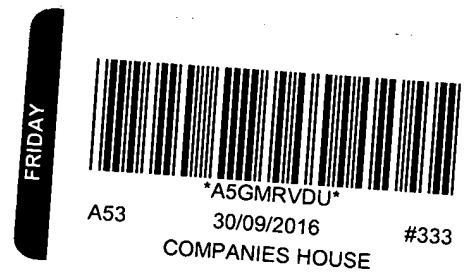


Limited Liability Partnership Registration No. OC359103 (England and Wales)

**THE BOSTON CONSULTING GROUP UK LLP**

**Members' Report And Financial Statements**

**For The Year Ended 31 March 2016**



# THE BOSTON CONSULTING GROUP UK LLP

## Members' Report

### For the year ended 31 March 2016

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The members present their report on the affairs of the entity, together with the audited financial statements and independent auditors' report, for the year ended 31 March 2016.

#### Principal activities and review of the business

The principal activity of the partnership continues to be that of the provision of management consultancy services.

Turnover from professional services for the financial year was £199,317,232 (Mar-15: £185,926,669). The profit for the financial year available for discretionary division amongst members was £72,568,236 (Mar-15: £73,835,915.)

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 in the business and an integral part to its continuing success.

The LLP's performance is also subject to certain risks associated with both the local and global economies. In times of economic expansion, management consulting firms experience strong growth. However, year on year performance can be impacted if the economic outlook becomes uncertain. While it is impossible to eliminate completely the repercussions associated with an economic downturn, we believe the deep and long standing relationships with our clients can help to mitigate its negative impact.

Given the LLP's continuing investment in its people, its brand and its unique relationship with many of its clients, we are confident that the LLP will maintain its current level of turnover in the future.

Given the straightforward nature of the business, the LLP's members are of the opinion that analysis of key performance indicators is not necessary as the disclosures within the financial statements give a clear and accurate view of the development, performance and position of the business.

#### Future developments

The members of the LLP believe that continued investment in service development, thought leadership and its people is the best way to advance the organisation and deliver sustained financial performance.

#### Designated Members

Designated members are those members specified as such in the membership agreement, as required under the 2000 Act. Designated members perform certain duties in relation to the legal administration of an LLP that would, for a company, be performed by the secretary or directors. The designated members (as defined in the Limited Liability Partnership Act 2000) of the LLP during the year were:

Boston Consulting Group Limited (The)  
BCG UK1 Limited

# THE BOSTON CONSULTING GROUP UK LLP

## Members' Report (Continued)

For the year ended 31 March 2016

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### Profit allocation and members' drawings

Members are required to provide capital contributions in accordance with the membership agreement, which they provide interest free. Capital is only repaid to members after they cease to be members of the LLP.

Profits are allocated each year as and when it is determined that sufficient profit is available. The final allocation of profits to those who are members during the financial year occurs following the finalisation of the annual financial statements of the group. As is permitted by the Limited Liability Partnership Regulations and the LLP Members' Agreements, allocated profits may not necessarily represent all the profits arising in a particular financial year, if the Remuneration Committee considers it appropriate to retain profits or allocate profits previously retained. Unallocated amounts are in "Members' other interests".

During the year, members receive monthly drawings, and from time to time, additional profits distributions. The level and timing of the additional distributions is decided by the Remuneration Committee, taking into account the cash requirements of the LLP for operating and investing activities. The drawings represent a proportion of their expected profit share and are made in 12 monthly instalments net of withholding tax. Any over distribution of profits during the year is recoverable from members.

In the balance sheet, the amounts shown as "Total members' interests" relate to amount due to and from members of the LLP.

### Charitable donations

Charitable donations in the year amounted to £19,286 (2015: £45,338).

### Employees

The group is committed to employment policies which follow best practice and are based on equal opportunities for all employees, irrespective of sex, race, colour, disability, religion/beliefs, age or marital status. The group give full and fair consideration to applications for employment from disabled persons, having regard for 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 their employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decision that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group is considered important. The group encourages the involvement of employees by means of regular employee meetings.

### Financial risk management

Boston Consulting Group Limited (The) and BCG UK1 Limited are both members of the LLP, and are ultimately controlled by The Boston Consulting Group Inc. (the 'group'). The policies set by the group's board of directors are implemented by the LLP's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage liquidity and interest rate risk, currency risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these. The LLP does not use derivative financial instruments to manage interest rate costs and as such, no hedge-accounting is applied.

### Liquidity and interest rate risk

The LLP'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. Interest receivable/payable on balances between the LLP and banks is calculated at floating rates of interest.

### Currency risk

The LLP's functional currency is sterling (GBP) and it also presents its financial statements in GBP. Some purchases and sales are denominated in currencies other than GBP. In general, the LLP does not purchase derivatives to manage its exposure to currency risk, instead currency risks are managed at a group level.

# THE BOSTON CONSULTING GROUP UK LLP

## Members' Report (Continued)

For the year ended 31 March 2016

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### Credit risk

The LLP's policies result in the establishment of contractual terms that minimise the amount of credit exposure to the lowest amount possible. The LLP performs ongoing evaluations of its receivables resulting from the performance of the above services and establishes allowances for potential losses on doubtful accounts.

Credit risk also arises from cash and deposits with banks and financial institutions. This is managed by only using banks and financial institutions that are independently rated with a minimum 'A' rating. The amount of exposure to any individual counterparty is subject to a limit, which is reviewed regularly by management.

### Statement of members' responsibilities

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102. The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law as applied to limited liability partnerships the members 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 Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its members in writing about the use of disclosure exemptions, if any, of FRS 102 used in preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

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

# THE BOSTON CONSULTING GROUP UK LLP

## Members' Report (Continued)

For the year ended 31 March 2016

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This report was approved by the members and signed on their behalf by:



M Holden

On behalf of Boston Consulting Group Limited (The)

Designated Member

30 September 2016

# THE BOSTON CONSULTING GROUP UK LLP

## Independent Auditors' Report

### TO THE MEMBERS OF THE BOSTON CONSULTING GROUP UK LLP

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#### Report on the financial statements

##### Our Opinion

In our opinion, The Boston Consulting Group UK LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2016 and of its profit for the 12 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

##### What we have audited

The financial statements, included within the Members' Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2016;
- Statement of Comprehensive Income for the period then ended;
- Reconciliation Of Members' Interests for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

##### Our responsibilities and those of the members

As explained more fully in the Statement of Members' Responsibilities set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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.

# THE BOSTON CONSULTING GROUP UK LLP

## Independent Auditors' Report (Continued)

### TO THE MEMBERS OF THE BOSTON CONSULTING GROUP UK LLP

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#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Darryl Phillips (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP

**Chartered Accountants and  
Statutory Auditors  
London**

*30 September 2016*

# THE BOSTON CONSULTING GROUP UK LLP

## Statement Of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £	2015 £
Turnover		199,317,232	185,926,669
Staff costs	5	(110,658,141)	(88,127,072)
Depreciation, amortisation and impairment		(1,676,710)	(1,338,136)
Other operating charges		(14,528,447)	(20,479,912)
<b>Operating profit</b>	<b>8</b>	<b>72,453,934</b>	<b>75,981,549</b>
Interest receivable and similar income	7	608,991	896,782
Interest payable and similar charges		(46,251)	(118,983)
<b>Profit for the financial year before members' remuneration and profit shares</b>		<b>73,016,674</b>	<b>76,759,348</b>
Profit for the financial year before members' remuneration and profit shares		73,016,674	76,759,348
Members' remuneration charged as an expense		(448,438)	(2,923,433)
<b>Profit for the financial year available for discretionary division among members</b>		<b>72,568,236</b>	<b>73,835,915</b>
<b>Total comprehensive income for the year</b>		<b>72,568,236</b>	<b>73,835,915</b>

All the LLP's activities are continuing operations.



# THE BOSTON CONSULTING GROUP UK LLP

## Balance Sheet

As at 31 March 2016

	Note	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		5,515,754		3,797,296
<b>Current assets</b>					
Debtors	11	165,676,021		162,284,207	
Cash at bank and in hand		5,235,201		3,399,671	
		<u>170,911,222</u>		<u>165,683,878</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(153,584,240)</u>		<u>(147,253,804)</u>	
<b>Net current assets</b>			<u>17,326,982</u>		<u>18,430,074</u>
<b>Total assets less current liabilities</b>			<u>22,842,736</u>		<u>22,227,370</u>
<b>Provisions for liabilities</b>	13		<u>(1,421,872)</u>		<u>(1,254,944)</u>
<b>Net assets attributable to members</b>			<u><u>21,420,864</u></u>		<u><u>20,972,426</u></u>
<b>Represented by:</b>					
<b>Members' other interests</b>					
Members' capital classified as equity			9,298,559		9,298,559
Members' other interests - other reserves classified as equity			<u>12,122,305</u>		<u>11,673,867</u>
			<u><u>21,420,864</u></u>		<u><u>20,972,426</u></u>
<b>Total members' interests</b>					
Loans and other debts due to members			<u>120,482,974</u>		<u>114,966,054</u>
Members' other interests			<u>21,420,864</u>		<u>20,972,426</u>
			<u><u>141,903,838</u></u>		<u><u>135,938,480</u></u>

The financial statements on pages 7 to 24 were approved by the members on 30 September 2016 and are signed on its behalf by:



M Holden

On Behalf of Boston Consulting Group Limited (The)  
Designated Member

The notes on pages 11 - 24 forms part of these financial statements

Limited Liability Partnership Registration No. OC359103

## THE BOSTON CONSULTING GROUP UK LLP

### Reconciliation Of Members' Interests

For the year ended 31 March 2016

#### Current financial year

	Members' other interests			Loans and other debts due to members			TOTAL
	Members' capital	Other reserves	Total	Members' capital (classified as liability)	Other amounts	Total	MEMBERS' INTERESTS
	£	£	£	£	£	£	Total
Members' interests at 1 April 2015	9,298,559	11,673,867	20,972,426	12,727,342	102,238,712	114,966,054	135,938,480
Share based payment	-	448,438	448,438	-	-	-	448,438
Profit for the financial year available for discretionary division among members	72,568,236	-	72,568,236	-	-	-	72,568,236
Allocated profit	(72,568,236)	-	(72,568,236)	-	72,568,236	72,568,236	-
Members' interests after profit for the year	9,298,559	12,122,305	21,420,864	12,727,342	174,806,948	187,534,290	208,955,154
Capital contributions by members	-	-	-	368,997	-	368,997	368,997
Drawings and distributions	-	-	-	(1,674,612)	(65,745,701)	(67,420,313)	(67,420,313)
Members' interests at 31 March 2016	9,298,559	12,122,305	21,420,864	11,421,727	109,061,247	120,482,974	141,903,838

**THE BOSTON CONSULTING GROUP UK LLP**

**Reconciliation Of Members' Interests (Continued)**

**For the year ended 31 March 2016**

*Prior financial year*

	Members' other interests			Loans and other debts due to members			TOTAL
	Members' capital	Other reserves	Total	Members' capital (classified as liability)	Other amounts	Total	MEMBERS' INTERESTS
	£	£	£	£	£	£	Total 2015 £
Members' interests at 1 April 2014	9,298,559	8,750,434	18,048,993	15,783,879	91,873,337	107,657,216	125,706,209
Share based payment	-	2,923,433	2,923,433	-	-	-	2,923,433
Profit for the financial year available for discretionary division among members	73,835,915	-	73,835,915	-	-	-	73,835,915
Allocated profit	(73,835,915)	-	(73,835,915)	-	73,835,915	73,835,915	-
Members' interests after profit for the year	9,298,559	11,673,867	20,972,426	15,783,879	165,709,252	181,493,131	202,465,557
Capital contributions by members	-	-	-	254,063	-	254,063	254,063
Drawings and distributions	-	-	-	(3,310,600)	(63,470,540)	(66,781,140)	(66,781,140)
Members' interests at 31 March 2015	9,298,559	11,673,867	20,972,426	12,727,342	102,238,712	114,966,054	135,938,480

"Other amounts" included within Loans and other debts due to members represent allocated profits not yet paid to members and are due within one year. The basis on which profits are allocated is described in the accounting policies.

In the event of winding up, loans and other debts due to members rank equally with unsecured creditors; members' other interests (other reserves) rank after unsecured creditors and no additional protection is afforded to creditors. Members' capital contributions are determined by the Remuneration Committee of the LLP having regard, inter alia, to the working capital needs of the LLP.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements

For the year ended 31 March 2016

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### 1 General Information

The Boston Consulting Group UK LLP ('the partnership') is a Limited Liability Partnership and is incorporated in the United Kingdom. The address of its registered office is 20 Manchester Square, London, W1U 3PZ.

The principle activity of the Boston Consulting Group UK LLP during the reporting year that of the provision of management consultancy services.

### 2 Statement of compliance

These financial statements of The Boston Consulting Group UK LLP have been prepared in compliance with the applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 as applied to Limited Liability Partnerships and in compliance with Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) along with Limited Liability Partnership Act 2000 and Limited Liability Partnership (Accounts and Audit) and (Application of Companies Act 2006) Regulations 2008.

### 3 Summary of significant accounting policies

The principle 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 and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 April 2014. Details of the transition to FRS 102 are disclosed in note 19.

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 Partnership'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 3.14 'Critical accounting judgements and key source of estimation uncertainty' of the accounting policies section.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements

For the year ended 31 March 2016

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### 3 Summary of significant accounting policies

(Continued)

#### 3.2 Going concern

The Partnership meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Partnerships' management services; and (b) the availability of bank finance for the foreseeable future. The Partnerships' forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Partnership should be able to operate within the level of its current facilities. After making enquiries, the members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. The Partnership therefore continues to adopt the going concern basis in preparing its financial statements.

#### 3.3 Exemptions for qualifying entities under FRS 102

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 members of the Partnership. 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 Boston Consulting Group UK LLP is a qualifying entity as its results are consolidated in the BCG UK1 Limited, which are publicly available.

The Partnership has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102
- iii) from disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

#### 3.4 Foreign currency

##### (i) Functional and presentation currency

The Partnership's functional and presentation currency is the pound sterling.

##### (ii) Transactions and balances

UK trading activities denominated in foreign currencies are recorded in pound sterling at the rate ruling at the date of each transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

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### 3 Summary of significant accounting policies

(Continued)

#### 3.5 Turnover

Turnover is stated net of sales tax and is recognised to the extent that it is probable that economic benefits will flow to the LLP 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. Under certain services or project management contracts, the LLP manages client expenditure and is obliged to purchase goods and services from third-party contractors and recharge them on to the client at cost. The amounts charged by contractors and recharged to clients are excluded from turnover and direct costs.

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 disbursements.

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

#### 3.6 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 costs incurred.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

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### 3 Summary of significant accounting policies

(Continued)

#### 3.7 Employee Benefits

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

*(i) Short term benefits*

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

*(ii) Defined contribution pension scheme*

The LLP operates a defined contribution pension scheme, which is insured. The assets of the scheme are held separately from those of the LLP 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.

*(iii) Deferred compensation*

The LLP participates in a worldwide profit sharing scheme, which is administered by its parent company. The deferred compensation becomes payable between one and ten years of eligibility. The deferred compensation liabilities outstanding at the year end are included in the balance sheet as a creditor.

*(iv) Share purchase scheme*

For the scheme started in 2010, the ultimate parent company allows participants to buy shares in the parent, with the purchase funded by an interest-bearing, loan. The LLP accounts for the plan as an equity-settled share based payment under Section 26 of FRS 102 'Share based payments' as the obligation is to be settled by the ultimate parent company.

The fair value of the services received from participants in exchange for the share awards is recognised as an expense over the vesting period (if any). Due to the way the purchase price is funded, the fair value is measured by the use of the Black-Scholes option pricing model.

*Capital interest scheme*

Partners in the LLP are granted interest rights in Boston Consulting Group UK LLP. The value of the rights are tracked with reference to the value of BCG Inc shares. This is akin to a share based payment scheme. The LLP accounts for the plan as an equity-settled share based payment under Section 26 of FRS 102 'Share based payments' as the obligation to settle this award resides with another group company, Boston Consulting Group Limited (The).

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

#### 3.8 Taxation

The LLP is domiciled in England. Under the current laws of England there are no income, estate, corporation capital gains, or other taxes payable by the LLP and any tax liability arising on the activities of the LLP will be borne by the individual members.

#### 3.9 Operating lease

Costs in respect of operating leases are charged to the profit and loss on a straight-line basis over the lease term. Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expenses, on a straight line basis over the period of the lease.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

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### 3 Summary of significant accounting policies

(Continued)

#### 3.10 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original price of the asset and the costs attributable to bringing the asset to the working condition of 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 the estimated useful life as follows:

Land and buildings Leasehold	8 years (12.5% per annum) or over the length of the decommissioning costs if shorter
Office equipment	2-5 years (20%-50% per annum)

Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that economic benefits associated with the items will flow to the Partnership and the cost can be measured reliably.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

#### 3.11 Provisions

Provisions are made for liabilities where, in the members' opinion, a 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 interest payable or similar charges in the statement of comprehensive income.

#### 3.12 Impairment of non-financial assets

At each quarter 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 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 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 statement of comprehensive income.



# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

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### 3 Summary of significant accounting policies

(Continued)

#### 3.13 Financial Instruments

The Partnership has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *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 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 publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

##### *Financial liabilities*

Basic financial liabilities, including creditors, bank loans, 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 Partnership 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.

##### *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.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

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### 3 Summary of significant accounting policies

(Continued)

#### 3.14 Critical accounting and judgement and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgement, 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.

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.

#### 3.15 Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes in the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities will have to adopt and comply with all amendments if they elect to early adoption of the Amendments to FRS 102 (issued in July 2015). None of these are expected to have a significant impact on the financial statements of the LLP.

### 4 Turnover information

Contributions to turnover and profit for the financial year before members' remuneration charges and profit shares by geographical market have been omitted, as the members believe disclosure would be detrimental to the business.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

### 5 Staff costs

Particulars of staff costs are shown below:

		2016	2015
		£	£
Wages and salaries		53,288,757	40,731,791
Provision for deferred compensation	14	804,925	(281,362)
Social security costs		6,184,174	4,514,709
Other pension costs	9	5,134,320	3,934,915
Outsourced consultancy		45,245,965	39,227,019
		<u>110,658,141</u>	<u>88,127,072</u>

Outsourced consultancy costs represent the secondment of employees from other BCG Inc. group companies.

The monthly average number of persons employed by the LLP during the year was as follows:

	2016	2015
	Number	Number
Consultancy	328	279
Administrative	194	166
	<u>522</u>	<u>445</u>

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

### 6 Members' Remuneration

The monthly average number of members of the LLP during the year was as follows:

	2016 Number	2015 Number
Consultancy	53	48
Administrative	2	2
	<u>55</u>	<u>50</u>

The partnership had 53 (2015: 50) individual members and 2 (2015: 2) corporate members as at 31 March 2016.

The average profit per member for the year is calculated by dividing the profit for the financial year available for discretionary distribution among members by the average number of members, amounting to £1,059,086 (2015: £984,171) (excluding the corporate members).

Profits are allocated on a gross basis before income tax charges, which are the personal liability of the individual members. Members do not receive any interest on their capital contributions or any remuneration other than their share of the profits.

The profit attributable to the member with the largest entitlement to profit is Boston Consulting Group Limited (The), amounting to £15,880,508 (2015: £26,706,713).

### 7 Interest receivable and similar income

	2016 £	2015 £
Other interest receivable	608,991	896,782
	<u>608,991</u>	<u>896,782</u>

### 8 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	1,676,710	1,338,136
Exchange gains	(385,381)	(259,398)
Fees payable to the LLP's auditors for the audit of the LLP's annual financial statements	102,404	101,000
	<u>1,393,733</u>	<u>1,179,738</u>

The fees payable to the LLP's auditors and its associates for other (non-audit) services have not been disclosed because the consolidated financial statements of the company's parent LLP's are required to disclose other (non-audit) services on a consolidated basis.

### 9 Pension and other post-retirement benefit commitments

The cost for the financial year was £5,134,320 (2015 : £3,934,915). Outstanding contributions at 31 March 2016 were £161,396 (2015: £408,177).

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

### 10 Tangible assets

	Land and buildings Leasehold £	Office equipment £	Total £
<b>Cost</b>			
At 1 April 2015	4,842,445	3,085,458	7,927,903
Additions	1,832,971	1,585,747	3,418,718
Disposals	(14,635)	(133,550)	(148,185)
At 31 March 2016	6,660,781	4,537,655	11,198,436
<b>Depreciation and impairment</b>			
At 1 April 2015	1,725,263	2,405,343	4,130,606
Depreciation charged in the year	1,065,533	611,177	1,676,710
Eliminated in respect of disposals	(2,134)	(122,500)	(124,634)
At 31 March 2016	2,788,662	2,894,020	5,682,682
<b>Carrying amount</b>			
At 31 March 2016	3,872,119	1,643,635	5,515,754
At 31 March 2015	3,117,181	680,115	3,797,296

### 11 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Trade debtors	54,150,141	47,000,646
Amounts owed by group undertakings	81,017,208	97,989,827
Other debtors	331,173	284,362
Unbilled fees and expenses	27,330,543	13,415,601
Prepayments and accrued income	2,846,956	3,593,771
	165,676,021	162,284,207

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

### 12 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	1,578,991	720,490
Amounts owed to group undertakings	14,294,297	15,834,567
Other creditors	2,187,886	25,422
Taxation and social security	1,884,559	5,993,386
Deferred compensation	804,925	358,013
Billings in advance	4,995,370	4,079,479
Amounts owed to members	120,482,974	114,966,054
Accruals and deferred income	7,355,238	5,276,393
	<u>153,584,240</u>	<u>147,253,804</u>

### 13 Provisions for liabilities

	2016	2015
	£	£
	<u>1,421,872</u>	<u>1,254,944</u>

Movements on provisions:

	£
At 1 April 2015	1,254,944
Movements	166,928
At 31 March 2016	<u>1,421,872</u>

The provision relates to the obligation to return the leased property to its original state. The provision is expected to be fully utilised by 31 March 2021.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

### 14 Deferred compensation

(a) The deferred compensation can be analysed between amounts falling due within one year and after one year.

	2016	2015
	£	£
Deferred compensation as at 31 March	804,925	358,013
Less: Current portion included in creditors falling due within one year	(804,925)	(358,013)
	<u>          </u>	<u>          </u>
Deferred compensation - amounts falling due after one year	-	-
	<u>          </u>	<u>          </u>

(b) The movement on deferred compensation comprises:

	2016	2015
	£	£
Deferred compensation brought forward	358,013	734,817
Charged to statement of comprehensive income	804,925	(281,362)
Amounts paid	(358,013)	(95,442)
	<u>          </u>	<u>          </u>
Deferred compensation carried forward	804,925	358,013
	<u>          </u>	<u>          </u>

### 15 Related party transactions

The Partnership has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The Partnership discloses transactions with related parties which are not wholly owned within the same group. The financial statements for BCG UK1 Limited, its intermediary parent, which are prepared on a consolidated basis, are publicly available.

The ultimate holding company is The Boston Consulting Group Inc., incorporated in the Commonwealth of Massachusetts, USA. The Boston Consulting Group Inc, also prepare consolidated financial statements, but they are not publicly available.

### 16 Control

The immediate parent company is Boston Consulting Group Limited (The). The ultimate parent and controlling company is The Boston Consulting Group Inc., a company incorporated in the Commonwealth of Massachusetts, USA.

The Boston Consulting Group Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2015. The consolidated financial statements of The Boston Consulting Group Inc. are not publicly available.

BCG UK1 Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. Financial statements can be obtained from 20 Manchester Square, London, W1U 3PZ.

# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

### 17 Share based payments

#### Capital interest scheme

During 2015, partners in the LLP were granted interest rights in The Boston Consulting Group UK LLP, the value of which are tracked with reference to the value of BCG Inc. shares. This is akin to a share based payment scheme. The Black-Scholes option pricing model has been used to calculate the fair value of the interest on appreciation on these rights. The following table summarises the fair values and key assumptions used:

	Year ended Mar-2016	Year ended Mar-2015
Number of share issued during the year	16,563	175,550
Weighted average fair value on issue	£4.74	£3.44
Weighted average exercise price	£219.58	£169.28
Weighted average purchase price	£219.58	£169.28
Expected dividend yield	0%	0%
Risk-free rate	2.16%	2.00%
Expected volatility	12.33%	17.80%
Expected life	7 years	7 years

Volatility has been determined by reference to historical volatility which is expected to reflect the BCG 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 purchase price is equal to the participant's actual purchase price together with the interest expected to be paid on the loan over the expected life.

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.

### 18 Financial commitments

At 31 March 2016 the partnership had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £	2015 £
Payment due		
Not later than one year	5,183,900	4,167,335
Later than one year and not later than five years	21,196,575	20,751,596
Later than five years	-	5,025,720
	<u>26,380,475</u>	<u>29,944,651</u>



# THE BOSTON CONSULTING GROUP UK LLP

## Notes To The Financial Statements (Continued)

For the year ended 31 March 2016

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### 19 Transition to FRS 102

This is the first year that the Partnership has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total members' interests as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

#### Transition exemptions

The Partnership has not taken any of the transition exemptions available in preparing its first set of FRS 102 financial statements.

#### Reconciliations

In accordance with the requirements of FRS 102 a reconciliation of the prior year profit and opening balances is provided below.

#### Reconciliation of members' interests

		1 April 2014	31 March 2015
		£	£
Total members' interest previously reported under UK GAAP		126,151,354	136,494,624
Recognition of holiday pay accruals	A	(445,144)	(556,144)
Total members' interests reported under FRS 102		<u>125,706,210</u>	<u>135,938,480</u>

#### Reconciliation of profit for the year

		31 March 2015
		£
Profit for the year as previously reported under UK GAAP		73,946,915
Recongnition of holiday pay accruals	A	(111,000)
Profit for the year as reported under FRS 102		<u>73,835,915</u>

#### A Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the statement of comprehensive income as the employee service is received. This has resulted in the partnership recognising a liability for holiday pay of £445,144 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the statement of comprehensive income as they were paid.