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Registered number: FCO12665

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**UNAUDITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**ACCOUNTANT'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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Report to the directors on the presentation of the unaudited statutory financial statements of McKinsey & Company Inc, United Kingdom for the year ended 31 December 2019.

We have compiled the accompanying financial statements of McKinsey & Company, Inc United Kingdom for the year ended 31 December 2019 based on the information you have provided. These financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Directors of McKinsey & Company, Inc United Kingdom, as a body, in accordance with the terms of our engagement letter dated 11th September 2020. Our work has been undertaken solely to prepare for your approval the financial statements of McKinsey & Company, Inc United Kingdom and state those matters that we have agreed to state to the Board of Directors of McKinsey & Company, Inc United Kingdom, as a body, in this report in accordance with our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than McKinsey & Company, Inc United Kingdom and its Board of Directors as a body for our work or for this report.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. As a member firm of the Institute of Chartered Accountants in England and Wales, we are subject to its ethical and other professional requirements which are detailed at [www.icaew.com](http://www.icaew.com).

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with Financial Reporting Standard 102.

  
Grant Thornton UK LLP  
Chartered Accountants

Date 14/12/2020

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MCKINSEY & COMPANY, INC UNITED KINGDOM

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

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	Note	2019 £	2018 £
Turnover	2a	775,016,367	739,646,895
Cost of sales	2b	(713,556,755)	(654,812,833)
<b>Gross profit</b>		<b>61,459,612</b>	<b>84,834,062</b>
Administrative expenses	2c	(138,631,356)	(112,108,641)
<b>Operating loss</b>		<b>(77,171,744)</b>	<b>(27,274,579)</b>
Finance income		160,849	127,280
Foreign exchange (Loss)/Gain		(1,772,364)	456,912
<b>Loss before tax</b>		<b>(78,783,259)</b>	<b>(26,690,387)</b>
Current and deferred tax	8	(1,941,411)	(2,807,221)
<b>Loss for the financial year</b>		<b>(80,724,670)</b>	<b>(29,497,608)</b>

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

The notes on pages 5 to 12 form part of these financial statements.

**MCKINSEY & COMPANY, INC UNITED KINGDOM**  
**REGISTERED NUMBER:FCO12665**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Property, plant and equipment	3	42,031,509	1,358,597
Capital work in progress		-	10,043,018
		<u>42,031,509</u>	<u>11,401,615</u>
<b>Current assets</b>			
Accrued income		89,226,264	61,050,235
Trade and other receivables	5	161,005,565	136,245,156
Cash and cash equivalents		41,895,939	14,940,448
Deferred tax		1,652,402	1,237,446
		<u>293,780,170</u>	<u>213,473,285</u>
Trade and other payables	6	(310,865,094)	(231,203,645)
<b>Net current liabilities</b>		<u>(17,084,924)</u>	<u>(17,730,360)</u>
<b>Total assets less current liabilities</b>		<u>24,946,585</u>	<u>(6,328,745)</u>
<b>Net assets/(liabilities)</b>		<u>24,946,585</u>	<u>(6,328,745)</u>
<b>Capital and reserves</b>			
Called up share capital		100	100
Capital reserve		4,390,487	4,390,487
Capital contribution		128,072,113	16,072,113
Profit and loss account		(107,516,115)	(26,791,445)
<b>Shareholders' funds</b>		<u>24,946,585</u>	<u>(6,328,745)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14/12/2020

*Vivian Hunt*

**Vivian Hunt DBE**  
 Director

The notes on pages 5 to 12 form part of these financial statements.

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**


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


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	<b>Called up share capital</b>	<b>Capital redemption reserve</b>	<b>Capital contribution</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£	£
At 1 January 2019	100	4,390,487	16,072,113	(26,791,445)	(6,328,745)
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(80,724,670)	(80,724,670)
Movement in year	-	-	112,000,000	-	112,000,000
<b>At 31 December 2019</b>	<b>100</b>	<b>4,390,487</b>	<b>128,072,113</b>	<b>(107,516,115)</b>	<b>24,946,585</b>

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**


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	<b>Called up share capital</b>	<b>Capital redemption reserve</b>	<b>Capital contribution</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	£	£	£	£	£
At 1 January 2018	100	4,390,487	16,072,113	2,706,163	23,168,863
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	(29,497,608)	(29,497,608)
<b>At 31 December 2018</b>	<b>100</b>	<b>4,390,487</b>	<b>16,072,113</b>	<b>(26,791,445)</b>	<b>(6,328,745)</b>

The notes on pages 5 to 12 form part of these financial statements.

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

The financial statements of the McKinsey & Company, Inc. United Kingdom (the "branch") have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including adoption of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and with Companies Act 2006, which have been applied consistently.

The branch has taken advantage of the exemption available to wholly-owned subsidiaries from preparing a cash flow statement. The entity is not required legally or otherwise to present audited financial statements.

The financial statements are prepared on a going concern basis under the historical cost convention.

**1.2 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes the original purchase price of the asset together with the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on a straight-line basis over the useful life. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The estimated useful life of property, plant and equipment are assessed as:

Leasehold improvements	Over the term of lease
Furniture and equipment	3 to 10 years

**1.3 Current tax**

Taxation is based on the profits and income for the period as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Current taxation is recognized in the Statement of Comprehensive Income for the period, except to the extent that it is attributable to a gain or loss recognised outside the Statement of Comprehensive Income, in which case the current tax is recognised in the statement of total recognized gains and losses, or equity, as applicable.

**1.4 Deferred tax**

Deferred tax is recognized on timing differences arising between the recognition of gains and losses in the financial statements and their recognition in a tax computation. The tax rates used are the rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Full provision is made for deferred tax liabilities. Deferred tax assets are recognized to the extent that they are more likely than not to be regarded as recoverable against suitable taxable profits. Deferred tax is recognized in the Statement of Comprehensive Income for the period, except to the extent that it is attributable to a gain or loss recognised outside the Statement of Comprehensive Income, in which case the deferred tax is recognised in the statement of total recognized gains and losses, or equity, as applicable. The deferred tax balances are not discounted.

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## **MCKINSEY & COMPANY, INC UNITED KINGDOM**

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### **1. Accounting policies (continued)**

#### **1.5 Accrued income**

Accrued income values contracts in progress at the year-end including the relevant profit element. Any amounts received on account from clients for which services have not been rendered are included in creditors in accordance with the revenue recognition policy.

#### **1.6 Pension**

The Branch operates a defined contribution pension scheme for its employees. The amount charged to the Statement of Comprehensive Income represents the amount paid/payable for the year.

#### **1.7 Turnover**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

The following criteria must also be met before revenue is recognized:

##### **Rendering of services**

Revenue from a contract to provide services is recognized in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

In relation to cases where, at the Statement of financial position date, the completion of contractual obligations is dependent on external factors (and thus outside the control of the branch), a decision is required whether revenue should be recognized. Where we consider that branch has performed under the contract, but consideration is contingent, revenue is recognized to the extent that branch considers probable that the economic benefits associated with the transaction will flow to the branch which could be reliably measured. The branch recognizes revenue on these cases based on the best estimates by reference to an average realisation rate for similar work undertaken historically. In other instances, the revenue is not recognized until the contractual obligation is completed.

#### **1.8 Foreign currencies**

Pounds Sterling is the functional currency for the branch. All assets and liabilities denominated in foreign currency are translated at year end exchange rates other than fixed assets that are denominated at the applicable historical rates. Revenue and expenses are translated at current monthly exchange rates except for depreciation/amortisation of fixed assets that are recorded at historical rates.

#### **1.9 Leases**

Rentals payable under operating leases are charged on a straight line basis over the lease term.



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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**1. Accounting policies (continued)**

**1.10 Trade receivables**

Short term trade receivables are measured at transaction price, less any impairment.

**1.11 Trade payables**

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

**2. Profit and loss**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>2a) Turnover</b>		
Revenue from third parties	<b>497,178,297</b>	463,360,907
Revenue from related parties	<b>277,838,070</b>	276,285,988
	<u><b>775,016,367</b></u>	<u>739,646,895</u>

Related party revenues in 2018 of £3.9m have been reclassified from 'Revenue from third parties' to 'Revenue from related parties'.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>2b) Cost of sales</b>		
Personnel costs	<b>389,814,697</b>	338,818,492
Consulting services provided by related parties	<b>167,853,700</b>	180,559,707
Other expenses	<b>155,888,359</b>	135,434,634
	<u><b>713,556,756</b></u>	<u>654,812,833</u>

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**


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	2019 £	2018 £
<b>2c) Administrative expenses</b>		
Support services provided by related parties	49,266,398	41,662,788
Personnel costs	18,617,376	17,834,196
Other expenses	31,344,569	24,362,591
Property related costs	18,580,132	12,433,425
Support services provided by third parties	13,603,611	8,857,350
Training	4,947,664	3,939,505
Depreciation	2,146,077	2,939,695
Impairment of receivables	125,527	79,091
	<u>138,631,354</u>	<u>112,108,641</u>

**3. Property, plant and equipment**

	Leasehold improvements £	Furniture & equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2019	21,603,089	17,632,494	39,235,583
Additions for the year	3,958,867	6,215,966	10,174,833
Transfer from capital work in progress	33,257,817	-	33,257,817
Disposals	(8,618,396)	(15,869,506)	(24,487,902)
At 31 December 2019	<u>50,201,377</u>	<u>7,978,954</u>	<u>58,180,331</u>
<b>Depreciation</b>			
At 1 January 2019	20,947,828	16,929,158	37,876,986
Additions / charge for the year	847,948	1,488,874	2,336,822
Disposals	(8,421,460)	(15,643,526)	(24,064,986)
At 31 December 2019	<u>13,374,316</u>	<u>2,774,506</u>	<u>16,148,822</u>
<b>Net book value</b>			
At 31 December 2019	<u>36,827,061</u>	<u>5,204,448</u>	<u>42,031,509</u>
At 31 December 2018	<u>655,261</u>	<u>703,336</u>	<u>1,358,597</u>

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**4. Capital work in progress**

Capital work in progress	-	10,043,018
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**5. Trade and other receivables**

	2019 £	2018 £
Trade debtors	149,152,432	131,020,050
Other debtors	11,853,133	5,225,106
	<u>161,005,565</u>	<u>136,245,156</u>

**6. Trade and other payables**

	2019 £	2018 £
Deferred billings	49,064,729	40,920,531
Trade creditors	411,125	1,167,292
Amounts owed to group undertakings	10,790,684	22,243,901
Other taxation and social security	55,273,106	50,624,712
Other creditors	46,445,370	25,650,659
Accruals	148,880,080	90,596,550
	<u>310,865,094</u>	<u>231,203,645</u>

**7. Deferred tax**

	2019 £	2018 £
At beginning of year	1,237,446	2,585,320
Debited/(credited) to statement of comprehensive income	414,956	(1,347,874)
<b>At end of year</b>	<u><b>1,652,402</b></u>	<u><b>1,237,446</b></u>

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**


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**7. Deferred tax (continued)**

The deferred tax asset is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At beginning of the year	<b>1,237,446</b>	2,585,320
Accelerated capital allowances	<b>414,956</b>	560,663
Provision for deferred payments to employees	-	(1,874,962)
Impact of change in corporate tax rate	-	(33,575)
	<b><u>1,652,402</u></b>	<b><u>1,237,446</u></b>

**8. Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>2,356,367</b>	1,808,583
Adjustments in respect of previous periods	-	(349,236)
<b>Total current tax</b>	<b><u>2,356,367</u></b>	<b><u>1,459,347</u></b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(414,956)</b>	1,314,298
Changes to tax rates	-	33,576
<b>Total deferred tax</b>	<b><u>(414,956)</u></b>	<b><u>1,347,874</u></b>
<b>Taxation on profit on ordinary activities</b>	<b><u>1,941,411</u></b>	<b><u>2,807,221</u></b>

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**8. Taxation (continued)**

**Factors affecting tax charge for the year**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	<b>(78,783,259)</b>	<b>(26,690,387)</b>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<b>(14,968,819)</b>	<b>(5,071,174)</b>
<b>Effects of:</b>		
Non-deductible expenses	<b>1,375,981</b>	<b>5,071,174</b>
Other timing differences - accrued bonus	<b>13,592,838</b>	<b>-</b>
Impact of overseas taxes	<b>2,356,367</b>	<b>1,808,583</b>
Adjustments of prior years	<b>-</b>	<b>(349,236)</b>
Deferred tax	<b>(414,956)</b>	<b>1,347,874</b>
<b>Total tax charge for the year</b>	<b>1,941,411</b>	<b>2,807,221</b>

**9. Employee Stock Option Plan**

McKinsey and Company, Inc (the Firm) which is the parent company of the branch provides a share based payment plan (the Plan), to the eligible employees of the branch. Options awards are generally granted with an exercise price equal to the book value of the Firm's common stock at the date of grant. Options can be exercised after the third anniversary of the grant and expire in 30 days if not exercised.

The expenses related to these options is reflected as a component of personnel costs in the statement of comprehensive income. The related expense is measured as the difference between the exercise price and the book value per share as of the exercise date. The expense recognised in the financial statements for the year ended 31 December 2019 is GBP 1,200,132 (2018: £734,940).

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**MCKINSEY & COMPANY, INC UNITED KINGDOM**

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**10. Related party transactions and balances**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Included in expenses	<b>272,313,488</b>	264,953,435
Included in turnover	<b>277,838,070</b>	276,285,988

All the related party transactions listed above comprise revenues generated/costs incurred from McKinsey & Company, Inc. and its affiliates.

**Balance with related parties included in Financial Statements are as follows:**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
McKinsey & Company, Inc. and its subsidiaries/branches	<b>(10,790,684)</b>	(22,243,901)

Amount due from related party represents net balances arising from funds and services provided and received in the normal course of business and are interest free. The balances are payable at year end.

Amount for support services include reimbursement of expenses. Previous year numbers have accordingly been reinstated.