REPORT

The directors present their report for PA Consulting Group Limited for the year ended 31 December 2018.

Principal activities of the Group

The principal activities of PA Consulting Group Limited and its subsidiaries are the provision of a range of consultancy services to governments and industry. The Company acts as a holding company for the PA group of companies. A fair review of the business of the Group during the financial year ended 31 December 2018, the position of the Group at the end of the financial year and a balanced and comprehensive analysis of the performance of the Group's business during the year and future developments are included in the financial and strategic reviews on pages 6 to 16.

Directors

The directors of the Company who were in office during the year ended 31 December 2018 and up to the date of signing of the financial statements were as follows:

Marcus Agius

John Alexander (appointed 3 April 2018)

Andrew Burgess

Kully Janjuah

Alan Middleton

Fraser Robson

Directors' indemnity and insurance

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

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

Dividend

The directors do not recommend the payment of a dividend in respect of the financial year ending 31 December 2018 (2017: £nil). Amounts accruing on preference shares are included in note 17 of these financial statements.

Political and charitable donations

No political donations were made during the period. During the period the Group made charitable donations of £47,805 (2017: £51,139). These donations correspond to recommendations made by individual employees of the Group in 2018, in respect of which they individually waived an element of their deferred remuneration.

Employees

Employee involvement and engagement

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

PA regularly conducts employee surveys, which inform our people plans, and provides all employees with access to a 'Give PA your suggestions' facility. Employees and third parties, including clients and suppliers, can also raise concerns through a confidential and anonymous whistle-blowing helpline that is operated externally.

Supporting colleagues with disabilities

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

Post balance sheet events

On 12 February 2019 the board approved the repayment of £40.0 million vendor loan notes and interest accrued on those vendor loan notes. No other events have occurred since 31 December 2018 that require reporting or disclosing in the financial statements.

Going concern

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

Financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates and interest rate swap contracts to reduce exposure to interest rate movements on the senior debt. Further information about the most significant financial risks faced by the Group and how these are managed can be found in the strategic review and in note 27 of these financial statements.

Research and development

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

Disclosure of information to auditors

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

Directors' responsibilities

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

Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards, specifically FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

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

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

Directors' responsibilities statement

Each of the directors who is listed on page 17 confirms that to the best of his knowledge and belief:

- the financial statements for the financial year ended 31 December 2018, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the Company
- the strategic review includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

This directors' report was approved by the board on 4 April 2019 and signed on its behalf by:

Kully Janjuah
Director
PA Consulting Group Limited
Company number: 09761378

OUR RESULTS

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 2018 which comprise the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Nick Gomer (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Cambridge
4 April 2019

Group income statement

for the year ended 31 December 2018

	Note[1]	2018 £'000	2017 £'000
Turnover			
Fee income		455,823	400,079
Project costs recharged		47,740	38,339
Turnover	2a, 2b	503,563	438,418
Personnel and direct costs		(384,972)	(337,745)
Gross profit		118,591	100,673
Goodwill amortisation	7, 11	(21,498)	(20,359)
Other administrative expenses		(68,972)	(64,709)
Other operating income	5	2,635	2,909
Exceptional income	6	768	406
Operating profit	7, 21	31,524	18,920
Add: Depreciation and amortisation		46,486	44,866
Add: Exceptional (income)		(768)	(406)
Add: Defined benefit pension scheme running costs		2,233	1,591
Adjusted EBITDA*	6	79,475	64,971
Net interest payable and similar items	8	(55,527)	(53,902)
Loss on ordinary activities before taxation		(24,003)	(34,982)
Taxation	9a	(8,272)	(6,704)
Loss for the financial year		(32,275)	(41,686)

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

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

Group statement of other comprehensive income

for the year ended 31 December 2018

	Note[1]	2018 £'000	2017 £'000
Loss for the financial year		**(32,275)**	**(41,686)**
Actuarial gain/(loss) recognised on defined benefit pension arrangements	22b	**17,967**	**(1,157)**
Movement on deferred tax relating to actuarial gain on pensions	9b, 22b	**(3,492)**	**-**
Exchange difference on retranslation of net assets and results of overseas subsidiaries		**265**	**(291)**
Movement on corporation tax relating to retranslation of net assets and results of overseas subsidiaries		**-**	**154**
Change in the fair value of the interest rate swap		**293**	**565**
Total comprehensive loss relating to the year		**(17,242)**	**(42,415)**

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

Group statement of changes in equity

for the year ended 31 December 2018

	Note	Share capital £'000	Share premium £'000	Profit and loss reserve £'000	**Total £'000**
At 1 January 2017		783	7,044	(70,933)	**(63,106)**
Loss for the financial year		-	-	(41,686)	**(41,686)**
Actuarial loss recognised on defined benefit pension arrangements	22b	-	-	(1,157)	**(1,157)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	(291)	**(291)**
Movement on corporation tax relating to retranslation of net assets and results of overseas subsidiaries		-	-	154	**154**
Change in the fair value of the interest rate swap		-	-	565	**565**
Total comprehensive loss		-	-	(42,415)	**(42,415)**
Issue of ordinary shares		48	243	-	**291**
Movement in own shares held by employee trusts		-	-	93	**93**
Reserve credit for equity-settled share-based payments	23c	-	-	11	**11**
At 31 December 2017		**831**	**7,287**	**(113,244)**	**(105,126)**
Loss for the financial year		-	-	(32,275)	**(32,275)**
Actuarial gain recognised on defined benefit pension arrangements	22b	-	-	17,967	**17,967**
Movement on deferred tax relating to actuarial gain on pensions	22b			(3,492)	**(3,492)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries		-	-	265	**265**
Change in the fair value of the interest rate swap		-	-	293	**293**
Total comprehensive loss		-	-	(17,242)	**(17,242)**
Issue of ordinary shares	19a	51	759	-	**810**
Movement in own shares held by employee trusts		-	-	823	**823**
Reserve credit for equity-settled share-based payments	23c	-	-	6	**6**
Cash consideration received for disposal of shares				780	**780**
At 31 December 2018		**882**	**8,046**	**(128,877)**	**(119,949)**

Company statement of changes in equity

for the year ended 31 December 2018

	Note	Share capital £'000	Share premium £'000	Profit and loss reserve £'000	**Total £'000**
At 1 January 2017		783	7,044	(4,245)	**3,582**
Loss for the financial year		-	-	(4,529)	**(4,529)**
Issue of ordinary shares		48	243	-	**291**
At 31 December 2017		**831**	**7,287**	**(8,774)**	**(656)**
Loss for the financial year		-	-	(4,969)	**(4,969)**
Issue of ordinary shares	19a	51	759	-	**810**
At 31 December 2018		**882**	**8,046**	**(13,743)**	**(4,815)**

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

Group statement of financial position
at 31 December 2018

	Note[1]	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	11	443,358	448,928
Tangible assets	12	27,525	27,561
		470,883	476,489
Current assets			
Debtors: amounts falling due within one year	14	120,315	111,879
Debtors: amounts falling due after more than one year	15	10,265	12,199
Short-term deposits		11,066	489
Cash at bank and in hand		121,078	86,814
		262,724	211,381
Creditors: amounts falling due within one year	16	(163,970)	(111,506)
Net current assets		98,754	99,875
Total assets less current liabilities		569,637	576,364
Creditors: amounts falling due after more than one year	17	(653,968)	(641,062)
Provisions for liabilities	18	(33,492)	(39,015)
Net assets excluding net pension liabilities		(117,823)	(103,713)
Defined benefit pension arrangement	22b	(2,126)	(1,413)
Net assets		(119,949)	(105,126)

Capital and reserves			
Called-up share capital	19	882	831
Share premium	19a	8,046	7,287
Profit and loss reserve		(128,877)	(113,244)
Shareholders' funds		(119,949)	(105,126)

The financial statements were approved and authorised for issue by the board of directors on 4 April 2019.

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

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

Company statement of financial position

at 31 December 2018

	Note[1]	2018 £'000	2017 £'000
Fixed assets			
Investments	13	15,633	15,633
Current assets			
Debtors: amounts falling due within one year	14	30,742	28,574
Debtors: amounts falling due after one year	15	147,825	131,987
		178,567	160,561
Creditors: amounts falling due within one year	16	(8,802)	(7,017)
Net current assets		169,765	153,544
Total assets less current liabilities		185,398	169,177
Creditors: amounts falling due after more than one year	17	(190,213)	(169,833)
Net assets		(4,815)	(656)
Capital and reserves			
Called-up share capital	19	882	831
Share premium	19a	8,046	7,287
Profit and loss reserve		(13,743)	(8,774)
Shareholders' funds		(4,815)	(656)

The financial statements were approved and authorised for issue by the board of directors on 4 April 2019.

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

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

Group statement of cash flows

for the year ended 31 December 2018

	Note[1]	2018 £'000	2017 £'000
Net cash inflow from operating activities	21	**112,406**	**51,773**
Taxation paid		**(7,450)**	**(3,604)**
Net cash generated from operating activities		**104,956**	**48,169**
Investing activities			
Payments to acquire tangible assets	12	**(2,846)**	**(9,509)**
Payments to acquire intangible assets	11	**(2,025)**	**(1,610)**
Purchase of subsidiary undertakings (net of cash acquired)	30b	**(17,533)**	**(2,607)**
Interest received		**418**	**244**
Net cash used in investing activities		**(21,986)**	**(13,482)**
Financing activities			
Issue of ordinary shares	19a	**810**	**291**
Repayment of 5% loan notes	17b	**(30,079)**	**(49,997)**
Interest paid		**(12,210)**	**(14,392)**
Net receipt from sale of own shares		**3,323**	**1,804**
Staff loans repaid		**27**	**94**
Net cash paid for financing activities		**(38,129)**	**(62,200)**
Net increase/(decrease) in cash and cash equivalents		**44,841**	**(27,513)**
Cash and cash equivalents at the beginning of the year		**87,303**	**114,816**
Cash and cash equivalents at the end of the year		**132,144**	**87,303**
Cash and cash equivalents consist of:			
Cash at bank and in hand		**121,078**	**86,814**
Short-term deposits		**11,066**	**489**
Cash and cash equivalents		**132,144**	**87,303**

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

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

Group reconciliation of movements of net cash flow to movement in net debt

for the year ended 31 December 2018

	Note[1]	2018 £'000	2017 £'000
Increase/(decrease) in cash in the period	21	44,841	(27,513)
Cash outflow from decrease in debt	21	32,263	52,752
Movements in net funds resulting from cash flows		77,104	25,239
Other changes		(45,154)	(41,067)
Movement in net funds		31,950	(15,828)
Net debt at 1 January		(518,131)	(502,303)
Net debt at 31 December	21	**(486,181)**	**(518,131)**

Net funds include £14,501,713 (2017: £11,251,156) held by employee benefit trusts that are not under the Group's control.

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

Notes to the financial statements

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

The Group's and Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

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.

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:

a Taxation

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Assumptions are made around the level of disallowable expenses, and provisions are also made for uncertain exposures; this affects the tax calculation and can have an impact on both deferred and current tax. Tax assets are not recognised unless it is probable that the benefit will be realised. The final resolution of these transactions may give rise to adjustments to the income statement and/or cash flow in future periods. The Group reviews each significant tax asset or liability each period to assess the appropriate accounting treatment. Refer to note 9 for further details.

b Turnover from long-term contracts

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

c Provisions for work in progress assets and customer receivables

Provisions are made for work in progress assets and customer receivables where there is doubt over their recoverability. The provision is an estimate calculated in accordance with a defined Group policy based on historical experience and information available at the reporting date. Future recovery or otherwise of these assets will result in a release of the provision or increase in the charge to the income statement.

d Provision for liabilities

The Group recognises a provision for liabilities when it has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Determining the level of provision required requires the use of both judgement and estimates. Subsequent resolution of these matters may result in an increase or decrease in the actual cash outflows required to settle the liability.

e Pension assets and liabilities

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

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for share-based payments, pension assets and liabilities, freehold land and buildings that were restated using fair value on the Group's acquisition, 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 rounded to the nearest thousand pounds (£'000).

The Group is financed by a combination of debt, equity and retained earnings. The Group reports under its banking covenants quarterly, and there is significant headroom within these facilities. The directors have reviewed the detailed financial budgets prepared for the forthcoming year, together with long-term projections, and given its level of cash reserves and cash flow projections believe that the Group has sufficient resources available to it to continue in operational existence for the next 12 months. The directors therefore believe that it is appropriate to continue to prepare the accounts on a going concern basis.

Principles of consolidation

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

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

As permitted by section 408 of the Companies Act 2006, no separate income statement is presented for the Company.

Employee benefit trusts

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

The carrying value of the Company’s shares held by the trusts is recorded as a deduction in arriving at shareholders’ funds until such time as the shares transfer to employees. Consideration received for the sale of such shares is also recognised in shareholders’ funds, with any difference between the proceeds from sale and the carrying value taken to the profit and loss reserve. No gain or loss is recognised on the purchase, sale or cancellation of equity shares.

Foreign currencies

a 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.

b 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.

c 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 profit and loss reserve.

Segment reporting

The Group is principally a consultancy business.

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover

Turnover 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.

Turnover 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.

Turnover from long-term contracts is recognised over the contract term using the percentage of completion method. The stage of completion of a long-term contract is measured as the proportion that costs incurred for work performed to date bear to the estimated total costs of the contract. Estimated total costs of the contract are reviewed regularly and, where necessary, revised.

Turnover in respect of contingent fee assignments (over and above any agreed minimum fee) is only recognised when the contingent event occurs and collectability of the fee is assured.

No turnover 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.

The gross amount invoiced to clients but not yet received is separately disclosed within debtors as trade debtors. Unbilled turnover on individual client assignments is included as accrued income within debtors. Where billings exceed turnover on client assignments, the excess is classified as payments on account within creditors.

Employee benefits

a Defined benefit plans

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

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

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

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

b Defined contribution plans

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

c Share-based payments

The Group provides benefits to its employees in the form of equity-settled and cash-settled share-based payment transactions, whereby employees render services in exchange for shares, rights over shares or the value of those shares in cash terms.

For equity-settled share-based payments, the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using the Black-Scholes option-pricing model. This fair value is charged as an employee benefit expense within personnel and direct costs in the income statement over the vesting period of the share-based payment arrangement, with the corresponding increase in shareholders' funds.

For cash-settled share-based payments, the fair value of the employee services rendered is determined at each statement of financial position date and the charge recognised through the income statement over the vesting period of the share-based payment plan, with the corresponding increase in creditors. The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in creditors.

Where the Company grants rights to its equity instruments to employees of a subsidiary, and the share-based payment is accounted for as equity-settled in the Group financial statements, the subsidiary records an expense for the share-based payment, with a corresponding increase in shareholders' funds as a capital contribution from the Company. Consequently, in the Company financial statements, fixed asset investments in subsidiaries are increased by the aggregate amount of these contributions with a corresponding increase in shareholders' funds for the same amount.

d Deferred employee remuneration

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

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

e 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.

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 as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Group is expected to benefit.

Operating lease income and expense

a Rental expense

Operating lease rentals are charged as other administrative expenses to the income statement in equal annual amounts over the lease term. Assets leased under operating leases are not recorded on the statement of financial position because the lessor retains a significant portion of the risks and rewards of ownership.

b Lease incentives

The benefit of lease incentives such as rent-free periods or up-front cash payments are spread equally on a straight-line basis over the lease term.

c Rental income

Operating lease income consists of rentals from subtenant agreements and are recognised on a straight-line basis over the lease term and classified as other operating income in the income statement.

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.

Tax

The tax charge comprises current tax payable and deferred tax.

a 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.

b Deferred tax

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

- deferred tax assets are recognised only to the extent that the directors consider that it is 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.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the period that the interim dividend is paid or a final decision is approved by the Company's shareholders. Distributions are deducted from the profit and loss reserve within shareholders' funds.

Notes to the financial statements

1 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

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 the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised on a straight-line basis over its useful economic life up to a maximum of 10 years.

The carrying value of goodwill is reviewed for impairment at the end of the first financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

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

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

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

The costs capitalised for investment in new software represent costs of development by an external company and are amortised over a useful life of three years. Internal costs of development are expensed as incurred.

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

Asset category	Useful economic life
Software	3 years
Non-compete	2 to 3 years
Trademarks	5 to 20 years
Customer relationships	3 to 21 years
Goodwill	10 years

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

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

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

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

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that carrying values may not be recoverable.

Fixed asset investments

In the Company statement of financial position, investment in subsidiaries is stated at cost less provision for impairment in value.

Short-term deposits

Short-term deposits comprise deposits where there is a notice period for withdrawal of more than 24 hours but less than three months.

Cash

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

Financial instruments

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

Trade and other payables are not interest-bearing and are stated at amortised cost, except for employee-related liabilities payable 12 months after the statement of financial position date.

Employee-related liabilities payable 12 months after the statement of financial position date are discounted at a rate of interest equivalent to high-quality corporate bonds of similar length.

Derivative instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The Group uses interest rate swap contracts to reduce exposure to interest rate movements on the senior debt. The interest payable or receivable on such swaps is accrued in the same way as interest arising on deposits or borrowings. Derivative financial instruments are initially measured at fair value on the date on which the derivative contract is entered into. Forward foreign currency contracts are subsequently measured at fair value through the income statement. The Group's interest rate swap is subsequently measured at fair value through other comprehensive income. The fair value of both types of derivative financial instruments are calculated by reference to market prices for similar instruments.

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.

Provision is made for onerous property lease commitments, after allowance for anticipated sublet rental income, and to restore premises to their original condition upon vacating them where such an obligation exists under the lease.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by repayments made in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

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

Share capital

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

a 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.

In accordance with FRS 102, the Company's preference shares are considered to be financial liabilities and presented separately within creditors.

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

b Financial liabilities

The liability for the preference shares arises because their rights oblige the Company to pay accrued dividends (12%) and capital in certain events.

The financing charge arising on the liability is charged as interest in the income statement.

Adjusted EBITDA and exceptional items

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

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

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

Notes to the financial statements

2 TURNOVER AND SEGMENTAL ANALYSIS

a Business segments

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

	Note	2018 £'000	2017 £'000
Fee income		455,823	400,079
Project costs recharged		47,740	38,339
Turnover	2b	503,563	438,418
Loss on ordinary activities before taxation		(24,003)	(34,982)
Net assets		(119,949)	(105,126)

b Geographical analysis

The Group manages its business segments on a global basis. The following table provides an analysis of Group turnover by geographical region, based on the billing location of the client:

	2018 £'000	2017 £'000
UK	350,868	289,537
Americas	65,757	62,643
Scandinavia	50,901	50,228
Europe (excluding UK and Scandinavia)	22,356	29,429
Asia Pacific	13,681	6,581
Turnover	503,563	438,418

An analysis of profit before tax and net assets by geographic region is not provided because, in the directors' opinion, there is no suitable basis of allocating profit before tax, assets and related liabilities to geographical segments as the Group's resources are utilised flexibly over all geographical regions.

3 EMPLOYEE INFORMATION

a Employee numbers

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

	2018 Number	2017 Number
Consultants	2,240	2,070
Support	595	575
Total average number of employees	2,835	2,645

b Employee remuneration

The aggregate remuneration of these persons was:

	Note	2018 £'000	2017 £'000
Wages and salaries		(194,960)	(185,080)
Deferred remuneration		(61,410)	(41,532)
Social security costs		(22,364)	(21,234)
Contributions to defined contribution pension arrangements		(13,808)	(13,532)
Current service cost for defined benefit pension arrangements	22b	(30)	(10)
Running costs for defined benefit pension arrangements	6, 22b	(2,233)	(1,591)
Equity-settled share-based payments	23c	(6)	(11)
Cash-settled share-based payments	23c	-	86
Other payroll costs		(20,408)	(18,486)
Total aggregate employee benefits		(315,219)	(281,390)

Notes to the financial statements

4 DIRECTORS' REMUNERATION

a Aggregate remuneration

	2018 £'000	2017 £'000
Aggregate emoluments in respect of qualifying services	(1,906)	(1,634)
Company contributions to money purchase pension schemes	-	-
Non-executive directors' fees	(297)	(216)
	(2,203)	(1,850)

	2018 Number	2017 Number
Directors accruing benefits under defined benefit schemes	-	2
Directors in the defined contribution scheme	2	-

No directors held share options during the year ended 31 December 2018.

No other directors were paid by the Company or Group.

b Highest-paid director

	2018 £'000	2017 £'000
Total amount of emoluments and amounts receivable under long-term incentive schemes	(1,515)	(1,279)
Contributions to defined contribution pension arrangements	-	-
	(1,515)	(1,279)

5 OTHER OPERATING INCOME

	2018 £'000	2017 £'000
Rental income from property subleases	2,635	2,909

6 ADJUSTED EBITDA AND EXCEPTIONALS

	Note	2018 £'000	2017 £'000
Group operating profit	21	**31,524**	**18,920**
Exceptional costs are made up of the following items:			
Use of pension surplus, net of legal adviser costs	6a	**(5,247)**	**542**
One-off advisory costs	6b	**1,812**	**-**
Defined benefit pension scheme historic service cost/(credit)	6c	**901**	**(2,029)**
Business closure costs	6d	**700**	**153**
Future funding costs related to acquisitions	6e	**645**	**-**
Finance systems upgrade	6f	**588**	**751**
Other income	6g	**(167)**	**-**
Restructuring costs	6h	**-**	**177**
Exceptional income		**(768)**	**(406)**
Amortisation of intangible fixed assets	7, 11, 21	**21,422**	**20,695**
Amortisation of goodwill	7, 11, 21	**21,498**	**20,359**
Depreciation of tangible fixed assets	7, 12, 21	**3,496**	**3,753**
Loss on disposal of tangible fixed assets	7, 21	**70**	**59**
Defined benefit pension scheme running costs	3b, 6i, 22b	**2,233**	**1,591**
Adjusted EBITDA		**79,475**	**64,971**

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

a This is the use of the defined benefit pension scheme surplus to provide a contribution holiday net of legal fees for the UK closed defined benefit scheme.

b These costs relate to professional fees incurred reviewing the Group's financing strategy.

c The cost in the current year was the additional uplift required for the equalisation of Guaranteed Minimum Pension. The credit in the prior year relates to a pension increase exchange exercise on the UK closed defined benefit scheme.

d These costs relate to the closure of businesses driven by the Group simplification initiative in the period.

e These costs relate to the investment in new businesses during the period.

f These costs relate to the ongoing upgrade of the Group's core legacy back office systems.

g This income relates to various other credits and costs that the directors believe are exceptional in nature.

h These costs relate to various restructuring plans executed during the prior year.

i During the period the Group incurred pension running costs for the two closed UK defined benefit pension schemes. These schemes are in surplus and as such the running costs are a non-cash cost to the Group.

Notes to the financial statements

7 GROUP OPERATING PROFIT

This is stated after charging/(crediting):	Note	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	6, 12, 21	3,496	3,753
Loss on disposal of tangible fixed assets	6, 21	70	59
Total depreciation charge		3,566	3,812
Amortisation of intangible fixed assets	6, 11, 21	21,422	20,695
Amortisation of goodwill	6, 11, 21	21,498	20,359
Operating lease rental charges – land and buildings		12,216	12,402
Operating lease rental charges – plant and machinery		774	757
Foreign currency differences		(1,458)	1,156
R&D expenditure credits		(1,500)	(1,251)
Auditor's remuneration		382	319

Auditor's remuneration

	2018 £'000	2017 £'000
Audit of the Company and Group financial statements	312	267
Fees payable to the Group's auditor for other services:		
Tax services	22	16
Other assurance services	17	20
All other services	31	16
Total non-audit services	70	52
	382	319

Included in audit of the financial statements is £13,635 (2017: £12,500) relating to the Company.
The auditor of PA Consulting Group Limited is Ernst & Young LLP.

8 NET INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR ITEMS

	Note	2018 £'000	2017 £'000
Interest receivable on cash and short-term deposits		763	219
Total interest receivable and similar income		763	219
Interest payable/paid on:			
– preference shares	8b	(20,380)	(18,246)
– investor loan notes	8b	(22,338)	(19,944)
– vendor loan notes		(7,121)	(9,182)
– senior debt		(4,651)	(4,639)
Amortisation of debt issue costs	8a, 17a	(692)	(693)
Net discounting impact of long-term assets/liabilities		(1,052)	(1,205)
Interest on defined benefit pension arrangement liabilities	22b	(56)	(30)
Other interest		-	(182)
Total interest payable and similar charges		(56,290)	(54,121)
Net interest payable and similar items		(55,527)	(53,902)

a Issue costs on the senior debt are amortised over a period of six years.

b Interest payable on preference shares and investor loan notes is not paid in the period but rolls-up into the principal and is only payable on maturity (see note 17).

9 TAX

a Tax on profit on ordinary activities

	2018 £'000	2017 £'000
Current tax		
United Kingdom		
UK corporation tax at 19% (2017: 19.25%)	**(6,451)**	**(4,148)**
UK tax overprovided in previous years	**534**	**115**
UK corporation tax	**(5,917)**	**(4,033)**
Foreign tax		
Corporation taxes	**(1,821)**	**(818)**
Foreign tax (under)/overprovided in previous years	**(784)**	**171**
Foreign tax	**(2,605)**	**(647)**
Total current tax charge	**(8,522)**	**(4,680)**
Deferred tax		
Origination and reversal of timing differences	**(798)**	**(1,760)**
Deferred tax adjustment relating to previous years	**1,048**	**(264)**
Total deferred tax	**250**	**(2,024)**
Total tax charge on loss on ordinary activities	**(8,272)**	**(6,704)**

b Tax included in Group statement of other comprehensive income

	Note	2018 £'000	2017 £'000
Deferred tax			
Movement on deferred tax relating to the pension surplus	9e, 22b	**3,492**	**-**
Total tax charge		**3,492**	**-**

Notes to the financial statements

9 TAX (CONTINUED)

c Factors affecting current tax credit

The Group's total current tax charge is £10,321,000 (2017: £4,680,000). The three main items affecting this charge are:

i interest payable on senior debt, preference shares and loan notes, which is partly tax-deductible in 2018

ii further tax relief on a £102,000,000 payment made to the UK defined benefit pension scheme in 2015 (see note 22c)

iii the amortisation of goodwill, which is not deductible.

The Group's total tax charge is higher than the standard rate of UK corporation tax for the year, 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(24,003)	(34,982)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19% (2017: 19.25%)	4,561	6,734
Effects of:		
Expenses not deductible for tax purposes (excluding goodwill amortisation)	(752)	(374)
Non-deductible preference share interest	(3,872)	(3,512)
Non-deductible loan interest	(3,525)	(4,553)
Goodwill amortisation	(3,864)	(3,915)
Overseas losses arising in the year not relievable against current tax	(1,458)	(409)
Use of tax losses which are relievable against current tax	43	298
Tax overprovided in previous years	799	22
Effect of change of tax rate on deferred tax asset	(634)	(286)
Differential on overseas tax rates	430	(709)
Total tax charge for the year	(8,272)	(6,704)

d Factors that may affect future tax charges

The UK's standard rate of corporation tax will reduce from 19% to 17% with effect from 1 April 2020.

e Deferred tax

i The deferred tax assets/(liabilities) included in the Group statement of financial position are as follows:

	Note	2018 £'000	2017 £'000
Included in debtors due after more than one year	15	8,057	12,199
Included in provisions for liabilities	18	(32,066)	(32,215)
		(24,009)	(20,016)

ii The components of deferred tax included in the Group statement of financial position are as follows:

	2018 £'000	2017 £'000
Deferred employee remuneration	7,394	7,242
Pension contributions	(2,471)	4,716
Tax losses	17,522	17,624
Intangible assets	(45,997)	(48,741)
Property provisions	273	186
Other	249	(596)
Accelerated capital allowances	(979)	(447)
	(24,009)	(20,016)

iii The movement in deferred tax in the Group statement of financial position during the period is as follows:

	Note	2018 £'000
At 1 January 2018 including deferred tax on defined benefit pension net surplus		(20,016)
Effect of movements in exchange rates		156
Deferred tax credit in Group income statement		251
Deferred tax recognised on balance sheet on acquired intangible assets		(908)
Amount charged to Group statement of other comprehensive income	9b, 22b	(3,492)
At 31 December 2018 including deferred tax on defined benefit pension net surplus		**(24,009)**

The Group expects deferred tax liabilities of £3.1 million to reverse in 2019 relating to the pension surplus.

f Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

	2018 £'000	2017 £'000
Tax losses carried forward	5,773	7,421
	5,773	7,421

10 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented an income statement for the Company alone. The Company's loss for the year was £4,969,194 (2017: £4,529,049).

Notes to the financial statements

11 INTANGIBLE ASSETS

Group

	Note	Software £'000	Non-compete £'000	Trademarks £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost							
At 1 January 2018		4,564	6,338	118,649	197,529	206,237	**533,317**
Additions		2,025	-	-	-	-	**2,025**
Acquired on subsidiary acquisitions		-	975	2,553	1,601	29,781	**34,910**
Effect of movements in exchange rates		-	7	33	3	372	**415**
At 31 December 2018		**6,589**	**7,320**	**121,235**	**199,133**	**236,390**	**570,667**
Accumulated amortisation							
At 1 January 2018		(2,753)	(3,800)	(12,206)	(23,764)	(41,866)	**(84,389)**
Charge for the year	6, 7, 21	(1,305)	(2,261)	(6,074)	(11,782)	(21,498)	**(42,920)**
At 31 December 2018		**(4,058)**	**(6,061)**	**(18,280)**	**(35,546)**	**(63,364)**	**(127,309)**
Net book amount							
At 31 December 2018		**2,531**	**1,259**	**102,955**	**163,587**	**173,026**	**443,358**
At 1 January 2018		1,811	2,538	106,443	173,765	164,371	**448,928**

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

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

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

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

See note 30 for details of goodwill and intangibles acquired in the period. Goodwill is being amortised evenly over the directors' estimate of its useful economic life of 10 years.

Company

The Company has no intangible fixed assets.

12 TANGIBLE ASSETS

Group

	Note	Freehold land and buildings £'000	Short leasehold and property £'000	Office furniture equipment and machinery £'000	Computer equipment £'000	**Total £'000**
Cost						
At 1 January 2018		17,793	7,617	4,029	4,376	**33,815**
Effect of movements in exchange rates		-	30	40	13	**83**
Additions at cost		183	597	707	1,359	**2,846**
Acquired on subsidiary acquisitions		-	140	317	205	**662**
Disposals		(2)	(88)	(1,481)	(2,283)	**(3,854)**
At 31 December 2018		**17,974**	**8,296**	**3,612**	**3,670**	**33,552**
Accumulated depreciation						
At 1 January 2018		(1,764)	(282)	(1,167)	(3,041)	**(6,254)**
Effect of movements in exchange rates		-	(12)	(38)	(11)	**(61)**
Charge for the year	6, 7, 21	(923)	(666)	(761)	(1,146)	**(3,496)**
Disposals		2	76	1,445	2,261	**3,784**
At 31 December 2018		**(2,685)**	**(884)**	**(521)**	**(1,937)**	**(6,027)**
Net book amount						
At 31 December 2018		**15,289**	**7,412**	**3,091**	**1,733**	**27,525**
At 1 January 2018		16,029	7,335	2,862	1,335	**27,561**

Company

The Company has no tangible fixed assets.

Notes to the financial statements

13 FIXED ASSET INVESTMENTS IN SUBSIDIARIES

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cost				
At 1 January	-	-	15,633	15,633
Additions at cost	-	-	-	-
At 31 December	**-**	**-**	**15,633**	**15,633**

14 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	14a	**68,974**	**71,124**	**-**	**-**
Amounts owed by Group undertakings		**-**	**-**	**30,724**	**28,557**
Other debtors		**4,591**	**4,431**	**-**	**-**
Loans to staff		**4**	**32**	**-**	**-**
Prepayments		**9,907**	**7,842**	**18**	**17**
Withholding tax debtor		**738**	**731**	**-**	**-**
Taxation		**3,751**	**5,652**	**-**	**-**
Accrued income		**19,116**	**22,067**	**-**	**-**
Defined benefit pension asset		**13,234**	**-**	**-**	**-**
		120,315	**111,879**	**30,742**	**28,574**

a Trade debtors

Trade debtors are stated after provisions for impairment of £8,737,588 (2017: £3,276,573).

15 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Deferred tax	9e	**8,057**	12,199	**-**	-
Defined benefit pension asset		**2,206**	-	**-**	-
Other debtors		**2**	-	**-**	-
Amounts owed by Group undertakings		**-**	-	**147,825**	131,987
		10,265	12,199	**147,825**	131,987

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Payments on account		**(17,832)**	(15,140)	**-**	-
Trade creditors		**(2,008)**	(866)	**-**	(233)
Other taxes and social security payable		**(25,473)**	(18,670)	**-**	-
Deferred consideration on acquisition of subsidiaries		**(7,354)**	(876)	**-**	-
Other creditors		**(28,789)**	(24,823)	**(147)**	(463)
Accrued interest on senior debt		**(234)**	(235)	**-**	-
Accrued interest on 5% vendor loan notes		**(1,511)**	(1,949)	**-**	-
Cash-settled share-based payments liability	23c	**(36)**	(290)	**-**	-
Amounts owed to Group undertakings		**-**	-	**(5,035)**	(6,321)
Taxation		**(2,458)**	(3,890)	**(3,620)**	-
Deferred employee remuneration		**(78,275)**	(44,767)	**-**	-
		(163,970)	(111,506)	**(8,802)**	(7,017)

Notes to the financial statements

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Senior debt	17a, 21	(97,960)	(97,268)	-	-
Unsecured transferable 5% vendor loan notes	17b, 21	(119,924)	(150,003)	-	-
Unsecured transferable 12% investor loan notes	17c, 21	(208,483)	(186,146)	-	-
Preference shares classified as financial liabilities	17d, 21	(190,213)	(169,833)	(190,213)	(169,833)
Deferred consideration on acquisition of subsidiaries		(12,044)	(1,330)	-	-
Other creditors		(7,215)	(4,496)	-	-
Deferred employee remuneration	17e	(18,129)	(31,986)	-	-
		(653,968)	(641,062)	(190,213)	(169,833)

a Senior debt

On 11 December 2015 the Group received a bank loan of £100,000,000 that is repayable on 11 December 2021. Interest of 3.25% plus LIBOR is payable on the loan. The loan is shown net of issue costs. Issue costs at inception totalled £4,155,000 and are being amortised over the six-year term of the loan. Amortisation in the year totalled £692,000 (2017: £693,000). The senior debt is secured by a charge over the banking group whose parent is Garden Midco 2 Limited.

Amounts payable	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
In two to five years	(100,000)	(100,000)	-	-
Less issue costs	2,040	2,732	-	-
	(97,960)	(97,268)	-	-

b Unsecured transferable 5% vendor loan notes

On 11 December 2015, £200,000,000 unsecured transferable 5% vendor loan notes were issued. The loan notes are repayable on 11 December 2023. The loan notes accrue interest at a rate of 5% payable annually on 30 September. Repayments of £30,079,092 on vendor loan notes were made during the year (2017: £49,997,103).

Amounts payable	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
In two to five years	(119,924)	-	-	-
In more than five years	-	(150,003)	-	-

c Unsecured transferable 12% investor loan notes

On 11 December 2015, £147,425,000 unsecured transferable 12% investor loan notes were issued. The loan notes are repayable on 11 December 2023. The loan notes accrue interest, compounded each year, at a rate of 12%.

Amounts payable	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
In two to five years	(208,483)	-	-	-
In more than five years	-	(186,146)	-	-

d Preference shares classified as financial liabilities

On 11 December 2015 the Group issued 134,461,347 £0.01 redeemable preference shares at £1 each. Dividends accrue at the rate of 12% per annum, compounded each year.

Amounts payable	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
In two to five years	(190,213)	-	(190,213)	-
In more than five years	-	(169,833)	-	(169,833)

e Deferred employee remuneration

The structure of the Group's deferred employee remuneration has changed for the current year, accelerating the remuneration. As a result, deferred employee remuneration in respect of the current year onwards is primarily recorded as a creditor falling due within one year.

Notes to the financial statements

18 PROVISIONS FOR LIABILITIES

Group

	Deferred tax £'000	Property £'000	Other £'000	**Total £'000**
At 1 January 2018	(32,215)	(6,445)	(355)	**(39,015)**
Recognised on subsidiary acquisitions	(908)	-	-	**(908)**
Effect of movements in exchange rates	-	(35)	(6)	**(41)**
Charged to the income statement	-	(304)	(635)	**(939)**
Released to the income statement	3,670	674	-	**4,344**
Reclassification of assets and liabilities	(2,613)	-	-	**(2,613)**
Utilised in the period	-	5,680	-	**5,680**
At 31 December 2018	**(32,066)**	**(430)**	**(996)**	**(33,492)**

a Deferred tax provisions

Deferred tax provisions are analysed in note 9e.

b Property provisions

Property provisions relate to the difference between rents payable and rents receivable in all vacant and sublet space and dilapidations obligations on leasehold properties over the term of the lease.

c Other provisions

Other provisions include provisions mostly in respect of legal actions or claims against PA Consulting Group Limited or its subsidiary companies. In the opinion of the directors, the provisions made represent sufficient and adequate provision to cover the likely result of any action or claim. They are also of the opinion that further detailed disclosure of the nature or extent of these actions or claims would be seriously prejudicial to the Group's defence of these actions and claims.

Company

The Company has no provisions for liabilities.

19 ALLOTTED AND ISSUED SHARE CAPITAL

Group and Company

Allotted, called up and fully paid	2018 Number	2017 Number	2018 £'000	2017 £'000
Ordinary A shares of £0.01 each	**38,250,000**	38,250,000	**383**	383
Ordinary B shares at £0.01 each	**34,886,530**	34,886,530	**349**	349
Ordinary C shares at £0.01 each	**15,045,527**	9,984,897	**150**	99
	88,182,057	83,121,427	**882**	831

a Ordinary shares

Allotment of ordinary share capital

On 18 May 2018, 5,060,630 ordinary C £0.01 shares were issued at £0.16 each for the total consideration of £809,701, resulting in a share premium of £759,095. The allotment of shares is fully paid up.

b 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

c Priority on a return of capital or sale

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

20 RESERVES

Group

Included in the profit and loss reserve are the following amounts:

	Own shares held elimination £'000
At 1 January 2018	(904)
Movement in own shares held by employee trust	823
At 31 December 2018	**(81)**

Shares held by employee trust

At the end of the period the PA 2004 ESOP held 575 ordinary shares in the Company at £2,777 (2017: 193,811 ordinary shares at £825,789) and vendor loan notes totalling £77,738 (2017: £77,738) – combined total £80,515 (2017: £903,527).

The purpose of the PA 2004 ESOP is to facilitate and encourage the ownership of shares by employees by holding shares for subsequent sale or grant. As required by FRS 102 Section 9, own shares held are treated as a deduction from shareholders' funds.

Notes to the financial statements

21 RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Note	2018 £'000	2017 £'000
Group operating profit	7	**31,524**	18,920
Amortisation of intangible fixed assets and goodwill	6, 7, 11	**42,920**	41,054
Depreciation of tangible fixed assets	6, 7, 12	**3,496**	3,753
Loss on disposal of tangible assets	6, 7	**70**	59
Decrease/(increase) in debtors		**8,414**	(12,753)
Increase in creditors and provisions		**23,200**	862
Net foreign exchange (gain)/loss		**(388)**	381
Difference between pension charge and cash contributions		**3,164**	(428)
Share-based payments' charge	23c	**6**	(75)
Net cash inflow from operating activities		**112,406**	51,773

Analysis of changes in Group net debt

	Note	At 1 Jan 2018	Cash flows	Other changes	At 31 Dec 2018
Cash at bank and in hand		**86,814**	34,264	-	**121,078**
Short-term deposits		**489**	10,577	-	**11,066**
		87,303	44,841	-	**132,144**
Current interest-bearing loans and borrowings:					
Accrued interest on senior debt		**(235)**	235	(234)	**(234)**
Accrued interest on 5% loan notes		**(1,949)**	1,949	(1,511)	**(1,511)**
Non-current interest-bearing loans and borrowings:					
Senior debt less issue costs falling due after one year		**(97,268)**	-	(692)	**(97,960)**
5% loan notes		**(150,003)**	30,079	-	**(119,924)**
12% loan notes	17	**(186,146)**	-	(22,337)	**(208,483)**
Preference shares classed as debt	17	**(169,833)**	-	(20,380)	**(190,213)**
		(605,434)	32,263	(45,154)	**(618,325)**
Net debt		**(518,131)**	**77,104**	**(45,154)**	**(486,181)**

2017

	At 1 Jan 2017	Cash flows	Other changes	At 31 Dec 2017
Cash at bank and in hand	**114,322**	(27,508)	-	**86,814**
Short-term deposits	**494**	(5)	-	**489**
	114,816	(27,513)	-	**87,303**
Current interest-bearing loans and borrowings:				
Accrued interest on senior debt	**(234)**	234	(235)	**(235)**
Accrued interest on 5% loan notes	**(2,521)**	2,521	(1,949)	**(1,949)**
Non-current interest-bearing loans and borrowings:				
Senior debt less issue costs falling due after one year	**(96,575)**	-	(693)	**(97,268)**
5% loan notes	**(200,000)**	49,997	-	**(150,003)**
12% loan notes	**(166,202)**	-	(19,944)	**(186,146)**
Preference shares classed as debt	**(151,587)**	-	(18,246)	**(169,833)**
	(617,119)	52,752	(41,067)	**(605,434)**
Net debt	**(502,303)**	**25,239**	**(41,067)**	**(518,131)**

Other changes include the effect of accrued but not yet paid interest on interest-bearing loans and borowings and the effect of amortisation of issue costs on the senior debt.

22 RETIREMENT BENEFITS

Group

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

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

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

Following trustee approval, the remaining scheme assets will be utilised by the Group to satisfy the employer pension contributions to the defined contribution part of the scheme and certain scheme costs. This will allow the Group to take a contribution holiday, expected to run into early 2020. As a result, a scheme asset of £15.4 million has been recognised at the year end to reflect the value of the surplus that will be utilised.

It is intended that the buy-in will continue to a full buyout during 2020 at which time Pension Insurance Corporation plc will take all responsibility for paying the pensions for the scheme's members and the assets and liabilities of the scheme will be transferred.

a Defined contribution pension arrangements

The total pension costs for the Group relating to employer contributions to defined contribution pension arrangements were £13.8 million (2017: £13.5 million). At 31 December 2018 there were outstanding unpaid contributions of £1.8 million (2017: £1.4 million).

b Defined benefit pension arrangements

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

As at 31 December 2018	PA pension scheme UK closed £'000	Prudential Platinum scheme UK closed £'000	Germany closed £'000	**Total £'000**
Defined benefit pension arrangements with gross assets/(liabilities)	18,024	232	(2,126)	**16,130**
Restriction to apply on recognition of surplus	(2,584)	(232)	-	**(2,816)**
Total pension assets/(liabilities) included in the Group statement of financial position	15,440	-	(2,126)	**13,314**

As at 31 December 2017	PA pension scheme UK closed £'000	Prudential Platinum scheme UK closed £'000	Germany closed £'000	**Total £'000**
Defined benefit pension arrangements with gross assets/(liabilities)	168,973	200	(1,413)	**167,760**
Restriction to apply on recognition of surplus	(168,973)	(200)	-	**(169,173)**
Total pension liabilities included in the Group statement of financial position	-	-	(1,413)	**(1,413)**

Notes to the financial statements

ii Analysis of amounts recognised in the Group income statement

As at 31 December 2018	Note	PA pension scheme UK closed £'000	Prudential Platinum scheme UK closed £'000	Germany closed £'000	Total £'000
Current service cost	3b	-	-	(30)	**(30)**
Running costs	3b, 6	(2,210)	(23)	-	**(2,233)**
Historic service cost		(901)	-	-	**(901)**
Recognised in arriving at operating profit		(3,111)	(23)	(30)	**(3,164)**
Other finance costs	8	-	-	(56)	**(56)**
Total recognised in the Group income statement		(3,111)	(23)	(86)	**(3,220)**

As at 31 December 2017	Note	PA pension scheme UK closed £'000	Prudential Platinum scheme UK closed £'000	Germany closed £'000	Total £'000
Current service cost	3b	-	-	(10)	**(10)**
Running costs	3b, 6	(1,562)	(29)	-	**(1,591)**
Historic service credit		2,029	-	-	**2,029**
Recognised in arriving at operating profit		467	(29)	(10)	**428**
Other finance costs	8	-	-	(30)	**(30)**
Total recognised in the Group income statement		467	(29)	(40)	**398**

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

As at 31 December 2018	Note	PA pension scheme UK closed £'000	Prudential Platinum scheme UK closed £'000	Germany closed £'000	Total £'000
Actual return on assets less interest		(176,366)	(54)	-	**(176,420)**
Actuarial gain/(loss) on liability		24,572	84	(606)	**24,050**
Restriction to apply on recognition of surplus		170,344	(7)	-	**170,337**
Actuarial gain/(loss) recognised on defined benefit pension arrangements		18,550	23	(606)	**17,967**
Deferred taxation	9b	(3,492)	-	-	**(3,492)**
Total recognised in the Group statement of other comprehensive income		15,058	23	(606)	**14,475**

As at 31 December 2017	Note	PA pension scheme UK closed £'000	Prudential Platinum scheme UK closed £'000	Germany closed £'000	Total £'000
Actual return on assets less interest		13,501	26	-	**13,527**
Actuarial gain/(loss) on liability		1,905	18	(689)	**1,234**
Restriction to apply on recognition of surplus		(15,875)	(43)	-	**(15,918)**
Actuarial gain/(loss) recognised on defined benefit pension arrangements		(469)	1	(689)	**(1,157)**
Deferred taxation	9b	-	-	-	**-**
Total recognised in the Group statement of other comprehensive income		(469)	1	(689)	**(1,157)**

22 RETIREMENT BENEFITS (CONTINUED)

c PA pension scheme UK closed

The PA pension scheme UK is a defined benefit scheme and has been closed to new entrants with effect from 1 January 1998, and new employees are invited to join the defined contribution scheme or a stakeholder arrangement. From 1 April 2007 all active members of the scheme became members of the defined contribution scheme. From 1 April 2007 to 31 March 2012 (or date of leaving if earlier) all active members with accrued benefits received a salary link through to 31 March 2012, and enhanced statutory revaluation rates thereafter plus an additional 1.5%. From 1 April 2007 the Group has agreed to pay 8% of contributory pay in respect of defined contribution members plus an additional 0.5% of contributory pay for administrative expenses. Due to the insurance buy-in, the Group no longer bears the liability for ensuring the defined benefit scheme is fully funded. Up to the date of buy-in no contributions were necessary due to the scheme's net asset position. Until the buy-in progresses to a buyout in 2020, the valuation of the assets and liabilities will continue to be updated on an annual basis.

i Principal assumptions

The most recent actuarial funding valuation has been updated by Lane Clark & Peacock LLP in order to assess the liabilities of the scheme at 31 December 2018 for the purposes of FRS 102 'Employee Benefits'. Scheme assets are stated at their market value at 31 December 2018. The principal assumptions used in this valuation by the actuaries were:

	2018 %	2017 %
Rate of increase in pensionable salaries	**4.9**	**4.9**
Rate of increase in pensions in payment and deferred pensions	**2.3**	**2.3**
Discount rate applied to section liabilities	**2.9**	**2.4**
Rate of inflation	**3.4**	**3.4**

The post-retirement mortality assumptions used were as follows:

	2018 %	2017 %
Longevity at 60 for current pensioners		
• Men	**29.0**	**28.9**
• Women	**30.0**	**29.9**
Longevity at 60 for future pensioners		
• Men	**29.8**	**29.7**
• Women	**30.8**	**30.7**

Notes to the financial statements

ii Scheme assets and liabilities

	Note	2018 £'000	2017 £'000
Buy-in insurance policy		608,968	-
Bonds		-	900,454
Infrastructure		-	9,004
Fund of hedge funds		-	1,275
Cash		18,824	16,062
Total fair value of assets		627,792	926,795
Present value of section liabilities		(609,768)	(757,822)
Surplus in the section	22b	18,024	168,973
Restriction to apply on recognition of surplus	22b	(2,584)	(168,973)
Recoverable pension surplus	22b	15,440	-

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

The scheme has not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

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

	2018 %	2017 %
Buy-in insurance policy	97.0	-
Bonds	-	97.3
Infrastructure	-	0.9
Fund of hedge funds	-	0.1
Cash	3.0	1.7
	100.0	100.0

iii Reconciliation of fair value of scheme assets

	2018 £'000	2017 £'000
At 1 January	926,795	942,327
Interest on assets	20,258	23,849
Benefits paid	(140,685)	(51,320)
Running costs	(2,210)	(1,562)
Actual return plan assets less interest	(176,366)	13,501
At 31 December	627,792	926,795

The actual return on scheme assets was a loss of £155.1 million (2017: a gain of £37.4 million).

22 RETIREMENT BENEFITS (CONTINUED)

iv Reconciliation of present value of scheme liabilities

	2018 £'000	2017 £'000
At 1 January	**(757,822)**	**(793,099)**
Interest on obligation	**(16,303)**	**(19,977)**
Benefits paid	**140,685**	**51,320**
Past service credit and settlements	**(901)**	**2,029**
Actuarial gains/(losses) due to:		
Experience (loss)/gain	**(27,657)**	**17,751**
Changes in financial assumptions	**52,230**	**(19,335)**
Changes in demographic assumptions	**-**	**3,489**
At 31 December	**(609,768)**	**(757,822)**

v Company

The Company has no employees (the members of the Group's defined benefit pension arrangements are or were employed by subsidiaries of PA Consulting Group Limited) and, consequently, no defined benefit arrangement disclosures are given for the Company.

d Other defined benefit arrangements

At 31 December 2018 the Group had a closed defined benefit scheme in the UK (Prudential Platinum scheme) with net assets of £nil (2017: £nil) and a closed defined benefit scheme in Germany with a net liability of £2.1 million (2017: £1.4 million). The full disclosures required by FRS 102 are not provided because, in the directors' opinion, these arrangements are immaterial to the net assets of the Group.

Notes to the financial statements

23 SHARE-BASED PAYMENTS

The total charge for share-based payments for the year was £6,000 (2017: credit of £75,000).

a Equity-settled share-based payments

The Group operates the following equity-settled share-based payments arrangements: the 2015 New Joiner and Promotion Option Plan (NJPOP) and the Two Pence Option Plan (TPOP).

NJPOP

The NJPOP plan is for awarding options over shares in the Company to employees in the UK and the rest of the world who were new joiners or promotees in 2015 but were not awarded options in October 2015 as a result of the Carlyle investment being in progress at that time. The options are granted at a price equal to the market price of the shares at the date of the grant.

The options vested if the employees remained in service and were not under notice when the share market was run in April 2018.

There is no employer-run savings plan to accompany the options.

TPOP

The business environment in the Nordic region necessitated establishing a TPOP plan for shareholders in the Nordic region on the Carlyle investment. The options were granted in January 2016 at a nominal price of £0.02. The options replace the gift of shares by the PA 2004 ESOP to non-Nordic shareholders in December 2015.

The options vested immediately and were exercisable in April 2016, 2017 and 2018.

b Cash-settled share-based payments

The Group operates a cash-settled share-based payment scheme called 'shadow shares'.

Shadow shares

The Group issues shadow shares to employees based in countries where it was undesirable for them to participate in the Company's option plans. Following the Carlyle investment, existing shadow shares were converted into new shadow units based on the proportion of vendor loan notes, preference shares and ordinary shares granted to holders of actual shares. These are share appreciation rights under which the employee is entitled to receive the increase in share value from the date of grant to the end of the entitlement period, so long as the employee remains in employment within the Group.

c Analysis of amounts recognised in the financial statements

i Analysis of amounts recognised in the Group income statement

	Note	2018 £'000	2017 £'000
Equity-settled share-based payments	3b	**(6)**	**(11)**
Cash-settled share-based payments	3b	**-**	**86**
Recognised in personnel and direct costs in operating profit		**(6)**	**75**
Total share-based payments' (charge)/credit recognised in operating profit	21	**(6)**	**75**

ii Analysis of amounts recognised directly in Group shareholders' funds in the year

	2018 £'000	2017 £'000
Reserve credit for equity-settled share-based payments	**6**	**11**

iii Analysis of amounts included as liabilities in the Group statement of financial position

	Note	2018 £'000	2017 £'000
Cash-settled share-based payments	16	**(36)**	**(290)**

23 SHARE-BASED PAYMENTS (CONTINUED)

iv Analysis of cumulative amounts included in the Group profit and loss reserve

	2018 £'000	2017 £'000
Cumulative reserve credit for equity-settled share-based payments	**32**	**26**

d Reconciliation of movements in equity-settled and cash-settled share-based payments in the year

i Equity-settled share-based payments

Scheme	Award date (year)	Exercise price at grant date (£)	Exercise price at 31 December 2018 (£)	Fair value (£)	**Awards outstanding at 1 January 2018 (number)**	Granted during the year (number)	Exercised during the year (number)	Lapsed during the year (number)	**Awards outstanding at 31 December 2018 (number)**	Awards exercisable at 31 December 2018 (number)	Vesting period (years)
NJPOP	2016	3.95	3.95	0.09	**373,333**	-	(225,167)	(148,166)	**-**	-	2
TPOP	2016	0.02	0.02	3.95	**86,905**	-	(67,290)	(19,615)	**-**	-	-
Total equity-settled share-based payments					**460,238**	**-**	**(292,457)**	**(167,781)**	**-**	**-**	
Weighted average exercise price					**3.21**	**-**	**3.05**	**3.49**	**-**	**-**	

ii Cash-settled share-based payments

Plan	Award date (year)	Exercise price at grant date (£)	Exercise price at 31 December 2018 (£)	**Awards outstanding at 1 January 2018 (number)**	Granted during the year (number)	Exercised during the year (number)	Lapsed during the year (number)	**Awards outstanding at 31 December 2018 (number)**	Vesting period (years)
Shadow shares	2016	3.95	3.95	**37,482**	-	(31,400)	(620)	**5,462**	5
Total cash-settled share-based payments				**37,482**	**-**	**(31,400)**	**(620)**	**5,462**	

e Principal assumptions

In 2016 the Black-Scholes option-pricing model was used to value the awards under the NJPOP scheme. No performance conditions were included in the fair value calculations. The expected volatility used for the options issued has been based on the Company's own share price volatility. The expected life is the expected period from option to exercise. The risk-free rate of return is an average yield on the zero-coupon UK government bonds in issue at the date the share options were issued with a similar life to the options. There have been no changes to the model for the year ended 31 December 2018.

The following assumptions were used in the model for the year ended 31 December 2018:

Grant date	April 2016
Share price at grant date	£3.95
Exercise price	£3.95
Fair value per option	£0.09
Vesting periods (years)	
– NJPOP	2
Option life (years)	2
Expected volatility	3.43%
Risk-free interest rate	0.4%
Expected dividends expressed as a dividend yield	-

Notes to the financial statements

24 CAPITAL AND OTHER FINANCIAL COMMITMENTS

There were capital commitments of £1.5 million contracted for but not provided in the financial statements at 31 December 2018 (2017: £1.7 million).

The Group has guaranteed bid, performance and rent bonds issued by its banks on its behalf in the ordinary course of business totalling £2.5 million as at 31 December 2018 (2017: £2.2 million). These are not expected to result in any material financial loss.

25 CONTINGENT LIABILITIES

In common with comparable consultancy organisations, the Group maintains a variety of insurance policies, including professional indemnity insurance. If a claim is raised, the directors assess each claim and provide for legal and settlement costs where, on the basis of the advice received, it is considered a liability may exist.

The Group is currently, and may be from time to time, involved in a number of legal proceedings. While the outcomes of current outstanding actions and claims remain uncertain, it is expected that they will be resolved without a material impact on the Group's financial position.

26 OPERATING LEASES

a Leases as lessee

At 31 December 2018 the Group has lease agreements in respect of property and equipment for which payments extend over a number of years. The Group enters into these arrangements as these are a cost-efficient way of obtaining the short-term benefits of these assets. The Group lease rental charges are disclosed in note 7. There are no other material off-balance-sheet arrangements. The Company has no operating lease commitments.

The Group's commitment for future minimum lease payments under non-cancellable operating leases is as follows:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000	Plant and machinery 2018 £'000	Plant and machinery 2017 £'000
Within one year	**6,396**	9,425	**363**	545
Between one and five years	**27,464**	23,441	**234**	393
Over five years	**41,050**	45,897	**-**	-
	74,910	78,763	**597**	938

b Leases as lessor

The Group leases out certain properties under operating leases. The Company has no leases.

The Group's lease income is disclosed in note 5. The minimum rent receivable under non-cancellable operating leases is as follows:

	2018 £'000	2017 £'000
Within one year	**130**	2,621
Between one and five years	**293**	-
	423	2,621

27 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Interest rate swap

The Group has entered into an interest rate swap to receive interest at LIBOR and pay interest at a fixed rate of 0.889%. The swap is based on a principal amount of £95,000,000, 95% of the Group's sterling senior loan facility, and matures in 2019.

The instrument is used to hedge the Group's exposure to interest rate movements on the senior loan facility. The hedging arrangement fixes the total interest payable on 95% of the senior loan facility at 4.139%. The fair value of the interest rate swap is an asset of £3,000 (2017: a liability of £290,000).The increase in the fair value of the interest rate swap was due to an increase in market interest rates.

Cash flows on both the loan and the interest rate swap are paid quarterly until 2019. During 2018 a gain of £293,000 (2017: gain of £565,000) was recognised in the Group statement of other comprehensive income for the change in the fair value of the swap.

Forward contracts

The Group uses forward contracts to buy foreign currency to hedge its deferred employee remuneration liability and to sell foreign currency in relation to certain of its foreign currency-denominated commercial contracts. During the year an exchange loss of £126,000 (2017: loss of £413,000) was realised on such contracts and booked to the Group income statement.

At 31 December 2018 there were a number of contracts outstanding as set out below, which if realised at 31 December would have resulted in a gain of £453,000 (2017: gain of £468,000).

	Foreign currency (FC) amount		Contract value (GBP)		Fair value at balance sheet date (GBP)	
	Buy/(sell) FC '000		Buy/(sell) £'000		Buy/(sell) £'000	
	2018	2017	2018	2017	2018	2017
Maturing within one year						
US dollar	(794)	(5,317)	828	4,060	652	3,888
Euro	(494)	50	465	(39)	445	(45)
Danish krone	5,487	5,579	(615)	(650)	(660)	(667)
Norwegian krone	(3,566)	6,769	334	(590)	322	(574)
Swedish krona	110	748	(11)	(71)	(10)	(68)
United Arab Emirates dirham	408	647	(68)	(109)	(87)	(129)
			933	2,601	662	2,405
Maturing in more than one year						
US dollar	2,277	2,935	(1,596)	(1,977)	(1,738)	(2,124)
Euro	386	367	(353)	(311)	(356)	(331)
Danish krone	9,267	11,851	(1,098)	(1,353)	(1,139)	(1,442)
Norwegian krone	3,371	3,991	(304)	(356)	(303)	(360)
Swedish krona	680	110	(64)	(11)	(61)	(10)
United Arab Emirates dirham	-	408	-	(68)	-	(81)
			(3,415)	(4,076)	(3,597)	(4,348)
			(2,482)	(1,475)	(2,935)	(1,943)

28 SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings as at 31 December 2018 are shown below. All are included in the Group financial statements and are wholly owned either directly or indirectly by the Company unless otherwise stated. All subsidiaries prepare accounts up to 31 December each year except for PA Consulting Services (India) Private Limited, Nyras Limited and Nyras Capital LLP, which prepare accounts up to 31 March.

Directly held

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

Notes to the financial statements

28 SUBSIDIARY UNDERTAKINGS (CONTINUED)

Indirectly held

Name	Country	Registered office address	Class of share held
PA Consulting Group A/S	Denmark	Portland Towers, Goteborg Plads 1, K-1250 Copenhagen	Ordinary
PA Consulting Holdings ApS	Denmark	Portland Towers, Goteborg Plads 1, DK-2150 Copenhagen	Ordinary
PA Consulting Group GmbH	Germany	An der Welle 3, 60322 Frankfurt, Germany	Ordinary
PA Consulting Group Limited	Hong Kong	Suite 1106-8, 11/F, Tai Yau Building, No. 181 Johnston Road, Wanchai	Ordinary
PA Consulting Services (India) Private Limited	India	4A & 4B Gold Nest, Wind Tunnell Road, Murugeshpalya, Bangalore 560017	Ordinary
PA Consulting Group, S.de R.L. de C.V	Mexico	Torre Mayor, Paseo de la Reforma, No. 505, Piso 2, Col. Cuauhtemoc, Cuauhtemoc, 06500 Mexico City	Quota
PA Consulting Group BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary
PA Consulting Services BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary
PA Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary and preference
PA International Holdings BV	Netherlands	Gebouw B, Papendorpseweg 97, 3528 BJ Utrecht	Ordinary
PA Consulting Group Limited	New Zealand	BDO Auckland, Level 4, BDO Centre, 4 Graham Street, Auckland Central 1010	Ordinary
PA Consulting Group AS	Norway	Verkstedveien 1, PO Box 150, Skøyen, 0277 Oslo	Ordinary
PA Consulting Group (Qatar) LLC[1]	Qatar	Level 14, Commercial Bank Plaza, West Bay, Doha	Ordinary
PA Consulting Group AB	Sweden	Jakobsbergsgatan 17, 111 44 Stockholm	Ordinary
PA Consulting Group Holdings SA[2]	Switzerland	Chemin des Primaveras 45, CH-1701 Fribourg	Ordinary
7 Safe Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
Garden Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference
Garden Midco 1 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference
Garden Midco 2 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference
Nyras Capital LLP	United Kingdom	10 Bressenden Place, London, SW1E 5DN	
Nyras Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Applied Solutions Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Consulting Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Consulting Management Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary and preference
PA Consulting Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Employment Benefit Trustees Limited[2]	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Finance Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Group Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA International Consulting Group Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Knowledge Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Middle East Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Netherlands Treasury Services Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Overseas Holdings Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Pension Trustees Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Perfect Cost Grid Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Technology Solutions Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PA Treasury Services (US) Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
PACG2 Limited	United Kingdom	10 Bressenden Place, London, SW1E 5DN	Ordinary
Sparkler Limited[3]	United Kingdom	3rd Floor, 58-60 Berners Street, London, W1T 3NQ	Founder shares, growth shares and ordinary shares
We Are Friday Limited[4]	United Kingdom	50 Farringdon Road, London, EC1M 3HE	Ordinary
PA Consulting Group Inc.	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference
PA Defense Inc.	USA	10 Canal Park, 4th Floor, Cambridge MA 02141	Common
PA US Holdings Inc.	USA	Suite 903, 55 Cambridge Parkway, Cambridge, MA 02142	Common and preference
Essential Design Inc[5]	USA	143 South Street, 6th Floor, Boston MA 02111	Common

1. 49% holding in accordance with Qatar Commercial Companies Law
2. In liquidation/dissolution
3. Acquired 14 May 2018
4. Acquired 4 December 2018
5. Acquired 23 October 2018

29 RELATED PARTY TRANSACTIONS

The Group and the Company have respectively taken advantage of the exemptions available under FRS 102 Section 33.1A from disclosing intra-Group transactions and balances that have been eliminated on consolidation or transactions and balances with wholly owned subsidiaries.

Group

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

	Sales to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
2018	**690**	**171**	**68**	**31**
2017	**102**	**125**	**4**	**-**

Company

The Company did not enter into transactions with related parties.

Notes to the financial statements

30 BUSINESS COMBINATIONS

Group

On 14 May 2018 the Group acquired control of Sparkler Limited through purchase of 100% of the share capital for a total consideration of £16.4 million, comprising payments to shareholders totalling £15.8 million and directly attributable costs of acquisition totalling £0.6 million. Sparkler Limited provides expert consulting services in the strategy sector, operating globally from its London UK office.

On 23 October 2018 the Group acquired control of Essential Design Inc through purchase of 100% of the share capital for a total consideration of $12.7 million, comprising payments to shareholders totalling $12.0 million and directly attributable costs of acquisition totalling $0.7 million. Essential Design Inc provides expert consulting services in the product development sector, operating globally from its Boston US office.

On 4 December 2018 the Group acquired control of We Are Friday Limited through purchase of 100% of the share capital for a total consideration of £11.9 million, comprising payments to shareholders totalling £11.3 million and directly attributable costs of acquisition totalling £0.6 million. We Are Friday Limited provides expert consulting services in the digital sector, operating globally from its London UK office.

For the period from the date of acquisition to 31 December 2018 the aggregate turnover of the acquired businesses was £7.0 million and the aggregate profit after tax of the acquired businesses was nil.

Management have estimated the useful life of the goodwill, for all acquisitions, to be 10 years, in line with FRS 102 guidance.

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

a Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	Book value acquired £'000	Fair value adjust-ments £'000	**Total value £'000**
Fixed assets				
Intangible fixed assets	30a(i)	-	5,129	**5,129**
Tangible fixed assets		662	-	**662**
		662	5,129	**5,791**
Current assets				
Debtors: amounts falling due within one year		6,007	-	**6,007**
Cash at bank and in hand		3,657	-	**3,657**
		9,664	-	**9,664**
Creditors: amounts falling due within one year		(5,747)	-	**(5,747)**
Net current assets		3,917	-	**3,917**
Total assets less current liabilities		4,579	5,129	**9,708**
Creditors: amounts falling due after more than one year		(617)	-	**(617)**
Provisions for liabilities	30a(ii)	(46)	(901)	**(947)**
Total identifiable net assets		3,916	4,228	**8,144**
Goodwill				**29,781**
Total consideration				**37,925**

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

i the recognition of intangible assets in respect of the customer relationships, non-compete agreements and trade name (if applicable)

ii deferred tax provision arising as a result of the acquisition adjustments.

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

b Consideration at acquisition date

	Total value £'000
Cash and equity	**36,192**
Directly attributable costs	**1,733**
Total consideration	**37,925**
Less:	
Contingent cash and equity consideration	**(17,149)**
Current asset investments and cash acquired on acquisition	**(3,598)**
Acquisition fees accrued	**(214)**
Net cash outflow on current year purchase of subsidiary undertakings	**16,964**
Cash paid during the year on prior acquisitions	**569**
Total net cash outflow on purchase of subsidiary undertakings (as per Group statement of cash flows)	**17,533**

£15.9 million of the total consideration is deferred over three years and payable on achievement of specific performance targets.

2017

Group

On 5 December 2017 the Group acquired control of Nyras Limited through purchase of 100% of the share capital for a total consideration of £6,037,036, comprising payments to shareholders totalling £5,705,000 and directly attributable costs of acquisition totalling £332,036. Nyras Limited and its subsidiary provide expert consulting services in the aviation sector, operating globally from its London UK office.

Management have estimated the useful life of the goodwill to be 10 years, in line with FRS 102 guidance.

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

a Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	Book value acquired £'000	Fair value adjust-ments £'000	**Total value £'000**
Fixed assets				
Intangible fixed assets	a(i)	-	2,188	**2,188**
Tangible fixed assets		14	-	**14**
		14	2,188	**2,202**
Current assets				
Debtors: amounts falling due within one year		1,532	-	**1,532**
Cash at bank and in hand		920	-	**920**
		2,452	-	**2,452**
Creditors: amounts falling due within one year		(1,070)	-	**(1,070)**
Net current assets		1,382	-	**1,382**
Total assets less current liabilities		1,396	2,188	**3,584**
Provisions for liabilities	a(ii)	(20)	(397)	**(417)**
Total identifiable net assets		1,376	1,791	**3,167**
Goodwill				**2,870**
Total consideration				**6,037**

Notes to the financial statements

30 BUSINESS COMBINATIONS (CONTINUED)

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

i the recognition of intangible assets in respect of the customer relationships and non-compete agreements

ii deferred tax provision arising as a result of the acquisition adjustments.

All revenue and profit for Nyras Limited and its subsidiary is attributable to the acquired group.

b Consideration at 5 December 2017

	Note	£'000
Cash		5,705
Directly attributable costs		332
Total consideration		**6,037**
Less:		
Contingent cash consideration	b(i)	(2,205)
Current asset investments and cash acquired on acquisition		(920)
Acquisition fees accrued		(305)
Purchase of subsidiary undertakings (net of cash acquired)		**2,607**

i £1,900,000 of the total consideration is deferred over three years and payable on achievement of specific performance targets.

31 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 12 February 2019 the board approved the repayment of £40.0 million vendor loan notes and interest accrued on those vendor loan notes.

32 CONTROLLING PARTY

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

Corporate headquarters

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