

Registered number: 07630562

QUANTUMBLACK VISUAL ANALYTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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QUANTUMBLACK VISUAL ANALYTICS LIMITED

COMPANY INFORMATION

Directors	J D F Palmer K N P Henke J Bojko
Registered number	07630562
Registered office	The Post Building 100 Museum Street London WC1A 1PB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

QUANTUMBLACK VISUAL ANALYTICS LIMITED

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QUANTUMBLACK VISUAL ANALYTICS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Results

The loss for the year ended 31 December 2019, after taxation, amounted to GBP 12,265,756 (2018: loss of GBP 6,334,180).

The focus of 2019 has been continuing the investment in talent to build a best in class pool of Data Science, Engineering and Design colleagues to serve our clients to solve some of their highest value problems.

Business review

QuantumBlack is an advanced analytics firm operating at the intersection of strategy, technology and design to improve performance outcomes for organizations.

In 2015, QuantumBlack became part of McKinsey & Company. Together QuantumBlack combines its advanced analytics, design and engineering expertise with McKinsey's industry knowledge and organizational change management experience.

When QuantumBlack combines its skills and approach with McKinsey & Company's knowledge and expertise, QuantumBlack equips clients with an incomparable level of competitiveness.

This partnership with McKinsey has seen QuantumBlack consolidate its position as a market leading advanced analytics firm and it is targeting growth in nascent markets.

Principal risks and uncertainties

The performance of the Company depends upon the financial health and strength of its customers, which in turn is dependent on the economic conditions of the industries and geographic region in which they operate.

The failure to attract and retain key employees could seriously impede the Company's objectives. The successful management and operations of the Company are reliant upon the contributions of its senior management and other key personnel. In addition, the Company's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified employees in what is currently a 'white hot' talent market.

Financial Risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and cash flow risk. The Company does not use derivative financial instruments.

Credit Risk

The Company's principal financial assets are trade, intercompany and other receivables. The Company's credit risk is primarily attributable to these receivables. The amount presented in the balance sheet is net of allowance (if required at any place).

Impact of COVID

Since the outbreak of Coronavirus (COVID 19), the management of the Company has been continuously monitoring the situation very closely and its impact on the operation of the Company. We are taking all possible proactive steps to have minimal impact on our clients and people. At this stage, it is difficult to assess the exact impact of COVID 19 on the operations of the Company. However, the management of the Company is confident that it will be able to deliver services to its clients, collect its fees and pay its liabilities, as and when they fall due. As at the date of preparation of the financial statements, the Management Board sees no material uncertainty as to the possibility of the Company continuing its operations in the future.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the board on 14/12/2020 and signed on its behalf.

Jeremy Palmer

J D F Palmer
Director

QUANTUMBLACK VISUAL ANALYTICS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company during the period was that of information technology consultancy activities.

Results and dividends

The loss for the year, after taxation, amounted to £12,265,756 (2018: loss £6,334,180) on turnover of £27,901,720 (2018: £27,498,250).

Directors

The directors who served during the year were:

S Bourton (resigned 24 May 2019)
Y F T Boussemart (resigned 20 March 2019)
J Corbo (resigned 24 May 2019)
S G Williams (resigned 24 May 2019)
J D F Palmer
R A Sternfels (resigned 20 March 2019)
K N P Henke
K Speicher (resigned 20 March 2019)
W J Wiseman (resigned 19 April 2019)
B W Nocco (resigned 19 March 2019)
S G Smit (resigned 27 March 2019)
C M Wigley (resigned 27 March 2019)
J Bojko (appointed 20 March 2019)

QUANTUMBLACK VISUAL ANALYTICS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the 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 Company and of the profit or loss of the Company for that period.

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

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

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

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and consider that there are no material uncertainties that may cast doubt on the company's going concern status. The ultimate parent company, McKinsey & Company Inc, will provide ongoing support to enable the company to pay its debts as they fall due so management has reviewed the range of potential performance scenarios considered by the parent company and include the impact that Covid-19 could have on the McKinsey group's cost base and revenues.

Performance to date this year remains positive but management have assessed a number of potential scenarios given the inherent uncertainty in the macro economic environment at present.

These scenarios included a potential moderate impact arising from COVID through to a potentially prolonged reduction in performance. These scenarios were considered against the facilities held and taken out by the parent company and the covenants contained within those to assess the potential for headroom to be exhausted. These facilities are valid for a period of at least twelve months from the date of signing.

Under all scenarios considered, Management has concluded that there is sufficient headroom from a liquidity perspective for the group to be able to meet its financial obligations as they fall due and therefore to provide support to this company for a period of at least twelve months from the date of approval of the financial statements.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern (continued)

Management also derived a scenario designed to assess at what stage (before any mitigating actions were taken) the business would cease to be profitable. This scenario is considered to be a very remote likelihood given current performance and there are also then a number of mitigating steps that management could take to offset the impact and maintain liquidity such that the support required would be able to be provided to this company. For these reasons, after assessment of the parent entity's ability to continue to remain a going concern to the extent that it can continue to provide support to this entity, the directors continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events - impact of COVID

Post year-end the COVID-19 pandemic took hold in Europe and the United States in March 2020. At this stage is not possible to quantify the financial impact that COVID-19 may have on the company over time, but mitigating actions have been and will be taken to provide adequate financial returns and to maintain sufficient liquidity.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 14/12/2020 and signed on its behalf.


J D Palmer
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUANTUMBLACK VISUAL ANALYTICS LIMITED

Opinion

We have audited the financial statements of Quantumblack Visual Analytics Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUANTUMBLACK VISUAL ANALYTICS LIMITED (CONTINUED)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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 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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUANTUMBLACK VISUAL ANALYTICS
LIMITED (CONTINUED)**

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUANTUMBLACK VISUAL ANALYTICS
LIMITED (CONTINUED)**

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Peter Gamson
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 14/12/2020

QUANTUMBLACK VISUAL ANALYTICS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	27,901,720	27,498,250
Cost of sales		(20,442,702)	(18,313,055)
Gross profit		7,459,018	9,185,195
Administrative expenses		(19,586,497)	(15,574,024)
Operating loss	5	(12,127,479)	(6,388,829)
Tax on loss	8	(138,277)	54,649
Loss for the financial year		(12,265,756)	(6,334,180)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 13 to 23 form part of these financial statements.

QUANTUMBLACK VISUAL ANALYTICS LIMITED
REGISTERED NUMBER:07630562

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	206,360	528,456
		<u>206,360</u>	<u>528,456</u>
Current assets			
Debtors: amounts falling due within one year	11	216,261	1,425,597
Cash at bank and in hand	12	789,719	1,755,671
		<u>1,005,980</u>	<u>3,181,268</u>
Creditors: amounts falling due within one year	13	(36,845,045)	(27,076,673)
Net current liabilities		<u>(35,839,065)</u>	<u>(23,895,405)</u>
Total assets less current liabilities		<u>(35,632,705)</u>	<u>(23,366,949)</u>
Net liabilities		<u>(35,632,705)</u>	<u>(23,366,949)</u>
Capital and reserves			
Called up share capital	16	5	5
Share premium account	17	1,629,300	1,629,300
Profit and loss account	17	(37,262,010)	(24,996,254)
		<u>(35,632,705)</u>	<u>(23,366,949)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Jeremy Palmer

J D F Palmer

Director

Date: 14/12/2020

The notes on pages 13 to 23 form part of these financial statements.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	5	1,629,300	(24,996,254)	(23,366,949)
Comprehensive income for the year				
Loss for the year	-	-	(12,265,756)	(12,265,756)
Total comprehensive income for the year	-	-	(12,265,756)	(12,265,756)
At 31 December 2019	5	1,629,300	(37,262,010)	(35,632,705)

**Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	5	1,629,300	(18,662,074)	(17,032,769)
Comprehensive income for the year				
Loss for the year	-	-	(6,334,180)	(6,334,180)
Total comprehensive income for the year	-	-	(6,334,180)	(6,334,180)
At 31 December 2018	5	1,629,300	(24,996,254)	(23,366,949)

The notes on pages 13 to 23 form part of these financial statements.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

1. General information

Quantumblack Visual Analytics Limited is a private company, limited by shares and is incorporated in England. The registered office is The Post Building, 100 Museum Street, London, WC1A 1PB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Turnover

Internal revenue

Revenue earned on account of software development and consultancy services supplied to other McKinsey entities during the year. Revenue earned from consultants loaned to other McKinsey entities recognised upon rendering of services.

External revenue

Revenue earned from earned on account of software development and consulting services supplied to customers during the year. Revenue is recognised when the services are rendered in accordance with the terms of the agreement with the respective customers.

All revenue is recorded net of value added tax.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

2. Accounting policies (continued)**2.3 Intangible assets**

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

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

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful lives.

Software development costs	5 years
Goodwill	5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the income statement in the periods expected to be benefitted.

2.4 Tangible fixed assets

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

Depreciation is provided on the following basis:

Leasehold property	- Over term of the lease
Fixtures and fittings	- 25% straight line
Equipment	- 25% straight line

2.5 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on straight line basis over the period of the lease.

2.6 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

2. Accounting policies (continued)**2.7 Research and development**

Research and development expenditure is written off in the year in which it is incurred.

2.8 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and consider that there are no material uncertainties that may cast doubt on the company's going concern status. The ultimate parent company, McKinsey & Company Inc, will provide ongoing support to enable the company to pay its debts as they fall due so management has reviewed the range of potential performance scenarios considered by the parent company and include the impact that Covid-19 could have on the McKinsey group's cost base and revenues.

Performance to date this year remains positive but management have assessed a number of potential scenarios given the inherent uncertainty in the macro economic environment at present.

These scenarios included a potential moderate impact arising from COVID through to a potentially prolonged reduction in performance. These scenarios were considered against the facilities held and taken out by the parent company and the covenants contained within those to assess the potential for headroom to be exhausted. These facilities are valid for a period of at least twelve months from the date of signing.

Under all scenarios considered, Management has concluded that there is sufficient headroom from a liquidity perspective for the group to be able to meet its financial obligations as they fall due and therefore to provide support to this company for a period of at least twelve months from the date of approval of the financial statements.

Management also derived a scenario designed to assess at what stage (before any mitigating actions were taken) the business would cease to be profitable. This scenario is considered to be a very remote likelihood given current performance and there are also then a number of mitigating steps that management could take to offset the impact and maintain liquidity such that the support required would be able to be provided to this company. For these reasons, after assessment of the parent entity's ability to continue to remain a going concern to the extent that it can continue to provide support to this entity, the directors continue to adopt the going concern basis in preparing the financial statements.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

2. Accounting policies (continued)**2.11 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due.

QUANTUMBLACK VISUAL ANALYTICS LIMITED

2. Accounting policies (continued)

2.14 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Going concern – The financial statements have been prepared on a going concern basis as the directors believe that the recent investment in the business should enable the company to grow its revenues, continue its operations for the foreseeable future and achieve profitability. The company has achieved targets each month within the current business, while financing investment in the growth of its new services. The company is supported by its ultimate parent company McKinsey & Company Inc, who have confirmed that, if required, they will provide financial support that will enable the company to pay its debts as they fall due for a period of at least 12 months from the date of signing.

4. Turnover

	2019 £	2018 £
Turnover arising in the United Kingdom	5,928,031	7,604,428
Turnover arising outside of the United Kingdom	21,973,689	19,893,822
	<u>27,901,720</u>	<u>27,498,250</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	347,238	369,001
Net (gain)/loss on foreign currency translation	(12,914)	(21,043)
Fees payable to the Company's auditors and its associated for other services to the group:		
Audit	30,625	26,500
Non-audit services payable to the auditor	1,000	1,000
	<u>30,625</u>	<u>26,500</u>

QUANTUMBLACK VISUAL ANALYTICS LIMITED

6. Employees

	2019	2018
	£	£
Wages and salaries	22,006,180	18,880,941
Social security costs	2,694,386	2,267,384
Cost of defined contribution scheme	1,432,025	1,201,132
	<u>26,132,591</u>	<u>22,349,457</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	No.	No.
	<u>176</u>	<u>144</u>

7. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	<u>3,937,657</u>	<u>3,888,532</u>

The highest paid director received remuneration of £1,530,412 (2018: £1,696,919).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £210,013 (2018: £241,407).

8. Taxation

	2019	2018
	£	£
Corporation tax		
Current year	-	-
Prior year	-	(54,649)
Foreign tax		
Foreign withholding tax	<u>138,277</u>	<u>-</u>
Total current tax	<u>138,277</u>	<u>(54,649)</u>

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8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018: *the same as*) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) as set out below:

	2019 £	2018 £
Loss on ordinary activities before tax	(12,127,479)	(6,388,829)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(2,304,221)	(1,213,878)
Effects of:		
Expenses not deductible for tax purposes	2,211,169	965,271
Provisions	93,052	248,607
Adjustments to tax charge in respect of prior periods	-	6,469
Foreign withholding tax	138,277	-
Group relief	-	(61,118)
Total tax charge for the year	138,277	(54,649)

Factors that may affect future tax charges

The company has trading losses brought forward of GBP 3,143,011 (2018: GBP 3,390,924) for relief against future trading profits. No deferred tax asset has been created as it is not considered more likely than not that this will be reverse in the foreseeable future.

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9. Intangible assets

	Goodwill £
Cost	
At 1 January 2019	1,060,000
At 31 December 2019	1,060,000
Amortisation	
At 1 January 2019	1,060,000
At 31 December 2019	1,060,000
Net book value	
At 31 December 2019	-
<i>At 31 December 2018</i>	-

The Goodwill relates to the "Nerve" development which was purchased in a trade and assets transaction on 11 December 2015.

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10. Tangible fixed assets

	Leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost or valuation				
At 1 January 2019	1,224,956	549,348	615,275	2,389,579
Additions	8,863	-	16,279	25,142
At 31 December 2019	<u>1,233,819</u>	<u>549,348</u>	<u>631,554</u>	<u>2,414,721</u>
Depreciation				
At 1 January 2019	1,084,790	380,874	395,459	1,861,123
Charge for the year	140,612	90,093	116,533	347,238
At 31 December 2019	<u>1,225,402</u>	<u>470,967</u>	<u>511,992</u>	<u>2,208,361</u>
Net book value				
At 31 December 2019	<u>8,417</u>	<u>78,381</u>	<u>119,562</u>	<u>206,360</u>
At 31 December 2018	<u>140,166</u>	<u>168,474</u>	<u>219,816</u>	<u>528,456</u>

11. Debtors and other receivables

	2019 £	2018 £
Trade debtors	-	408,000
WIP	-	985,000
Other debtors	10,931	31,001
VAT recoverable	85,330	-
Prepayments	120,000	1,596
	<u>216,261</u>	<u>1,425,597</u>

Trade debtors include a provision of £Nil (2018: Nil).

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12. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	789,719	1,755,671

13. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	414,528	280,981
Amounts owed to group undertakings	31,677,379	22,641,084
Other taxation	-	8,122
Other creditors	488,885	393,307
Accruals	4,264,253	3,753,179
	36,845,045	27,076,673

14. Related party transactions

At the reporting date, the Company owes McKinsey & Company, Inc £31,677,379 (2018: £22,641,084). The balance is interest free and repayable on demand. Note that the company is supported by its ultimate parent company McKinsey & Company Inc, who have confirmed that, if required, they will provide financial support that will enable the company to pay its debts as they fall due for a period of at least 12 months from the date of signing.

15. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets that are measured at amortised cost	96,259	1,424,001
Financial liabilities		
Financial liabilities measured at amortised cost	(32,580,792)	(23,315,373)

QUANTUMBLACK VISUAL ANALYTICS LIMITED

16. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
506,008 Ordinary shares of £0.00001 each	5	5

17. Reserves

Profit and loss account

Includes all current and prior period profit and losses.

Share premium account

Includes all excess amounts paid over nominal value of share capital.

18. Post balance sheet events

Post year end the COVID-19 pandemic took hold in Europe and the United States in March 2020. We have set out detail in relation to how this has impacted the group in the directors' report. At this stage it is not possible to quantify the financial impact that COVID-19 may have on the company over time, but mitigating actions have been and will be taken to provide adequate financial returns and to maintain sufficient liquidity.

19. Ultimate controlling party

As on 31st December 2019, shares of Quantumblack Visual Analytics Limited were transferred to McKinsey & Company, Inc. United Kingdom, which is a US based group entity. The ultimate parent company is McKinsey & Company, Inc, a company registered in the United States.