

Company Registration No. 04134605 (England and Wales)

BCG UK1 LIMITED
Annual Report and Financial Statements
For the Year Ended 31 December 2022

THURSDAY



A03 *ACFYHONT* #140
09/11/2023
COMPANIES HOUSE

BCG UK1 Limited

Company Information

Company registration number	04134605
Registered office	80 Charlotte Street, London, <i>England</i> , W1T 4DF
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place, London, WC2N 6RH
Directors	W.J.M. Bruce M.B. Holden <i>M.C. Rosenthal</i>
Company Secretary	R.B. Chibber

Strategic Report
For the year ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022

Principal activities and review of the business

BCG UK I Limited ("the Company") is an intermediate holding company and has no other trading activity. The financial statements are for the year to 31 December 2022.

References to the "Group" within the financial statements relate to BCG UK I Limited consolidated with its subsidiaries: The Boston Consulting Group Limited, The Boston Consulting Group UK LLP, The Boston Consulting Group S.L., The Boston Consulting Group (Moscow) Limited, The Boston Consulting Group OOO, The Boston Consulting Group S.P.R.L., Expand Research LLP, Expand Consulting Inc., Expand Consulting PTE Ltd, AllofUs Limited, BCG Luxembourg Europe Holding S.à r.l., and Boston Consulting Group, G. K. (Japan).

The principal activity of the Group is the provision of management consultancy services. Boston Consulting Group is a global consulting firm that partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. Our success depends on a spirit of deep collaboration and a global community of diverse individuals determined to make the world and each other better every day.

The consolidated results of the Group are generated within the UK and the markets where the subsidiaries are located, including Europe and Japan. Turnover from professional services was £1,273,320,000 in the year ended 31 December 2022 (2021 Restated: £1,286,261,000). The profit before taxation was £41,960,000 (2021: £106,259,000). The Group's net asset position at the end of the year was £3,107,000 (2021: £91,310,000). In 2022, turnover and profit before taxation have been impacted by the Ukraine war, notably the Russian subsidiaries, and the normalisation of operating costs since Covid-19, such as an increase in travel and entertainment.

Principal risks and uncertainties

The Group's performance is subject to certain risks associated with both the local and global economies. Russia's 2022 invasion of Ukraine created challenges for businesses across the globe. Rising oil prices as a direct result of the war, resulted in inflation, cost of living challenges and economic instability.

While it is impossible to completely eliminate the repercussions associated with economic uncertainty, we believe the deep and long-standing relationships with our clients as well as our diverse and innovative consultant staff can help to mitigate any negative impact while we continue to focus on delivering long-term value to our clients. Furthermore, the Company's ultimate parent, The Boston Consulting Group Inc., has provided a letter of support in the unlikely event that it is required.

The management consultancy market is competitive, and the services required by our clients, who operate in an increasingly complex and global economy, are ever changing. Our ability to serve our clients is dependent on our innovative ideas and the quality of our consulting staff. As a result, we continue to dedicate significant resources to the development and enhancement of our strategic thinking, as well as, to the training of our staff; both are key investments to the business and an integral part to its continuing success.

Strategic Report (Continued)
For the year ended 31 December 2022

Key performance indicators

As the Group is part of a wider global firm (referred to herein as “BCG”), key performance indicators (“KPI’s”) are reviewed on a global basis and include:

- Worldwide revenue of \$11,700 million in 2022, representing an underlying growth of 11% at constant exchange rates over 2021 \$11,000 million.

BCG’s non-financial KPI’s include:

- **Empowering Our People:** BCG aims to be the industry’s employer of choice by offering an unparalleled employee experience and by creating an environment that allows people to thrive personally and professionally. To do so, BCG invests in diversity, equality and inclusion, employee well-being plus learning and development to foster an environment in which employees are equipped and empowered to deliver value to BCG’s clients. BCG continues to successfully attract and retain employees with diverse talent and perspectives. As at the end of 2022, BCG’s global workforce included 30,000 employees (an increase of 20% from 25,000 employees in 2021).
- **Protecting Our Planet:** BCG partners with businesses and governments to help them transform and build a more sustainable and resilient world. BCG is committed to shaping the global agenda through climate partnerships and leading by example. BCG has committed to reach net zero climate impact by 2030 and to date has achieved approximately 30% reduction when compared to the 2018 baseline.
- **Driving Social Impact:** BCG’s commitment to finding and catalyzing effective solutions to pressing societal issues is at the heart of BCG’s purpose. BCG helps our clients leverage their core business assets and operations to drive positive societal impact in ways that enhance their sustainable competitive advantage. BCG is committed to driving social impact and in 2022 completed 1,500 projects focused on societal and planetary impact (2021: 1,300).


Section 172(1) statement

In accordance with Section 172 (1) of The Companies Act 2006, the directors have a duty, to act in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of all stakeholders. In doing so the directors have regard, amongst other matters, as follows:

- Our leadership team perform their duties and make decisions in line with the long-term strategy and stakeholder interests through regular board meetings, executive committees, worldwide partner meetings, and other relevant forums.
- We recognise that our people are our most important asset and ensure that we continue to listen to what matters to them through various channels including regular townhalls, monthly office meetings, and our annual staff pulse survey. Please see the ‘Employees’ note within the Directors’ report for more information on how we look after our employee’s interests.
- Delivering the Group’s strategy requires the establishment of strong, mutually beneficial relationships with suppliers and customers. Our average payment cycle for supplier’s invoices during the period was 30 days. We published our 2021 Modern Slavery Statement which details the due diligence and engagement we have with our suppliers. Further information can be found within the ‘Supplier’ and the ‘Clients’ notes as included in the Directors’ report.
- To address the impact of the Group’s operations on the community and the environment, BCG publishes an annual sustainability report. The report breaks down our sustainability approach, which focuses on four key pillars: driving social impact, protecting our planet, empowering our people, and promoting responsible business practices. We have committed to reach net-zero climate impact by 2030 and are making positive progress towards achieving this. Further information can also be found in the Directors’ report within the notes, under ‘Streamlined Energy and Carbon Reporting’ and ‘Driving societal impact’.
- The desirability of the Group maintaining a reputation for high standards of business conduct is driven by the BCG values, ways of working, engagement with our clients and the BCG Code of Conduct. See the ‘BCG Code of Conduct’ note within the Directors’ report for information.

After weighing up all relevant factors, we consider which course of action best enables us to deliver our strategy through the long term, by taking into consideration the impact on stakeholders. By doing so we act fairly, as between members of the Group.

By order of the board



R Chibber

Company Secretary

28/09/2023

Directors' Report
For the year ended 31 December 2022

The directors present their directors' report and the audited financial statements of the Group and the Company for the year ended 31 December 2022.

Please refer to the Strategic Report on page 2 for the principal activities and review of the Group.

Dividends

Dividends of £92,000,000 (2021: £38,001,508) were paid during the year. The directors do not recommend any further dividends to be paid.

Political and charitable donations

Charitable donations amount to £142,682 (2021: £108,127). There were no contributions for political purposes (2021: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

M Holden
M Rosenthal
W Bruce

Employees

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, gender reassignment, pregnancy/maternity, race, nationality, religion or belief, sexual orientation, disability, or marital/civil partner status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group is an equal opportunities employer, giving fair consideration to all applications. The Group engages with its employees regularly in the form of townhalls and other similar meetings, both to share information with their employees and hear back from them on what is of importance to them.

Future Developments

The directors of the Company believe that, despite continued economic uncertainty in developed markets, continued investment in service development, thought leadership and its people is the best way to advance the organisation and deliver sustained financial performance.

Clients

The Group partners with clients from the private, public, and non-for-profit sectors to identify their highest value opportunities, address their most critical challenges, and transform their enterprises. Our customised approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. We seek to be agents of change for our clients, our people, and society overall. We are committed to being the partner of choice to transform business and society.

Streamlined Energy and Carbon Reporting

In line with Streamlined Energy & Carbon Reporting (SECR) requirements, this report outlines the Partnership's energy consumption (kWh) and related Greenhouse Gas (GHG) emissions (tCO₂e) covering the period 1st January 2022 - 31st December 2022.

We have compiled the emissions inventory in accordance with The Greenhouse Gas (GHG) Protocol Corporate Standard. An operational control approach has been used to define our organizational boundary. Emissions for all BCG UK legal entities have been reported on a consolidated basis for BCG UK Ltd. All carbon emissions classified under Scopes 1 and 2 have been included, as well as Scope 3 Business Travel emissions. Scope 2 emissions have been reported using both the location-based and market-based approaches.

Energy consumptions (kWh) and business travel activity data has been converted to GHG emissions by applying the appropriate 2022 UK Government GHG Conversion Factors. The GHG emissions inventory has been independently audited and verified against the ISO 14064-3 standard.

The global GHG emissions for BCG Inc. are consolidated and reported in the BCG Annual Sustainability Report.

Directors' Report (Continued)
For the year ended 31 December 2022

Streamlined Energy and Carbon Reporting (Continued)

BCG's Net-Zero ambition:

In September 2020, BCG announced a new global target to achieve net-zero climate impact by 2030. To achieve this, the firm will reduce GHG emissions through a 92% reduction in Scope 1 and Scope 2 emissions per full-time equivalent employee (FTE) and a 48.5% reduction in Scope 3 business travel emissions per FTE by 2025 (against a 2018 baseline year). The Science-Based targets initiative (SBTi) has validated these targets as aligned with the most ambitious goal of the Paris Agreement: to limit a global temperature rise to 1.5°C above preindustrial levels.

In addition, BCG has committed to sourcing 100% of its annual office electricity demand from renewable energy sources since 2019 and has maintained CarbonNeutral® company certification through a combination of internal emissions reduction projects and the purchase of carbon credits since 2018.

More details available here - <https://www.bcg.com/about/about-bcg/net-zero>

Scope	Emission Source	Energy (kWh)		Emissions (tCO2e)		Intensity (tCO2e/FTE)	
		2022	2021	2022	2021	2022	2021
Scope 1 (Direct)	Natural gas consumed in offices	21,559	360,182	4	66	-	0.1
Scope 2 Location-Based (In-Direct)	Electricity consumed in offices	3,521,805	2,834,731	681	602	0.4	0.5
Scope 2 Market-Based (In-Direct)	Electricity consumed in offices	3,521,805	2,834,731	-	-	-	-
Scope 3 (in-Direct)	Business Travel Emissions	n/a	n/a	11,873	1,123	7.3	0.9
Total (market-based)		3,543,364	3,194,913	11,877	1,189	7.3	1.0
Total (location-based)		3,543,364	3,194,913	12,558	1,791	7.7	1.5

Energy and Carbon Efficiency Actions:

Office Energy:

As a result of the actions we have taken to decarbonize our operations, our Scope 1 and 2 emissions intensity has reduced by almost 100% per FTE compared to our 2018 baseline year.

Since moving to our new London office in 2021, which is fully electrified, we have reduced absolute Scope 1 emissions by 98%. Combined with using 100% renewable electricity to power our offices we have also reduced Scope 2 (market-based) emissions by 100%.

Our London office is a flagship for the sustainable office of the future. BCG chose a BREEAM Excellent and LEED Gold building, designed to achieve 28% lower embodied carbon intensity than the RICS benchmark. This all-electric building relies on air-source heat pumps on the roof to provide heating and cooling, avoiding the need for carbon-intensive gas boilers. In addition, an 80m² array of solar thermal panels located on the roof supplies heat for hot water, further reducing the building's energy requirements, and the building is powered by 100% renewable electricity, backed by Renewable Energy Guarantee of Origin (REGO) certificates. The office meets the highest specifications for office fittings, furniture, and technology that balance environmental and wellness credentials.

Directors' Report (Continued)
For the year ended 31 December 2022

Streamlined Energy and Carbon Reporting (Continued)

Business Travel:

To realize our net-zero ambition, we focus primarily on reducing our largest source of emissions: business travel. We have committed to cutting business travel emissions by 48.5% per FTE by 2025 versus our 2018 baseline year, making it one of the most ambitious such targets in our industry.

Our business travel emissions intensity in 2022 was 53% lower than in our 2018 baseline year. Of this reduction, approximately 46% came through changes in the way we travel and 9% through aviation efficiency gains, and purchase of sustainable aviation fuel (SAF) in 2022.

We are thoughtfully evolving our operating model to reduce business travel emissions, while maintaining our excellence in client service and seeking to enhance our employee value propositions.

Support for Sustainable Aviation Fuel:

In addition to transforming our travel norms, we are exploring other ways to further reduce our climate impact, including supporting the use of sustainable aviation fuel for BCG flights. In 2022, we signed new SAF partnerships directly with Qantas and Air Canada by participating in Air Canada's Leave Less Travel Program, and we continued to deepen our engagement with our existing partners, including SkyNRG, Neste, and United Airlines.

Neutralizing the emissions we're unable to avoid:

As a certified CarbonNeutral® company we purchase and retire a volume of carbon credits equivalent to our reported emissions, in accordance with The CarbonNeutral Protocol.

Engaging our people:

We educate all employees and raise their awareness of climate issues, as well as providing tangible actions that they can take to contribute to BCG's net-zero commitment. To complement the broad range of online and in-person learning events that we host, we support local action through our global network of green teams, which has grown to more than 1,300 active members. Distributed across more than 80 BCG offices, the teams focus on designing and implementing initiatives to reduce our environmental impact at the local office level.

Climate-related risk and opportunity:

As a global company, BCG faces various physical and transitional climate-related risks and opportunities. Although we deem the level of risk to be low, it is important to understand the potential long-term impact of these risks and take action to mitigate them through our business continuity planning and strategy.

We have summarized our approach to assessing and managing climate-related risk and opportunities in line with the reporting recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) on p.89 of the BCG 2022 Annual Sustainability Report as well as in our 2022 CDP Climate Disclosure (where BCG has achieved an A rating).

Statement of corporate governance arrangements

The Directors consider a robust corporate governance and risk management environment to be imperative to the sustainability of the Group and its operations. As a subsidiary of the Boston Consulting Group, Inc., the Group and its Board members are guided by comprehensive global policies and processes in relation to anti-bribery and corruption, insider trading, responsible AI (artificial intelligence) usage, conflicts of interest, data protection and privacy, and employee safeguarding.

Directors' Report (Continued)

For the year ended 31 December 2022

Driving societal impact

We achieve our greatest societal impact in collaboration with our clients. By maximizing the impact of these cooperative efforts, we accomplish far more than we ever could alone. We believe that the only way to overcome complex social and environmental challenges is in partnership - the heart of our social impact approach. By enriching and expanding our partnerships and by fostering system-level coalitions, we are pursuing our ambition to be the most positively impactful company in the world.

We are also committed to serving the local communities in which we live and work, engaging in both pro bono work and volunteer activities.

Suppliers

The directors understand the importance of good supplier relationships in the delivery of our client work. We have zero-tolerance to slavery and human trafficking and, consistent with BCG's Values and Code of Conduct, we have a specific Supplier Code of Conduct (SCOC) which is included in all our standard contracts. The SCOC:

- Requires our suppliers to conduct their business activities and operations with integrity and in full compliance with applicable laws and regulations, with specific reference to the Modern Slavery Act;
- Prohibits suppliers from using all forms of forced or compulsory labour, and from supporting any form of human trafficking of involuntary labour.
- Requires the maintenance and promotion of fundamental human rights, where employment decisions are based on free choice without any coerced or prison labour, use of physical punishment or threats of violence or other forms of physical, sexual, psychological or verbal abuse as a method of discipline or control; and
- Mandates compliance with all applicable wage, benefit and hour laws, health and safety legislation, local and national minimum working age laws and prohibits suppliers from using child labour.

BCG Code of Conduct

The BCG Code of Conduct (the Code) encapsulates our commitment to acting responsibly, backed by individual integrity, and professional conduct. It outlines our expectations for behaviour to all employees and others working on our behalf. Integrity is at the centre of who we are at BCG - as a firm and as individuals that make up the organisation. We are committed to instilling bold, truth-telling leadership in all aspects of our business and engagements.

The Code sets out that all BCG colleagues are personally accountable for behaving in a manner that is professional, lawful, and serves as a bridge between our purpose and values. The BCG Code of Conduct is distributed annually to all staff who by return must confirm they understand and are compliant with the Code. The internal risk review process assesses BCG local offices' adherence to the Code.

All BCG colleagues have access to confidential channels of reporting, including our Ombudsperson program and 'speak up' line, both of which are designed to prevent and identify misconduct, raise concerns and support BCG's aim to lead with integrity. We address all concerns appropriately in accordance with our internal policies, subject to any applicable overriding legal or regulatory requirements. We strive to drive positive change within the firm, with our clients and for society.

In addition, we have a Supplier Code of Conduct (SCOC) which governs ongoing supplier relationship management. Further details on how we engage with our suppliers can be found in our modern slavery statement which is published on the BCG UK website. We also publish this on the UK government registry. We are embarking on the journey to leverage technology in the identification and assessment of Environmental, Society and Governance ("ESG") risks and ongoing monitoring of supplier relationships.

Directors' Report (Continued)
For the year ended 31 December 2022

BCG Code of Conduct (Continued)

In the constantly changing field of Artificial Intelligence (AI), it is vital that we anchor ourselves to our Purpose and Value. The BCG AI Code of Conduct guides our approach to designing, developing, deploying, and using AI responsibly both within our firm and with our clients.

We work in adherence to our company values. BCG is a participant in the United Nations Global Compact ("UNGC") and has publicly committed to adhering to the UNGC's principles. Notably, this commitment includes supporting and respecting the protection of internationally proclaimed human rights and ensuring that we are not complicit in human rights abuses. The UNGC's principles are derived from the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, both of which accord with BCG's values. Having a strong culture anchored in clear values helps make BCG a market leader – and a rewarding and inspiring place to work. We are committed to the highest standards of ethics and business conduct as set forth in our Values which includes – Integrity, Respect for the individual, Diversity. Clients come first, The strategic perspective, Value delivered, Partnership, Expanding the art of the possible and Social impact.

Branches outside the UK

The Company does not have any direct branches outside the UK.

Financial risk management

The Group is ultimately controlled by The Boston Consulting Group Inc. Financial risk is managed by the Group Treasury in accordance with a set of policies. The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge-accounting is applied. The relevant risks are detailed below:

- **Liquidity and interest rate risk:** The Group's arrangement with various banks ensures it can access the funds needed to meet its liquidity requirements. Cash can be obtained by withdrawing deposits held with the banks or through borrowing from The Boston Consulting Group Inc. (including its affiliates and branches). Interest receivable/payable on balances between the Group and banks is calculated at floating rates of interest.
- **Currency risk:** The Group's functional currency is sterling (GBP) and it also presents its consolidated financial statements in GBP. Some purchases and sales are denominated in currencies other than GBP. In general, the Group does not purchase derivatives to manage its exposure to currency risk. Currency risk is centrally managed by BCG's Group Treasury function.
- **Credit risk:** The Group's policies result in the establishment of contractual terms that minimise the amount of credit exposure to the lowest amount possible. The Group performs ongoing evaluations of the collectability of its receivables resulting from the performance of the above services and establishes allowances for doubtful accounts for potential losses. Credit risk also arises from cash and deposits with banks and financial institutions. This is monitored by BCG's Group Treasury function. Local office cash policies provide guidelines regarding banks and financial institutions that are independently rated and meet BCG's credit criteria. The amount of exposure to any individual counterparty is subject to a limit, which is reviewed regularly by management.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements. The Group's parent, BCG Inc., has provided a letter of support in the unlikely event that it is required. The directors have satisfied themselves of the ability and intent of BCG Inc. to provide this support if required.

Directors' Report (Continued)
For the year ended 31 December 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Directors' Indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Russia - Ukraine war

In line with our commitment made following the invasion, BCG ceased providing consulting services with any clients in Russia or perform consulting services from Russia and all active client work ended in 2022 in full alignment with the applicable regulations. The company has stopped providing consulting services in the country of Russia.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual meeting.

By order of the board



R Chibber
Company Secretary
28/09/2023

Independent auditors' report to the members of BCG UK1 Limited

Report on the audit of the financial statements

Opinion

In our opinion, BCG UK1 Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheets as at 31 December 2022; and the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Group Statement of Changes in Equity, Company Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, *except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection regulation, employment and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- *Discussions with the Group management team and those charged with governance, including considerations of known or suspected instances of non-compliance with laws and regulation (including data protection legislation) and fraud;*
- *Reviewing board meeting and other minutes to identify non-compliance;*
- *Evaluating and where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates;*
- *Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combination; and*
- *Performing unpredictable procedures.*

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Chris Neill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2023

Consolidated Profit and Loss Account
For the year ended 31 December 2022

		2022	2021⁽¹⁾
		£'000	£'000
	Note		
Turnover	6	1,273,320	1,286,261
Other operating income		1,584	873
Staff costs	7	(888,735)	(935,816)
Other operating expenses	8	<u>(344,205)</u>	<u>(245,336)</u>
Operating profit		41,964	105,982
Interest receivable and similar income	10	2,678	282
Interest payable and similar expenses	11	<u>(2,682)</u>	<u>(5)</u>
Profit before taxation		41,960	106,259
Tax on profit	13	<u>(45,917)</u>	<u>(43,309)</u>
(Loss)/Profit for the financial year		<u>(3,957)</u>	<u>62,950</u>
(Loss)/Profit attributable to:			
Owners of the parent Company		(3,958)	62,949
Non-controlling interests		<u>1</u>	<u>1</u>
		<u>(3,957)</u>	<u>62,950</u>

⁽¹⁾ Prior year amounts have been restated, refer to Note 5 for details.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	2022	2021
	£'000	£'000
(Loss)/Profit for the financial year	(3,957)	62,950
Other comprehensive income/(expense)		
Net currency translation gain/(loss)	6,707	(4,995)
Actuarial gains/(losses) on defined benefit pension plans	1,600	(3,370)
Deferred tax movement relating to actuarial gains/losses	(553)	1,111
Total comprehensive income for the year	<u>3,797</u>	<u>55,696</u>
Total comprehensive income for the year is attributable to:		
Owners of the parent company	3,796	55,695
Non-controlling interests	<u>1</u>	<u>1</u>
	<u>3,797</u>	<u>55,696</u>

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 20 to 42 form part of these financial statements.

Balance Sheets
As at 31 December 2022

		Group		Company	
		2022	2021⁽¹⁾	2022	2021
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	14	22,571	28,069	-	-
Tangible assets	15	93,475	97,980	-	-
Investments	16	204	-	507,936	507,936
		<u>116,250</u>	<u>126,049</u>	<u>507,936</u>	<u>507,936</u>
Current Assets					
Debtors: amounts falling due within one year	18	945,635	758,588	5,580	5,005
Debtors: amounts falling due after more than one year	18	90,984	100,148	-	-
Cash at bank and in hand		9,219	44,782	-	-
Restricted cash*		12,367	-	-	-
Creditors: amounts falling due within one year	19	(944,056)	(743,181)	(1,680)	(1,679)
Net current assets		<u>114,149</u>	<u>160,337</u>	<u>3,900</u>	<u>3,326</u>
Total assets less current liabilities		<u>230,399</u>	<u>286,386</u>	<u>511,836</u>	<u>511,262</u>
Creditors: amounts falling due after more than one year	20	(215,294)	(183,765)	-	-
Provisions for liabilities	21	(11,998)	(11,311)	-	-
Net assets		<u><u>3,107</u></u>	<u><u>91,310</u></u>	<u><u>511,836</u></u>	<u><u>511,262</u></u>
Capital and reserves					
Called up share capital	23	6,600	6,600	6,600	6,600
Other reserves		(8,935)	(9,982)	-	-
Additional paid in capital		7,300	7,300	7,300	7,300
Capital contribution reserve	24	18,121	18,121	432,947	432,947
Retained earnings		<u>(20,016)</u>	<u>69,235</u>	<u>64,989</u>	<u>64,415</u>
Total equity attributable to owners of the parent		<u>3,070</u>	<u>91,274</u>	<u>511,836</u>	<u>511,262</u>
Non-controlling interests		37	36	-	-
Total Equity		<u><u>3,107</u></u>	<u><u>91,310</u></u>	<u><u>511,836</u></u>	<u><u>511,262</u></u>

The company made a profit for the financial year of £92,573,813 (2021: £38,001,508).

*Cash is restricted due to sanctions as a result of the Russian war and internal Russian regulations.

The financial statements on pages 14 to 42 were approved by the board of directors on 28th September 2023 and are signed on its behalf by:

.....
M Rosenthal
Director

The notes on pages 20 to 42 form part of these financial statements.

Company Registration No. 04134605

⁽¹⁾ Prior year amounts have been restated, refer to Note 5 for details.

BCG UK1 LIMITED

**Group Statement of Changes In Equity
For the year ended 31 December 2022**

	Called up share capital	Other reserves	Additional paid in capital	Capital contribution reserve	Retained earnings	Total shareholders' funds	Non- controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2021	6,600	(7,724)	7,300	18,121	49,283	73,580	35	73,615
Profit for the financial year	-	-	-	-	62,949	62,949	1	62,950
Other comprehensive expense for the financial year	-	(2,258)	-	-	-	(2,258)	-	(2,258)
Net currency translation differences	-	-	-	-	(4,995)	(4,995)	-	(4,995)
Total comprehensive income for the financial year	-	(2,258)	-	-	57,954	55,696	1	55,697
Dividends paid	-	-	-	-	(38,002)	(38,002)	-	(38,002)
Balance as at 31 December 2021	<u>6,600</u>	<u>(9,982)</u>	<u>7,300</u>	<u>18,121</u>	<u>69,235</u>	<u>91,274</u>	<u>36</u>	<u>91,310</u>
Loss for the financial year	-	-	-	-	(3,958)	(3,958)	1	(3,957)
Other comprehensive income for the financial year	-	1,047	-	-	-	1,047	-	1,047
Net currency translation differences	-	-	-	-	6,707	6,707	-	6,707
Total comprehensive income for the financial year	-	1,047	-	-	2,749	3,796	1	3,797
Dividends paid	-	-	-	-	(92,000)	(92,000)	-	(92,000)
Balance as at 31 December 2022	<u>6,600</u>	<u>(8,935)</u>	<u>7,300</u>	<u>18,121</u>	<u>(20,016)</u>	<u>3,070</u>	<u>37</u>	<u>3,107</u>

BCG UK1 LIMITED

Company Statement of Changes In Equity For the year ended 31 December 2022

	Called up share capital	Additional paid in capital	Capital contribution reserve	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2021	6,600	7,300	-	6,415	78,315
Acquisition of subsidiary	-	-	432,947	-	432,947
Profit for the financial year and total comprehensive income for the year	-	-	-	38,002	38,002
Dividends paid	-	-	-	(38,002)	(38,002)
Balance as at 31 December 2021	<u>6,600</u>	<u>7,300</u>	<u>432,947</u>	<u>6,415</u>	<u>511,262</u>
Profit for the financial year and total comprehensive income for the year	-	-	-	92,574	92,574
Dividends paid	-	-	-	(92,000)	(92,000)
Balance as at 31 December 2022	<u>6,600</u>	<u>7,300</u>	<u>432,947</u>	<u>6,989</u>	<u>511,836</u>

Consolidated Cash Flow Statement
For the year ended 31 December 2022

	Note	2022		2021 ⁽¹⁾	
		£'000	£'000	£'000	£'000
Net cash generated from operations	28		134,360		171,685
Less: taxation paid			(55,503)		(68,019)
Net cash generated from operating activities			<u>78,857</u>		<u>103,666</u>
Cash flow from investing activities					
Interest received		2,678		281	
Purchase of tangible fixed assets		(15,353)		(45,160)	
Purchase of subsidiary		(204)		-	
Purchase of intangible assets		<u>(683)</u>		<u>-</u>	
Net cash used in investing activities			<u>(13,562)</u>		<u>(44,879)</u>
Cash flow from financing activities					
Repayment of finance		-		(5,500)	
Interest paid		(2,682)		(5)	
Dividends paid to equity shareholders		<u>(92,000)</u>		<u>(38,001)</u>	
Net cash used in financing activities			<u>(94,682)</u>		<u>(43,506)</u>
Net (decrease)/increase in cash and cash equivalents			<u>(29,387)</u>		<u>15,281</u>
Cash and cash equivalents at beginning of year			44,782		30,993
Net currency translation differences			6,191		(1,492)
Cash moved to restricted accounts			<u>(12,367)</u>		<u>-</u>
Cash and cash equivalents at end of year			<u>9,219</u>		<u>44,782</u>

Cash is restricted due to sanctions as a result of the Russian war and internal Russian regulations.

⁽¹⁾Prior year amounts have been restated, refer to note 5 for details.

Notes To The Consolidated Financial Statements
For the year ended 31 December 2022

1 Company Information

BCG UK1 Limited is a private limited company limited by shares and it is incorporated in the United Kingdom. The address of its registered office is 80 Charlotte Street, London, England, W1T 4DF.

The principal activity of BCG UK1 Limited during the reporting period was to act as an intermediate holding company and has no other trading activity.

2 Statement of Compliance

The Group and the Company financial statements of BCG UK1 Limited are prepared in compliance with the United Kingdom accounting standards, including Financial Reporting Standards 102, "The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by cash-settled share based payment and other financial assets at fair value and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 'Critical accounting judgements and key source of estimation uncertainty' of the accounting policies section.

3.2 Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the signing date of these financial statements. The Group's parent, BCG Inc., has provided a letter of support in the unlikely event that it is required. The directors have satisfied themselves of the ability and intent of BCG Inc. to provide this support if required. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

3.3 Exemptions for qualifying entities under FRS102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated.

The Company has taken advantages of the following exemptions:

- i) from the requirement to present the company profit and loss account taking advantage of the exemption in section 408 of the Companies Act. The profit for the company for the year was £92,573,813 (2021: £38,001,508); and
- ii) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows; and
- iii) the Company has taken advantage of the exemptions provided by Section 33.1A of FRS 102 from disclosing related party transactions with wholly owned entities.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.4 Basis of consolidation

The consolidated financial statements include the Company and its subsidiary undertakings. Uniform accounting policies have been adopted across the Group and intra-group transactions and balances have been eliminated fully in consolidation.

3.5 Foreign currency

The functional and presentational currency for both the Company and the Group is sterling (GBP).

UK trading activities denominated in foreign currencies are recorded in sterling at the rate ruling at the date of each transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is reported as an exchange gain or loss in the profit and loss account.

The profits and losses of overseas undertakings are translated into sterling at average rates of exchange for the year. Balance sheets denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of the net assets of overseas operations are taken to other comprehensive income, together with the differences arising when the profits and losses of overseas undertakings are translated at average rates compared with rates ruling at the year-end.

3.6 Turnover

Turnover is stated net of VAT and is recognised to the extent that it is probable that economic benefits will flow to the Group and can be reliably measured. Turnover represents the fair value of professional services provided on the basis of time spent at the agreed fee rates. Turnover includes expenses incurred as part of delivering our services that are subsequently charged to client, where the directors have determined that BCG UK Limited is principal. Intercompany revenue is also recognised within turnover in profit and loss where it is assessed that the Group is principal rather than agent. Turnover also includes income receivable from the intragroup transfer pricing invoicing.

Turnover and costs are recognised on this basis where the outcome of the contract can be reliably measured and is reasonably certain. Full provision is made for all known or anticipated losses on each contract at the point where such losses are identified. Contract costs include direct staff costs and an appropriate allocation of overhead and expenses.

Amounts due from clients are stated at turnover recognised to date less amounts billed on account. Amounts billed to clients are recorded in trade receivables less any provision for impairment. To the extent that fees paid on account exceed the value of work performed, they are included in advanced billings to clients.

3.7 Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and deferred compensation including defined contribution pension scheme.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

3.8 Retirement benefits

The Group operates a defined contribution pension scheme, which is insured. Payments to the defined contribution benefit schemes are charged as an expense as they fall due. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension cost is the amount of the contributions payable in respect of the particular accounting period. Contributions outstanding at the year-end are included in the balance sheet as a creditor. In addition BCG G. K. operates a defined benefits pension plan (see note 31).

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.9 Share-based payments

Members in The Boston Consulting Group UK LLP are granted interest rights in The Boston Consulting Group UK LLP. The value of the rights are tracked with reference to the value of The Boston Consulting Group Inc. shares. The Group financial statements account for the plan as a cash-settled share-based payment under Section 26 of FRS 102 as the obligation to settle this award resides with one of the UK1 Group Companies.

The fair value of the services received from participants in exchange for capital interest awards is recognised as an expense over the vesting period (if any). The fair value is measured using the Black-Scholes pricing model.

3.10 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in the comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is measured at the average tax rate that is expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.11 Business combinations and goodwill

In the Group financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Goodwill relates to:

- Goodwill in Expand Research LLP - shown at cost and amortised over 10 years which is considered the useful life of the asset.
- Goodwill in The Boston Consulting Group S.P.R.L. - shown at cost and amortised over 10 years which is considered the useful life of the asset.
- Goodwill in AllofUS Limited - shown at cost and amortised over 5 years which is considered the useful life of the asset.
- Goodwill in Kernel Analytics S.L - shown at cost and amortised over 10 years which is considered the useful life of the asset.

On 15th December 2021, BCG Holding Corp. whose registered office is at Corporation Trust Centre, 1209 Orange Street, Willington, Delaware U.S.A transferred its interests in Boston Consulting Group G.K. (BCG Japan), a limited liability company registered in Japan whose registered office is Nihonbashi Muromachi Mitsui Tower, 3-2-1 Nohonbashi-Muromachi, Chuo-ku, Tokyo, Japan to the BCG UKI Group. The business re-organisation was achieved by a contribution to the capital interests at a fair value of £432,946,794, with no consideration. As a result of the business re-organisation, BCG Japan is a wholly owned subsidiary of BCG UKI, a private limited company incorporated in the United Kingdom, registered office is 80 Charlotte Street, London, England W1T 4DF.

Immediately preceeding and following the transfer the ultimate holding and controlling party remained unchanged, being the Boston Consulting Group Inc., incorporated in the Commonwealth of Massachusetts, USA, registered address 200 Pier 4 Boulevard Boston, Massachusetts 02210, USA

The business combination was accounted for using merger accounting. The reserves were adjusted in 2021 to account for a capital contribution reserve of £18,120,540 arising from the business combination.

3.12 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Contracts and relationships 5 years

Where factors indicate that the useful life has changed, the useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment annually.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.13 Tangible assets

Tangible assets are stated at historic purchase cost or valuation less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost (less estimated residual value of each asset) or valuation on a straight line basis over its expected useful life, as follows:

- Leasehold improvements and dilapidation costs - Straight-line over lease term
- Office equipment - 2 - 5 years
- Motor vehicles - 5 years

Construction in progress

Assets categorised as construction are stated at cost. These assets are not depreciated until they are available for use.

Dilapidations provisions

Provisions for dilapidations are recorded by the initial recognition of a retirement obligation asset on the balance sheet and equal and opposite retirement obligation liability. The asset is amortised through profit and loss over the life of the lease. A discount rate is used to establish the net present value of the obligation, with the expense being recorded in profit and loss and the equal and opposite entry increasing the retirement obligation liability.

3.14 Leased assets

(i) Finance leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Where assets are financed by leasing arrangements that give rights to approximating ownership i.e. when all the risks and rewards incidental to ownership are then transferred then the assets are treated as if they have been purchased outright.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

The lease payments are split between capital and interest elements using the effective interest rate method. Depreciation on the relevant assets and interest are charged to the income statement.

(ii) Operating leased asset

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(iii) Lease incentive

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments. Incentives received to enter into an operating lease are credited to the consolidated statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.15 Impairment of non-financial assets

At each financial year end non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the consolidated statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the consolidated statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

3.16 Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

3.17 Work in progress

Unbilled fees for services performed are recorded at estimated billable amounts less amounts provided for as unrecoverable. Unbilled expenses recoverable from clients are recorded at cost incurred.

3.18 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Restricted cash is an asset which is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. This relates to cash held in Russian banks where the group is unable to access due to government sanctions or Russia internal regulations.

3.19 Provisions for liabilities

Provisions are made for liabilities where, in the directors' opinion, present obligation exists and it is probable that an outflow of funds will be required to settle the financial liabilities in the future and the amounts can be estimated reliably. Where material, future cash flows are discounted in arriving at the amounts to be provided. The unwinding of the discount is reported as other finance income or costs in the consolidated statement of comprehensive income.

3.20 Research and development

Research and development expenditure is written off as incurred.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.21 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

(i) Financial assets

Basic financial assets, including debtors, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Such assets are subsequently carried at fair value and financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Group and the Company does not hold any derivative financial instruments.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

3.21 Financial instruments (continued)

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.22 Client deposits

Client deposits, otherwise referred to as deferred income or “advanced billing to clients” are recognised as a current asset in debtors, with the equal and opposite current liability recognised at the year end, to account for the fact client monies are receivable on account of advanced billings, and there is work on the client project still in progress, respectively.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Key accounting estimates and assumptions

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities from a reasonable change in assumptions within the next financial year are addressed below.

(i) Investments in subsidiaries

The fair value of our investments in subsidiaries are calculated using accepted valuation techniques under the applicable accounting rules, which require management to make certain judgements and assumptions. These assumptions include discount rates, growth rates, gross domestic product return rates and other items that are based on various market data and inputs, indices and where relevant, are also benchmarked against comparable industry segment multiples pertaining to the specific operations of the subsidiary entity. Investments are reviewed for impairment by management only if there are any indicators of impairment. See note 16 for the net carrying amount of investments in subsidiaries and any associated impairments, if any.

(ii) Accrued income provisions

Provisions are made for work in progress. The work in progress balances are reviewed by management on a monthly basis to assess recoverability. Provisions are made as deemed appropriate. See note 18 for the net carrying amount of the work in progress and associated impairment provision, which is included in unbilled fees and expenses.

(iii) Share-based payments

The fair value of the capital interest programme is estimated using the Black-Scholes pricing model. The resulting cost is charged to the Group income statement, and is revalued at the balance sheet date. Volatility in the market has an impact on share value, making this an area of estimation uncertainty.

(iv) VAT paid as a tax agent

The Russian companies of the Group (the “Russian companies”) receive services from the BCG Group companies which are not registered as taxpayers in Russia. In accordance with the Russian tax law the Russian companies which are registered as tax payers in Russia must account for VAT on any payment it makes to a non-tax registered foreign company if the payment is connected to the supply of services considered to have been supplied in Russia, and that do not fall under any VAT exemptions based on domestic VAT law. In such circumstances under the law, the Russian companies shall act as tax agents for Russian VAT purposes by withholding Russian VAT at the applicable rate from payments to the foreign supplier and remit such VAT to the Russian budget. The VAT withheld may be recovered by the Russian companies in accordance with VAT recovery rules as provided by Russian tax law, subject to other factors that are outside of control of management but impacting on ability to recover VAT.

In accordance with the specific requirements of the Russian tax law the obligating event which triggers the payment of VAT by a tax agent is the payment of the debt to the supplier. Thus, no liability in relation to VAT to be paid by a tax agent is recognized in the financial statements until the debt to the supplier is settled. Corresponding information about the contingent liability associated with tax agent VAT is disclosed in note 26 of these financial statements.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

(v) Defined benefit pension scheme

The Boston Consulting Group G.K. ("BCG Japan G.K.", an entity part of the BCG UKI Group) operates a defined benefit pension plan which has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including, life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. For details of assumptions adopted, see note 31.

(vi) Acting as co-principal on client contracts

The Boston Consulting Group UK LLP acts as a co-Principal for all client contracts. The estimate of recoverability of revenue for the work performed may require judgement. The amounts relating to the rewards and risks for this role is accounted within revenue. See notes 3.6 for further details.

(vii) Expenses charged to clients

Turnover includes expenses incurred as part of delivering our services that are subsequently charged to clients. The Company is considered the principal in relation to these expenses since the Company pays its vendors directly for these expenses (as opposed to the Company's clients paying vendors). As such in accordance with FRS 102, expenses charged to clients are presented on a gross basis. See note 3.6 for further details.

5 Prior Year restatement

During the current year the Group has reassessed the classification of certain balances on the Consolidated Balance Sheet and Consolidated Profit and Loss which resulted in restatements to prior year numbers. Below are details relating to each of these adjustments. The restatements are classification errors between financial statement line items only and did not impact the net asset equity or net income positions.

Outsourced Consultancy Expenses

The Group undertook a classification alignment on the presentation of accounts relating to outsourced consultancy expenses (specifically consultancy services provided to/from BCG group entities). Up to the year ended 31 December 2021, the Group presented outsourced consultancy services received/given for UK subsidiaries on a net basis within Turnover under the assertion that they met the definition of an Agent as it relates to these services. During the current period, the Partnership reassessed this assertion and concluded that since the UK subsidiaries assume ultimate risk/control on the delivery of services to clients (regardless of which BCG group entity is providing the services) that the UK subsidiaries are considered the Principal in relation to consultancy services provided to/from BCG group entities and that these should have been presented on a gross basis in the prior year Consolidated Profit and Loss.

As a result, the Group has adjusted its consolidated Profit and Loss account for the year ended 31 December 2021 by reclassifying outsourced consultancy expenses between Turnover £4,989k, Staff Costs £4,442k and Other Operating Expenses £547k (resulting in gross presentation).

The Group also undertook a classification alignment on the presentation of accounts relating to outsourced consultancy expenses for the non-UK subsidiaries (specifically consultancy services provided to/from BCG group entities). Up to the year ended 31 December 2021, the Group presented outsourced consultancy services received/given for non-UK subsidiaries on a gross basis. During the current period, the Partnership reassessed this assertion and concluded that where the non-UK subsidiaries do not assume ultimate risk/control on the delivery of services to clients (regardless of which BCG group entity is providing the services) that the non-UK subsidiaries are considered the Agent in relation to consultancy services provided to/from BCG group entities and that these should have been presented on a net basis in the prior year Consolidated Profit and Loss.

As a result, the Group has adjusted its Consolidated Profit and Loss Account for the year ended 31 December 2021 by reclassifying £41,533k of Outsourced Consultancy in Staff Costs to Turnover (resulting in net presentation).

Expenses Charged to Clients

Up to the year ended 31 December 2021, the Group presented expenses charged to clients on a net basis within Turnover under the assertion that the Group met the definition of an agent as it relates to these expenses. During the current period, the Group reassessed this assertion and concluded that since the Group pays its vendors directly for these expenses (as opposed to the Group's clients paying vendors) the Group is considered the principal in relation to expenses charged to clients. As such, in accordance with FRS 102, expenses charged to clients should have been presented on a gross basis.

As a result, the Group has adjusted its Consolidated Profit and Loss Account for the year ended 31 December 2021 by reclassifying £78,271k of expenses charged to clients from Other Operating Expenses to Turnover (resulting in gross presentation).

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

5 Prior Year restatement (Continued)

Operating profit

The note has been adjusted to confirm with current year presentation which includes a more detailed breakdown of operating expense.

Capitalised professional fees

Within year ended March 2022, professional fees incurred in bringing about an operating lease were capitalised into fixed assets. The Group has since undertaken a review of the fixed assets presentation which concluded that these fees are not tangible assets and the balance sheet for year ended 31 December 2021 has been adjusted with £4,162k being reclassified to other debtors.

Creditors: amounts falling due within one year

Other taxation and social security has been increased and Corporation tax decreased by a restatement of £9,176,161. This is due to now including amounts relating to withholding tax payable in Other taxation and social security.

Financial assets measured at amortised cost

The 2021 figures have been restated to include the prior year figure for 'Unbilled fees and expenses'.

Lease commitments

The 2021 figures have been restated to include lease commitments amounts relating to Boston Consulting Group, G.K. (Japan) that were omitted. The impact being an increase of £84,385,087 to the total of payments due.

Net cash generated from operations

The 2021 figure for Increase in creditors has been restated and increased by £8,137,131. This is to correctly allocate the movement in withholding tax relating to Boston Consulting Group, G.K. that was previously included the taxation paid line. As a result, the taxation paid figure in the Consolidated cash flow statement has also increased by the same amount.

Group

Net impact of changes to the income statement	As previously reported	Restatement	Restated
	£'000	£'000	£'000
Turnover	1,254,513	31,748	1,286,261
Staff costs	(981,792)	45,976	(935,816)
Other operating expenses	(167,612)	(77,724)	(245,336)
Net impact of changes to the balance sheet	As previously reported	Restatement	Restated
	£'000	£'000	£'000
Tangible assets	102,142	(4,162)	97,980
Debtors: amounts falling due within one year	754,426	4,162	758,588

6 Turnover

Contributions to turnover by geographical market have been omitted, as the directors believe disclosure would be seriously prejudicial to the interests of the Company, as permitted by SI 2008,410, Sch. 1, para. 68. Turnover includes third party costs recharged to clients and revenue from supporting other group companies, where the Directors have determined that BCG UK Limited is principal.

Breakdown of the turnover is:

	2022	2021⁽¹⁾
Turnover		
	£'000	£'000
Revenue from consulting services	789,927	893,866
Expenses charged to clients	84,960	78,475
Revenue from related parties	<u>398,433</u>	<u>313,920</u>
	1,273,320	1,286,261

⁽¹⁾ Turnover for the prior year has been restated. Refer to note 5 for further details.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

7	Staff costs Employees		
		2022	2021 ⁽¹⁾
	Note	£'000	£'000
Wages and salaries		673,224	681,670
Social security costs		46,860	42,113
Other pension costs	12	<u>40,972</u>	<u>42,580</u>
		761,056	766,363
Outsourced consultancy		<u>127,679</u>	<u>169,453</u>
		<u>888,735</u>	<u>935,816</u>

Outsourced consultancy costs represent the costs to BCG UK1 Limited of the cross office staffing of employees from other The Boston Consulting Group Inc. Group companies.

⁽¹⁾Outsourced consultancy costs have been restated. Refer to note 5 for further details.

There were no employees in BCG UK1 Limited during the year apart from the directors (2021: nil). The monthly average number of persons employed by the group during the year was as follows:

	2022	2021
	Number	Number
Consultancy	2,433	2,375
Administrative	<u>1,250</u>	<u>1,054</u>
	<u>3,683</u>	<u>3,429</u>

Directors

Directors received emoluments for services as directors to the Group of £4,162 (2021: £3,312).

8	Other operating expenses		
		2022	2021 ⁽¹⁾
		£'000	£'000
Other operating expenses comprises:			
Operating lease charges		36,976	29,093
Other occupancy related expenses		25,885	21,407
Professional services		46,503	38,122
Depreciation and amortization		25,226	22,146
Withholding tax expense		34,108	28,679
Travel and entertainment		22,740	7,319
Expenses charged to clients		84,822	78,271
Intragroup transfer pricing adjustment		64,590	-
General administrative expenses		<u>3,355</u>	<u>20,299</u>
		<u>344,205</u>	<u>245,336</u>

⁽¹⁾ Prior year amounts have been restated, refer to Note 5 for details.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

9 Fees payable to the Group's auditors for the audit of the Group's annual financial statements	2022	2021
	£'000	£'000
Fees payable to the Group's auditors and its associate for:		
Audit of the Group's annual financial statements	920	622
The audit of the statutory financial statements of the Company	33	31
Other services relating to taxation		
- Advisory	1,374	748
- Compliance	318	173
	<u>2,645</u>	<u>1,574</u>

10 Interest receivable and similar income

	2022	2021
	£'000	£'000
Other interest receivable	2,678	282

11 Interest payable and similar expenses

	2022	2021
	£'000	£'000
Other interest payable	(2,682)	(5)

12 Pension commitments

The cost associated with the Group's defined contribution plan for the financial year was £40,972,438 (2021: £42,580,159). Outstanding contributions at 31 December 2022 were £10,654,950 (2021: £13,735,132).

In addition to a defined contribution plan, Boston Consulting Group, G. K. (Japan) operates a defined benefit pension plan, which is unfunded. The plan covers all regular full time employees and provides retirement benefits based on the employees' final month base salary. The costs and obligations associated with these plans are dependent upon various actuarial assumptions used in calculating such amounts. These assumptions include discount rates, salary growth, mortality rates, and other factors. The assumptions used were determined as follows: (i) the discount rate used is based on comparisons to various indexes, particularly the local bond index; and (ii) the salary growth rate is based on historical and projected level of salary increases. These assumptions are based on consultation with outside actuaries (see note 31).

13 Tax on profit

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax on profits for the current year	17,366	48,325
Adjustment in respect of prior years	7,332	404
Overseas taxation: current year	12,425	12,792
Overseas tax: prior period	2	-
Total current tax charge	<u>37,125</u>	<u>61,521</u>
Deferred tax		
Origination & reversal of timing differences	8,792	(20,918)
Other	-	2,706
Total deferred tax credit	<u>8,792</u>	<u>(18,212)</u>
Total tax charge for the year	<u>45,917</u>	<u>43,309</u>

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

13 Tax on profit (Continued)

Factors affecting the tax charge for the year

The tax assessed for the period is higher (2021: higher) than the standard rate applying in the UK (19.00%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit before taxation	41,960	106,259
Profit before taxation multiplied by standard rate of UK corporation tax of 19.00% (2021: 19%)	7,972	20,189
Effects of:		
Expenses not deductible for tax purposes	41,858	19,896
Adjustments to tax charge in respect of previous period	7,332	318
Overseas relief on donations	(32)	(26)
Overseas taxation	1,466	1,525
Overseas tax - prior period	2	34
Overseas rates differences	6,392	6,440
Effect of unutilised losses	(676)	(451)
Other	6,739	(1,753)
Dividends and distributions received	(25,136)	(2,863)
Total tax charge for the year	45,917	43,309

Tax rate changes

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

Notes To The Consolidated Financial Statements (Continued)
For the year ended 31 December 2022

14 Intangible assets

Group	Contracts and relationships	Goodwill	Total
Cost	£'000	£'000	£'000
At 1 January 2022	7,951	48,953	56,904
Additions	683	-	683
Exchange differences	-	403	403
At 31 December 2022	<u>8,634</u>	<u>49,356</u>	<u>57,990</u>
Accumulated amortisation			
At 1 January 2022	(6,493)	(22,342)	(28,835)
Charge for the year	(1,480)	(4,969)	(6,449)
Exchange differences	-	(135)	(135)
At 31 December 2022	<u>(7,973)</u>	<u>(27,446)</u>	<u>(35,419)</u>
Net book value			
At 31 December 2022	<u>661</u>	<u>21,910</u>	<u>22,571</u>
At 31 December 2021	<u>1,458</u>	<u>26,611</u>	<u>28,069</u>

The Company had no intangible assets as at 31 December 2022 (2021: nil).

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

15 Tangible assets

Group	Leasehold improvements and dilapidation costs	Office Equipment	Motor vehicles	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2022 ⁽¹⁾	55,724	47,230	38	52,036	155,028
Exchange differences	230	222	6	-	458
Additions	4,611	8,710	-	2,032	15,353
Transfers	52,036	-	-	(52,036)	-
Disposals	(3,962)	(5,702)	(31)	-	(9,695)
At 31 December 2022	108,639	50,460	13	2,032	161,144
Accumulated depreciation					
At 1 January 2022 ⁽¹⁾	(28,682)	(28,363)	(3)	-	(57,048)
Exchange differences	(469)	(280)	(2)	-	(751)
Charge for the year	(11,352)	(7,425)	-	-	(18,777)
Disposals	3,951	4,964	(8)	-	8,907
At 31 December 2022	(36,552)	(31,104)	(13)	-	(67,669)
Net book value					
At 31 December 2022	72,087	19,356	-	2,032	93,475
At 31 December 2021 ⁽¹⁾	27,042	18,867	35	52,036	97,980

The Company had no tangible assets as at 31 December 2022 (2021: nil).

⁽¹⁾The prior year amounts have been restated, refer to note 5 for further details.

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

16 Investments

Company	Shares in group undertakings £'000
Cost	
At 1 January 2022	507,936
Additions	-
At 31 December 2022	<u>507,936</u>
Net book value	
At 31 December 2022	<u>507,936</u>
At 31 December 2021	<u>507,936</u>

A subsidiary of the Group, The Boston Consulting Group Limited, made an investment of £204,289 in the year.

17 Subsidiaries and related undertakings

The Company holds more than 20% of the share capital of the following companies:

Name of undertaking	Address of the registered office	Class of shareholding	Shares held %
Alloft's Limited	80 Charlotte Street, London, W1T 4DF, England	Ordinary	100.00
BCG Luxembourg Europe Holding S.à r.l	15 Boulevard F/W. Raiddeisen, L-2411 Luxembourg, Grand Duchy of Luxembourg	Ordinary	100.00
Expand Consulting Inc.	10 Hudson Yards, FL 47, New York, NY 10001, USA	Ordinary	100.00
Expand Consulting PTE Ltd	Republic Plaza Level 58 9 Raffles Plaza Singapore 048619	Ordinary	100.00
Expand Research LLP	80 Charlotte Street, London, W1T 4DF, England	Ordinary	100.00
The Boston Consulting Group (Moscow) Limited	80 Charlotte Street, London, W1T 4DF, England	Ordinary	100.00
The Boston Consulting Group S.P.R.L.	Keizerinlaan, 13, Boulevard de l'Impératrice Brussels 1000 Belgium	Ordinary	99.92
The Boston Consulting Group Limited	80 Charlotte Street, London, W1T 4DF, England	Ordinary	100.00
The Boston Consulting Group OOO	Gasheka Ul. 6, Ducat Place III, Moscow 125047, Russia	Ordinary	100.00
The Boston Consulting Group S.L.	Calle Alcalá 95, Madrid, 28009, Spain	Ordinary	100.00
The Boston Consulting Group UK LLP	80 Charlotte Street, London, W1T 4DF, England	See below	See below
Boston Consulting Group, G.K. (Japan)	Nihonbashi Muromachi Mitsui Tower, 3-2-1 Nihonbashi-Muromachi, Chuo-ku Tokyo, Japan	Ordinary	100.00

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

17 Subsidiaries and related undertakings (continued)

The principal activity of these undertakings for the last relevant financial year was as follows:

Subsidiary undertaking	Nature of business
AllofUs Limited	Advertising agency
BCG Luxembourg Europe Holding S.à r.l	Holding company
Expand Consulting Inc.	Research and business development
Expand Consulting PTE Ltd	Research and business development
Expand Research I LP	Consultancy
The Boston Consulting Group (Moscow) Limited	Consultancy
The Boston Consulting Group S.P.R.L.	Consultancy
The Boston Consulting Group Limited	Consultancy
The Boston Consulting Group OOO	Consultancy
The Boston Consulting Group SL	Consultancy
The Boston Consulting Group UK LLP	Consultancy
Boston Consulting Group, G.K.	Consultancy

BCG UK1 Limited holds 100% of the equity interest of The Boston Consulting Group UK LLP indirectly through The Boston Consulting Group Limited.

All subsidiary undertakings are included within the consolidated group financial statements. The Company's investment in Boston Consulting Group, G.K. and The Boston Consulting Group Limited is direct ownership, all other investments are indirect ownership.

18 Debtors: amounts falling due within one year

	Group 2022	2021 ⁽¹⁾	Company 2022	2021
	£'000	£'000	£'000	£'000
Trade debtors	180,659	246,245	-	-
Amounts owed by group undertakings	647,136	441,679	5,580	5,005
Other debtors	7,584	5,224	-	-
Corporation tax recoverable	13,169	-	-	-
Unbilled fees and expenses	84,197	56,300	-	-
Prepayments	12,890	9,140	-	-
	<u>945,635</u>	<u>758,588</u>	<u>5,580</u>	<u>5,005</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, with the exception of in-house bank balances, which are subject to interest.

Trade debtors are stated after provisions for impairment of £29,150,000 (2021: £21,972,000).

⁽¹⁾ Prior year amounts have been restated, refer to note 5 for further details.

Debtors: amounts falling due after more than one year

		Group 2022	2021	Company 2022	2021
	Note	£'000	£'000	£'000	£'000
Deferred tax asset	22	76,606	84,930	-	-
Other debtors		<u>14,378</u>	<u>15,218</u>	<u>-</u>	<u>-</u>
		<u>90,984</u>	<u>100,148</u>	<u>-</u>	<u>-</u>

The deferred tax asset relates to timing differences regarding capital allowances and pensions.

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

19	Creditors: amounts falling due within one year	Group 2022	2021 ⁽¹⁾	Company 2022	2021
		£'000	£'000	£'000	£'000
	Trade creditors	16,460	13,119	-	-
	Amounts owed to group undertakings	562,187	320,503	1,680	1,679
	Amounts owed to participating interests	80,886	97,381	-	-
	Corporation tax	-	4,740	-	-
	Other taxation and social security	43,100	42,091	-	-
	Other creditors	726	667	-	-
	Advanced billings to clients	24,247	45,877	-	-
	Accruals	216,450	218,803	-	-
		<u>944,056</u>	<u>743,181</u>	<u>1,680</u>	<u>1,679</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand, with the exception of in-house bank balances, which are subject to interest.

⁽¹⁾Prior year amounts have been restated, refer to Note 5 for details.

20	Creditors: amounts falling due after more than one year	Group 2022	2021	Company 2022	2021
		£'000	£'000	£'000	£'000
	Post employment benefits	47,746	45,651	-	-
	Other creditors	<u>167,548</u>	<u>138,114</u>	<u>-</u>	<u>-</u>
		<u>215,294</u>	<u>183,765</u>	<u>-</u>	<u>-</u>

The Other creditors relates to deferred rent, landlord contribution and deferred compensation paid to employees when they leave the group.

21 Provisions for liabilities

	Asset retirement obligations £'000
Group	
Balance at 1 January 2022	11,311
Additions	1,209
Charged to the profit and loss account	47
Disposals	<u>(569)</u>
Balance at 31 December 2022	<u>11,998</u>

Group entered into lease agreements which allowed the improvement of the property leased but included obligations within the lease to return the property at the end of the lease back to its original state. The asset retirement obligation provision is expected to be fully utilised at the end of the respective leases between 2023 and 2035.

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

22 Deferred taxation asset

	2022	2022	2021	2021
	Recognized Asset	Full Potential Relief	Recognized Asset	Full Potential Relief
	£'000	£'000	£'000	£'000
Tax effect of timing differences:				
Temporary differences	76,606	76,606	84,930	84,930
	<u>76,606</u>	<u>76,606</u>	<u>84,930</u>	<u>84,930</u>

The movements in deferred tax in the current year are summarised below:

	2022	2021
	£'000	£'000
Opening balance at 1 January	84,930	74,007
Movement in the year	(8,324)	10,923
Closing balance at 31 December	<u>76,606</u>	<u>84,930</u>

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset, and therefore the asset has been recognised in these financial statements.

23 Called up share capital

	2022	2021
	£'000	£'000
Group and Company		
Authorised		
50,000,000 (2021: 50,000,000) ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up, issued and fully paid		
6,600,001 (2021: 6,600,001) ordinary shares of £1 each	<u>6,600</u>	<u>6,600</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Additional paid in capital represents the excess amount received on issue of ordinary share capital.

24 Other reserves

Other reserves comprise differences that arose on consolidation under merger accounting policies.	2022	2021
	£'000	£'000
Group		
Capital contribution reserve	<u>18,121</u>	<u>18,121</u>
Company		
Capital contribution reserve	<u>432,947</u>	<u>432,947</u>

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

25 Financial instruments

The Group has the following financial instruments:	Note	2022	2021 ⁽¹⁾
		£'000	£'000
Financial assets measured at amortised cost			
Trade debtors	18	180,659	246,246
Amount owed by group undertakings	18	647,136	441,679
Other debtors (current)	18	3,643	1,061
Other debtors (non-current)	18	14,378	15,218
Cash		9,219	44,782
Unbilled fees and expenses	18	84,197	56,300
		<u>939,232</u>	<u>805,286</u>

⁽¹⁾Prior year amounts have been restated, refer to Note 5 for details.

	Note	2022	2021
		£'000	£'000
Financial liabilities measured at amortised cost			
Trade creditors	19	16,460	13,119
Amounts owed to group undertakings	19	562,186	320,503
Amounts owed to participating interest	19	80,886	97,381
Accruals	19	106,237	138,420
Other creditors (current)	19	726	778
		<u>766,495</u>	<u>570,201</u>

		2022	2021
		£'000	£'000
Financial liabilities measured at fair value through profit or loss			
Share-based payment liability	19	104,132	80,271

The Company has the following financial instruments:		2022	2021
		£'000	£'000
Financial assets measured at amortised cost			
Amount owed by group undertakings	18	<u>5,580</u>	<u>5,005</u>
		<u>5,580</u>	<u>5,005</u>
Financial liabilities measured at amortised cost			
Amounts owed to group undertakings	19	<u>1,680</u>	<u>1,679</u>
		<u>1,680</u>	<u>1,679</u>

26 Contingent liabilities

Business has ongoing tax compliance with tax authorities that by nature mean that the group at any point in time has exposure to potential liabilities on income tax and withholding tax. The Russia entity acts as tax agent for Russian withholding tax liability which is contingent on certain factors. Based on our assessment we estimate the potential liability in respect of the Russia withholding tax to be approximately £3,720,000 this year.

27 Guarantees and other financial commitments

(a) Capital commitments

At 31 December 2022 the Group had £17,265,955 (2021: £nil) capital commitments due within one year.

(b) Lease commitments

The Group had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due	2022	2021 ⁽¹⁾
	£'000	£'000
Not later than one year	25,151	26,335
Later than one year and not later than five years	116,696	97,191
Later than five years	<u>89,717</u>	<u>100,493</u>
	<u>231,564</u>	<u>224,019</u>

Without any prejudice to our break clause, our liability until the end of the lease term is £272,039k (with later than 5 years amount of £130,192k).

⁽¹⁾Prior year amounts have been restated, refer to Note 5 for details.

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

28 Net cash generated from operations

	2022	2021 ⁽¹⁾
	£'000	£'000
Operating profit	41,964	105,982
Depreciation of tangible assets	18,777	15,572
Amortisation of intangible assets	6,449	6,574
Loss on disposal Fixed assets	1,328	4,596
(Increase) in debtors	(173,038)	(10,680)
Increase in creditors	238,880	42,641
Net cash generated from operations	134,360	171,685

⁽¹⁾Prior year amounts have been restated, see note 5 for further details.

29 Related party transactions

The Company has taken advantage of the exemptions provided by Section 33.1A of FRS 102 from disclosing related party transactions with wholly owned entities

Allocation of profit to key management personnel

Key management personnel receive an allocation of profit from The Boston Consulting Group UK LLP. The profit allocation paid or payable to key management is shown in the table below. The share-based payment represents an estimated charge under Section 26 of FRS 102 accounting principles and does not equal amounts paid to key management personnel. In 2022, there were changes in the key management personnel.

	2022	2021
	£'000	£'000
Profit allocation	16,945	11,956
Share-based payments	3,268	8,578
	20,213	20,534

No guarantees have been given or received.

30 Share-based payments

Capital interest

During the year ended 31 December 2022, members in The Boston Consulting Group UK LLP (a subsidiary) were granted capital interests in The Boston Consulting Group UK LLP. The value of which are tracked with reference to the value of The Boston Consulting Group Inc. capital interests. The Black-Scholes option pricing model has been used to calculate the fair value of the capital interests, given the model is an approved valuation model under Section 26 of FRS 102. The following table summarises the fair value and key assumptions used:

	2022	2021
Number of capital interests awarded during the year	18,355	17,130
Weighted average fair value on award	£20.58	£6.49
Weighted average exercise price	£846.03	£657.47
Expected dividend yield	0%	0%
Risk-free rate	3.35%	1.37%
Expected volatility	7.35%	7.88%
Expected life	7 years	7 years

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

30 Share-based payments (Continued)

Volatility has been determined by reference to historical volatility which is expected to reflect The Boston Consulting Group Inc.'s share price appreciation in the future. An expected life of 7 years has been assumed as the typical period before a participant will choose to sell their interest.

The weighted average fair value on award is equal to the price of the capital interests on the date of award, multiplied by the risk-free interest rate.

As the purchase price is in US dollars the risk-free interest rate is based on the US risk-free rate over the expected life. 11.652 (2021: 13.521) capital interests were exercised during the year and 167,379 (2021: 160,676) were outstanding as at 31 December 2022. The total liability at year end is £104,132,333 (2021: £79,952,714).

The resultant profit and loss charge of £28,695,369 (2021: £29,121,698) is included within staff costs.

This is accounted for as a cash-settled share-based payment in The Boston Consulting Group Limited, and equity-settled share-based payment in The Boston Consulting Group UK LLP.

31 Defined benefits pension plan

The Group operates a defined benefit scheme for employees in Japan. The defined benefit pension scheme is held in a separately administered fund. The scheme provides retirement benefit on the basis of the members' final monthly base salary. The plan is administered by an independent trustee who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. A comprehensive actuarial valuation of the scheme was carried out at 31st December 2022 by an independent actuarial company.

At December 31, 2022 and 2021, the net funded status of the defined benefit plan was £47.7 million and £45.7 million, respectively, and is included in Creditors: amounts falling due after more than one year on the consolidated balance sheets. The Company's expense for the defined benefit pension plan was £7.4 million and £6.7 million for the years ended December 31, 2022 and 2021, respectively, and is included in staff costs on the consolidated profit and loss statement.

The following table shows the funded status of the defined benefit plan as of 31 December 2022 and 2021:

	2022 £'000	2021 £'000
Benefit obligations	(47,746)	(45,650)
Plan assets at fair value	-	-
Fund status	(47,746)	(45,650)
Unfunded benefit obligation recognized in the consolidated balance sheet	(47,746)	(45,650)

The following table presents the assumptions used in measuring the benefit obligation and net periodic benefit costs for the year ended 31 December 2022 and 2021:

	2022	2021
Weighted average assumptions used in measuring benefit obligation:		
Discount rate	1.80%	1.00%
Salary increase rate (MDP / Non-MDP)	6.00% / 3.00%	6.00% / 3.00%
Weighted average assumptions used in measuring net periodic benefit costs:		
Discount rate	0.80%	0.80%
Salary increase rate (MDP / Non-MDP)	6.00% / 3.00%	6.00% / 3.00%

BCG UK1 LIMITED

Notes To The Consolidated Financial Statements (Continued) For the year ended 31 December 2022

31 Defined benefits pension plan (Continued)

The net periodic benefit cost recognized during the year includes the service cost and other benefit cost components, which are included in the provision for profit-sharing retirement fund and other income (expense), net, respectively, within the consolidated statements of income and comprehensive income. The following table sets forth the Group's service cost and other benefit costs recognized for the years ended 31 December 2022 and 2021:

	2022 £'000	2021 £'000
Service cost	5,806	5,184
Other benefit cost	1,582	1,390

The future estimated benefit payments for the plans are as follows

	Pension Plan £'000
2023	6,856
2024	5,292
2025	4,844
2026	5,288
2027	4,562
2028 - 2032	20,833

Reconciliation of scheme (net of assets and liabilities):

	Total
At 1 January 2022	45,650
Benefits paid	(3,042)
Current service cost	5,914
Interest income/(expense)	378
Remeasurement gains/(losses)	(3,925)
Actuarial losses	3,658
Exchange differences	(887)
At 31 December 2022	47,746

32 Ultimate parent undertaking and controlling party

As at 31 December 2022 the ultimate holding company and controlling party of the Company and the Group was The Boston Consulting Group Inc. incorporated in the Commonwealth of Massachusetts, USA, registered address 200 Pier 4 Boulevard Boston, Massachusetts 02210, USA.

The largest group of which the Group is a member and for which group financial statements are prepared is The Boston Consulting Group Inc. These financial statements are not publicly available. The Boston Consulting Group Inc. is the only company to consolidate the Group's financial statements.

33 Subsidiary companies audit exemptions

The Company has provided the following subsidiaries with a parental guarantee in accordance with section 479C of the Companies Act. As such, advantage has been taken by the audit exemption available for the following subsidiary companies conferred by section 479A of the Companies Act relating to the audit of the individual financial statements:

Subsidiary undertaking name	Registration number
AllofUs Limited	09580140
The Boston Consulting Group (Moscow) Limited	04620791

The directors acknowledge their responsibilities for:

- o ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and
- o preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2022 and of its profit or loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.