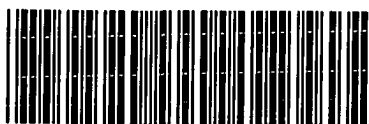

MCKINSEY & COMPANY, INC UNITED KINGDOM

UNAUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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MCKINSEY & COMPANY, INC UNITED KINGDOM

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Report to the directors on the preparation of the unaudited statutory financial statements of McKinsey & Company, Inc United Kingdom for the year ended 31 December 2021

We have compiled the accompanying financial statements of McKinsey & Company, Inc. United Kingdom (the 'Company') based on the information you have provided. These financial statements comprise the Statement of Financial Position of McKinsey & Company, Inc. United Kingdom as at 31 December 2021, and the 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.

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 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. 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.

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 United Kingdom Generally Accepted Accounting Practice.

This report is made solely to the company's directors, as a body, in accordance with the terms of our engagement letter dated 23 December 2022. Our work has been undertaken solely to prepare for your approval the financial statements of the Company and state those matters that we have agreed to state to the Company's directors, as a body, in this report in accordance with our engagement letter dated 23 December 2022. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our work, or for this report.

Grant Thornton UK LLP

Grant Thornton UK LLP

Chartered Accountants

London

Date: 26/1/2023

MCKINSEY & COMPANY, INC UNITED KINGDOM

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 (Restated) £
Turnover	3a	857,369,531	746,244,581
Cost of sales	3b	(772,780,616)	(662,266,761)
Gross profit		84,588,915	83,977,820
Administrative expenses	3c	(135,744,125)	(119,314,702)
Gain on sale of fixed assets		1,451	20,284
Operating loss		(51,153,759)	(35,316,598)
Extraordinary income		6,269,794	-
Finance (cost)/gain		(7,951)	5,936
Foreign exchange (loss)/gain		(386,947)	355,959
Loss before tax		(45,278,863)	(34,954,703)
Current and deferred tax	7	27,168,254	11,726,832
Loss for the financial year		(18,110,609)	(23,227,871)

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 (Restated) £
Loss for the financial year	(18,110,609)	(23,227,871)
Other comprehensive income		
Remeasurement of post employment liabilities	7,409,056	(7,790,875)
Deferred tax on remeasurement of post employment liabilities	(1,852,264)	1,480,266
Other comprehensive income/(loss) for the year	5,556,792	(6,310,609)
Total comprehensive loss for the year	(12,553,817)	(29,538,480)

The notes on pages 9 to 17 form part of these financial statements.

MCKINSEY & COMPANY, INC UNITED KINGDOM
REGISTERED NUMBER:FCO12665

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 (Restated) £
Fixed assets			
Property, plant and equipment	4	37,411,749	40,658,843
Current assets			
Accrued income	10	67,826,956	69,809,844
Trade and other receivables	5	400,867,171	192,082,908
Cash and cash equivalents		22,229,243	47,746,520
Deferred tax	8	67,832,133	37,159,743
		<u>558,755,503</u>	<u>346,799,015</u>
Trade and other payables	6	(139,972,928)	(193,554,679)
Net current assets		<u>418,782,575</u>	<u>153,244,336</u>
Total assets less current liabilities		<u>456,194,324</u>	<u>193,903,179</u>
Provisions for liabilities			
Other provisions	9	(412,130,510)	(287,285,548)
		<u>(412,130,510)</u>	<u>(287,285,548)</u>
Net assets/(liabilities)		<u>44,063,814</u>	<u>(93,382,369)</u>
Capital and reserves			
Called up share capital		100	100
Capital reserve		4,390,487	4,390,487
Capital contribution		278,072,113	128,072,113
Other comprehensive income		(753,817)	(6,310,609)
Accumulated losses		(237,645,069)	(219,534,460)
Total equity		<u>44,063,814</u>	<u>(93,382,369)</u>

MCKINSEY & COMPANY, INC UNITED KINGDOM
REGISTERED NUMBER:FCO12665

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26/1/2023

Babatunde Taiwo Olanrewaju

Babatunde Taiwo Olanrewaju
Director

The notes on pages 9 to 17 form part of these financial statements.

MCKINSEY & COMPANY, INC UNITED KINGDOM

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Capital redemption reserve	Capital contribution	Other comprehensive income	Accumulated losses	Total equity
	£	£	£	£	£	£
At 1 January 2021	100	4,390,487	128,072,113	(6,310,609)	(219,534,460)	(93,382,369)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(18,110,609)	(18,110,609)
Other comprehensive income	-	-	-	5,556,792	-	5,556,792
Contributions by and distributions to owners						
Movement in year	-	-	150,000,000	-	-	150,000,000
At 31 December 2021	100	4,390,487	278,072,113	(753,817)	(237,645,069)	44,063,814

MCKINSEY & COMPANY, INC UNITED KINGDOM

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Capital redemption reserve	Capital contribution	Other comprehensive income	Accumulated losses	Total equity
	£	£	£	£	£	£
At 1 January 2020 (as previously stated)	100	4,390,487	128,072,113	-	(107,516,115)	24,946,585
Effect of restatement	-	-	-	-	(88,790,474)	(88,790,474)
At 1 January 2020 (as restated)	100	4,390,487	128,072,113	-	(196,306,589)	(63,843,889)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(23,227,871)	(23,227,871)
Other comprehensive income	-	-	-	(6,310,609)	-	(6,310,609)
At 31 December 2020	100	4,390,487	128,072,113	(6,310,609)	(219,534,460)	(93,382,369)

The notes on pages 9 to 17 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(18,110,609)	(23,227,871)
Adjustments for:		
Depreciation of tangible assets	5,305,031	3,990,046
Loss on disposal of tangible assets	(1,451)	(20,284)
Interest payable	7,951	-
Interest receivable	-	(5,936)
Taxation charge	(27,168,254)	(11,726,833)
(Increase) in debtors	(208,132,073)	(13,133,770)
(Decrease) in creditors	(57,607,453)	(117,310,415)
Increase in provisions	132,254,018	169,876,804
Net cash generated from operating activities	(173,452,840)	8,441,741
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,057,936)	(2,617,380)
Sale of tangible fixed assets	1,450	20,284
Interest received	-	5,936
Net cash from investing activities	(2,056,486)	(2,591,160)
Cash flows from financing activities		
Interest paid	(7,951)	-
Capital contribution received	150,000,000	-
Net cash used in financing activities	149,992,049	-
Net (decrease)/increase in cash and cash equivalents	(25,517,277)	5,850,581
Cash and cash equivalents at beginning of year	47,746,520	41,895,939
Cash and cash equivalents at the end of year	22,229,243	47,746,520
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	22,229,243	47,746,520

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	<u>47,746,520</u>	<u>(25,517,277)</u>	<u>22,229,243</u>

The notes on pages 9 to 17 form part of these financial statements.

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 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.

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

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.

1.10 Trade receivables

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

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Accounting policies (continued)

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. Prior year adjustment

Up to the year ended 31 December 2020, the Company recognized costs relating to certain employee benefits as and when a legal obligation to deliver those benefits arose. During the current period, the Company reassessed these benefits and determined that they should be classified as post-employment benefits under FRS 102.

As a consequence, the Company has restated its financial statements for the year ended 31 December 2020, recognizing:

In the Restated Statement of Financial Position at 31 December 2020: A liability of GBP 101,145,036 (net of deferred tax assets, receivables) in respect of the post-employment benefits ; and a corresponding impact in retained earnings (including other comprehensive income).

In the Restated Statement of Comprehensive Income for the year ended 31 December 2020: A cost of GBP 6,043,953 (net of deferred tax) in respect of movements in the liability relating to the post-employment benefits.

In the Restated Statement of Other Comprehensive Income for the year ended 31 December 2020: A cost of GBP 6,310,609 (net of deferred tax) in respect of movements in the liability relating to the post-employment benefits.

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Profit and loss

	2021 £	2020 £
3a) Turnover		
Revenue from third parties	558,186,504	510,521,524
Revenues from related parties	299,183,027	235,723,057
	<u>857,369,531</u>	<u>746,244,581</u>

3b) Cost of sales

	2021 £	2020 (Restated) £
Personnel costs	503,890,056	381,772,369
Consulting services provided by related parties	192,322,113	189,613,428
Other expenses	76,568,447	90,880,964
	<u>772,780,616</u>	<u>662,266,761</u>

3c) Administrative expenses

	2021 £	2020 £
Support services provided by related parties	56,508,372	53,780,434
Personnel costs	21,161,472	21,949,456
Other expenses	25,545,246	22,138,655
Property related costs	10,675,990	14,359,741
Training	3,403,664	3,208,936
Depreciation	3,430,576	3,254,892
Impairment losses including reversals	15,018,805	622,588
	<u>135,744,125</u>	<u>119,314,702</u>

Prior year numbers have been restated.

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Property, plant and equipment

	Leasehold improvements £	Furniture & equipment £	Total £
Cost			
At 1 January 2021	39,353,018	8,844,963	48,197,981
Additions	931,951	1,125,985	2,057,936
Disposals	-	(152,743)	(152,743)
At 31 December 2021	40,284,969	9,818,205	50,103,174
Depreciation			
At 1 January 2021	4,280,276	3,258,862	7,539,138
Charge for the year	3,186,127	2,118,904	5,305,031
Disposals	-	(152,744)	(152,744)
Reclass adjustments	76,441	(76,441)	-
At 31 December 2021	7,542,844	5,148,581	12,691,425
Net book value			
At 31 December 2021	32,742,125	4,669,624	37,411,749
At 31 December 2020	35,072,742	5,586,101	40,658,843

5. Trade and other receivables

	2021 £	2020 (Restated) £
Trade debtors	125,867,501	132,880,179
Less: Impairment provisions	(857,192)	(1,956,543)
	125,010,309	130,923,636
Other receivables	6,682,291	7,876,045
Amounts owed by group undertakings	269,174,571	53,283,227
	400,867,171	192,082,908

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. Trade and other payables

	2021 £	2020 (Restated) £
Deferred billings	33,370,525	64,146,658
Trade payables	3,868,790	1,083,297
Other taxes payables	66,941,172	88,981,694
Lease obligations	30,536,884	29,848,646
Other payables	283,289	432,142
Accrued expenses	4,972,268	9,062,242
	<u>139,972,928</u>	<u>193,554,679</u>

7. Current tax

	2021 £	2020 (Restated) £
Corporation tax		
Current tax on profits for the year	5,356,400	1,472,847
Total current tax	<u>5,356,400</u>	<u>1,472,847</u>
Deferred tax		
Origination and reversal of timing differences	(23,362,419)	(13,199,679)
Change in tax rates	(9,162,235)	
Total deferred tax	<u>(32,524,654)</u>	<u>(13,199,679)</u>
Taxation on profit on ordinary activities	<u>(27,168,254)</u>	<u>(11,726,832)</u>

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Current tax (continued)

Factors affecting tax charge for the year

	2021 £	2020 (Restated) £
Loss on ordinary activities before tax	(45,278,863)	(34,954,703)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(8,602,984)	(6,641,394)
Effects of:		
Non-deductible expenses	248,536	6,641,394
Timing differences	22,020,261	-
Amount of benefit arising from previously unrecognised temporary difference	(9,449,740)	-
Impact of overseas taxes	1,140,327	1,472,847
Deferred tax	(32,524,654)	(13,199,679)
Total tax charge for the year	(27,168,254)	(11,726,832)

8. Deferred tax

	2021 £	2020 (Restated) £
At beginning of year	37,159,743	22,479,798
Charged to statement of comprehensive income	32,524,654	13,199,679
Charged to other comprehensive income	(1,852,264)	1,480,266
At end of year	67,832,133	37,159,743

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. Deferred tax (continued)

The deferred tax asset is made up as follows:

	2021 £	2020 (Restated) £
At beginning of year	37,159,743	22,479,798
Items related to other comprehensive income	(1,852,264)	1,480,266
Change in rate	9,162,234	-
Change due to restatement	-	2,104,780
Provision for deferred payments to employees	23,695,429	11,346,192
Accelerated capital allowances	(333,009)	(251,293)
	<u>67,832,133</u>	<u>37,159,743</u>

9. Provisions

	2021 £	2020 (Restated) £
Other provisions	<u>412,130,510</u>	<u>287,285,548</u>

10. Accrued income

	2021 £	2020 £
Accrued income	82,533,881	69,809,844
Impairment losses on accrued income	(14,706,925)	-
	<u>67,826,956</u>	<u>69,809,844</u>

11. 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 2021 is £1,390,235 (2020: £1,032,147).

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £	2020 £
Not later than 1 year	9,305,953	1,484,375
Later than 1 year and not later than 5 years	46,306,936	44,036,155
Later than 5 years	142,779,719	154,356,453
	<u>198,392,608</u>	<u>199,876,983</u>

13. Related party transactions

Significant transactions with related parties for the period 1 January 2020 to 31 December 2021 included in the Profit and Loss account are as follows:

	2021 £	2020 £
Included in expenses	276,515,319	273,615,835
Included in turnover	<u>299,183,027</u>	<u>235,723,057</u>

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:

	2021 £	2020 (Restated) £
McKinsey & Company, Inc. and its subsidiaries/branches	<u>269,174,572</u>	<u>53,283,227</u>

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 receivable at year end.