

022045/20

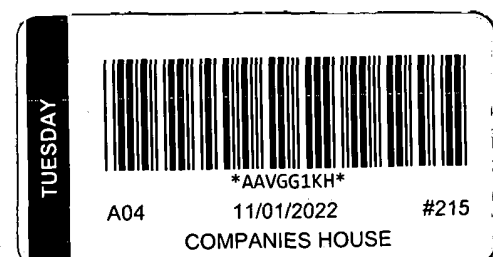
Registered number: FCO12665

MCKINSEY & COMPANY, INC UNITED KINGDOM

UNAUDITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



MCKINSEY & COMPANY, INC UNITED KINGDOM

CONTENTS

	Page
Accountant’s Report	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Notes to the Financial Statements	5 - 12



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 2020

We have compiled the accompanying financial statements of McKinsey & Company, Inc. United Kingdom (the 'branch') 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 2020, 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 branch's directors, as a body, in accordance with the terms of our engagement letter dated 27 July 2021. Our work has been undertaken solely to prepare for your approval the financial statements of the branch and state those matters that we have agreed to state to the branch's directors, as a body, in this report in accordance with our engagement letter dated 27 July 2021. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the branch and the branch's directors as a body, for our work, or for this report.

Grant Thornton UK LLP

Grant Thornton UK LLP

Chartered Accountants

London

Date: 17/12/2021

MCKINSEY & COMPANY, INC UNITED KINGDOM

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover		746,244,581	775,016,367
Cost of sales		(654,118,029)	(713,556,755)
Gross profit		92,126,552	61,459,612
Administrative expenses		(119,314,702)	(138,631,356)
Gain on sale of fixed assets		20,284	-
Operating loss		(27,167,866)	(77,171,744)
Finance income		5,936	160,849
Foreign exchange Gain/(Loss)		355,959	(1,772,364)
Loss before tax		(26,805,971)	(78,783,259)
Tax on loss	6	9,622,053	(1,941,411)
Loss for the financial year		(17,183,918)	(80,724,670)

There was no other comprehensive income for 2020 (2019:£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 2020

	Note	2020 £	2019 £
Fixed assets			
Property, plant and equipment	3	40,658,843	42,031,509
		<u>40,658,843</u>	<u>42,031,509</u>
Current assets			
Accrued income		69,809,844	89,226,264
Trade and other receivables		201,901,157	162,657,967
Cash and cash equivalents		47,746,520	41,895,939
		<u>319,457,521</u>	<u>293,780,170</u>
Trade and other payables	5	(352,353,697)	(310,865,094)
Net current liabilities		<u>(32,896,176)</u>	<u>(17,084,924)</u>
Total assets less current liabilities		<u>7,762,667</u>	<u>24,946,585</u>
Net assets		<u><u>7,762,667</u></u>	<u><u>24,946,585</u></u>
Capital and reserves			
Called up share capital		100	100
Capital reserve		4,390,487	4,390,487
Capital contribution		128,072,113	128,072,113
Profit and loss account		(124,700,033)	(107,516,115)
		<u>7,762,667</u>	<u>24,946,585</u>

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

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17/12/2021

Virginia Simmons

V Simmons
 Director

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

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	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	100	4,390,487	128,072,113	(107,516,115)	24,946,585
Comprehensive income for the year					
Loss for the year	-	-	-	(17,183,918)	(17,183,918)
At 31 December 2020	100	4,390,487	128,072,113	(124,700,033)	7,762,667

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

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

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

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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.

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)**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.

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.

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

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.

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.

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Profit and loss

	2020 £	2019 £
2a) Turnover		
Revenue from third parties	510,521,524	497,178,297
Revenue from related parties	235,723,057	277,838,070
	<u>746,244,581</u>	<u>775,016,367</u>
	2020 £	2019 £
2b) Cost of sales		
Personnel costs	373,623,637	389,814,697
Consulting services provided by related parties	189,613,428	167,853,700
Other expenses	90,880,964	155,888,359
	<u>654,118,029</u>	<u>713,556,756</u>
	2020 £	2019 £
2c) Administrative expenses		
Support services provided by related parties	53,780,434	49,266,398
Personnel costs	21,949,456	18,617,376
Other expenses	22,138,655	44,948,180
Property related costs	14,359,741	18,580,132
Training	3,208,936	4,947,664
Depreciation	3,254,892	2,146,077
Impairment of receivables	622,588	125,527
	<u>119,314,702</u>	<u>138,631,354</u>

Previous year numbers have been restated.

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Property, plant and equipment

	Leasehold improvements £	Furniture & equipment £	Total £
Cost or valuation			
At 1 January 2020	50,201,377	7,978,954	58,180,331
Additions	343,744	2,273,636	2,617,380
Disposals	(12,536,247)	(166,273)	(12,702,520)
Transfers between classes	1,344,144	(1,241,354)	102,790
At 31 December 2020	39,353,018	8,844,963	48,197,981
Depreciation			
At 1 January 2020	13,374,316	2,774,506	16,148,822
Charge for the year on owned assets	2,768,036	1,222,010	3,990,046
Disposals	(12,536,247)	(166,273)	(12,702,520)
Transfers between classes	674,171	(571,381)	102,790
At 31 December 2020	4,280,276	3,258,862	7,539,138
Net book value			
At 31 December 2020	35,072,742	5,586,101	40,658,843
At 31 December 2019	36,827,061	5,204,448	42,031,509

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Debtors

	2020 £	2019 £
Trade debtors	130,923,636	149,152,432
Amounts owed by group undertakings	50,354,174	-
Other debtors	7,876,045	11,853,134
Deferred taxation	12,747,302	1,652,401
	<u>201,901,157</u>	<u>162,657,967</u>

5. Trade and other payables

	2020 £	2019 £
Accruals	146,560,502	148,880,080
Other taxation and social security	89,764,525	55,273,106
Deferred billings	64,146,658	49,064,729
Other creditors	50,798,715	46,445,370
Amounts owed to group undertakings	-	10,790,684
Trade creditors	1,083,297	411,125
	<u>352,353,697</u>	<u>310,865,094</u>

6. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	1,472,847	2,356,367
Total current tax	<u>1,472,847</u>	<u>2,356,367</u>
Deferred tax		
Origination and reversal of timing differences	(11,094,900)	(414,956)
Total deferred tax	<u>(11,094,900)</u>	<u>(414,956)</u>
Taxation on (loss)/profit on ordinary activities	<u>(9,622,053)</u>	<u>1,941,411</u>

MCKINSEY & COMPANY, INC UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

6. Taxation (continued)

Factors affecting tax charge for the year

	2020 £	2019 £
Loss on ordinary activities before tax	<u>(26,805,971)</u>	<u>(78,783,259)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2019 - 19.25%)	(5,093,134)	(14,968,819)
Effects of:		
Non-deductible expenses	1,617,660	1,375,981
Other timing differences - accrued bonus	3,730,942	13,592,838
Impact of overseas taxes	1,217,379	2,356,367
Deferred tax	<u>(11,094,900)</u>	<u>(414,956)</u>
Total tax charge for the year	<u>(9,622,053)</u>	<u>1,941,411</u>

7. Deferred taxation

	2020 £	2019 £
At beginning of year	1,652,402	1,237,446
Debited/(credited) to statement of comprehensive income	11,094,900	414,956
At end of year	<u>12,747,302</u>	<u>1,652,402</u>

The deferred tax asset is made up as follows:

	2020 £	2019 £
At beginning of year	1,652,402	1,237,446
Accelerated capital allowances	(251,292)	414,956
Provision for bonus	11,346,192	-
	<u>12,747,302</u>	<u>1,652,402</u>

MCKINSEY & COMPANY, INC UNITED KINGDOM

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. 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 2020 is GBP 1,032,147 (2019: £1,200,132).

9. Related party transactions

	2020 £	2019 £
Included in expenses	273,615,835	272,313,488
Included in turnover	<u>235,723,057</u>	<u>277,838,070</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:

	2020 £	2019 £
McKinsey & Company, Inc. and its subsidiaries/branches	<u>50,354,174</u>	<u>(10,790,684)</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 payable at year end.

Amount for support services include reimbursement of expenses.