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McKINSEY & COMPANY INC. UNITED KINGDOM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



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COMPANIES HOUSE		23/11/2005
LD17	*L441992B*	318
COMPANIES HOUSE		31/10/2005

To the Directors of McKinsey & Company, Inc. United Kingdom:

You have instructed us to review the financial statements of McKinsey & Company, Inc. United Kingdom for the year ended 31st December 2004 in the context of the UK GAAP. You have not instructed us to conduct an audit and accordingly we are not giving an audit opinion on the financial statements. The financial statements have been compiled from the accounting records and information and explanations supplied. These financial statements comprising the profit and loss account, balance sheet and related notes 1 to 5 have been prepared under the accounting policies set out therein, in a manner consistent with UK GAAP.



The Gallagher Partnership LLP
Chartered Accountants
2nd Floor, Titchfield House
69/85 Tabernacle Street
London EC2A 4RR

31 October 2005

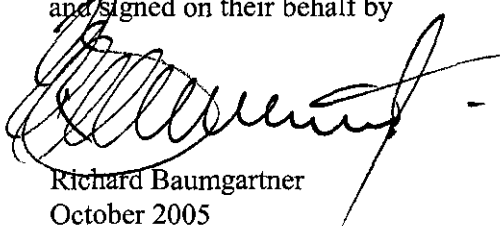
McKINSEY & COMPANY, INC. UNITED KINGDOM

BALANCE SHEET AS AT 31ST DECEMBER 2004

	Notes	2004 £	2003 £
Fixed Assets	1 & 2	17,816,151	18,974,449
Current Assets			
Work-in-progress	1	4,142,856	5,402,328
Debtors	3	27,627,385	32,945,019
Cash		12,043,433	5,234,343
		<u>43,813,674</u>	<u>43,581,690</u>
Creditors: amounts falling due within one year	4	(45,924,277)	(58,539,135)
Net Current Liabilities		(2,110,603)	(14,957,445)
		<u>15,705,548</u>	<u>4,017,004</u>
Share Capital		100	100
Capital Contribution		33,341,927	21,718,336
Capital Reserve		4,390,487	4,390,487
Retained Earnings		(22,026,966)	(22,091,919)
		<u>15,705,548</u>	<u>4,017,004</u>

The accompanying notes are an integral part of this balance sheet.

Approved by McKinsey & Company, Inc. United Kingdom
and signed on their behalf by


Richard Baumgartner
October 2005

McKINSEY & COMPANY, INC. UNITED KINGDOM**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31st DECEMBER 2004**

	Notes	2004 £	2003 £
Revenues	1	147,003,282	147,328,337
Personnel Costs		<u>91,774,879</u>	<u>97,090,694</u>
Gross Profit		55,228,403	50,237,643
Administrative Expenses	1, 2 & 5	55,613,074	60,180,084
Other Income		449,624	1,254,906
Net Profit/(Loss) Before Tax		<u>64,953</u>	<u>(8,687,535)</u>
Taxation	1	0	0
Net (Loss) After Tax		<u>64,953</u>	<u>(8,687,535)</u>

The accompanying notes are an integral part of this profit and loss account.

McKINSEY & COMPANY, INC. UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

1 ACCOUNTING POLICIES

1.1 The financial statements for McKinsey UK have been prepared under the historical cost convention and in conformity with accounting principles generally accepted in United Kingdom. The entity is not required legally or otherwise to present financial statements which give a true and fair view.

1.2 Fixed assets and depreciation -

Fixed assets are recorded at historical cost less accumulated depreciation. Depreciation is provided on the following basis:

- Motor vehicles are depreciated on the same basis as the capital allowances available for them.
- Leasehold improvements are amortised over the remaining term of the lease.
- Furniture and equipment is depreciated on reducing balance basis over 3 to 10 years.

1.3 Corporation tax -

Corporation tax is provided on taxable profits at the prevailing rate.

1.4 Work-in-progress

WIP is valued at standard cost and included in creditors is an amount representing payments on account and invoices in advance calculated in accordance with the guidelines on Revenue recognition

1.5 Pension

McKinsey UK operates a pension scheme for its employees. The amount charged to the profit and loss account represents the amount payable for the year.

1.6 Revenues

Revenues include all amounts billable to clients. Revenues are recognised as services are rendered. The impact of revisions to engagement revenues are recognised in the period in which those changes become known.

1.7 Management services -

Management services represent the costs associated with the Firm Office of McKinsey that are charged to the local offices based on the consultant headcount. The Firm Office is dedicated to providing central support services to the various local offices of McKinsey worldwide.

1.8 Currency exchange -

Pounds Sterling is the functional currency for McKinsey UK. All assets and liabilities denominated in foreign currency are translated at year-end exchange rates, other than leasehold improvements and equipment that are translated at the applicable historical rates. Revenues and expenses are translated at current monthly exchange rates, except for depreciation of equipment and amortisation of leasehold improvements that are translated at historical rates. Translation gains and losses are included in income.

McKINSEY & COMPANY, INC. UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2004

2. FIXED ASSETS

	Leasehold Improvements	Furniture & Equipment	Motor Vehicles	Total
Cost -				
Cost brought forward	19,518,298	9,343,315	428,827	29,290,440
Additions	293,132	583,422	0	876,554
Disposals			(24,710)	(24,710)
Cost carried forward	<u>19,811,430</u>	<u>9,727,519</u>	<u>404,117</u>	<u>30,142,284</u>
Depreciation -				
Depreciation brought forward	4,869,733	5,197,074	249,185	10,315,991
Charge for the year	887,990	1,092,313	54,549	2,034,852
Eliminated in respect of disposals			(24,710)	(24,710)
Depreciation carried forward	<u>5,757,723</u>	<u>6,289,386</u>	<u>279,024</u>	<u>12,326,133</u>
Net book value -				
As at 31 st December 2004	<u>14,053,707</u>	<u>3,438,133</u>	<u>149,803</u>	<u>17,816,151</u>
As at 31 st December 2003	<u>14,648,565</u>	<u>4,146,241</u>	<u>179,642</u>	<u>18,974,449</u>

3. DEBTORS

	2004	2003
Trade debtors	24,833,813	30,134,462
Other debtors	32,564	31,091
Prepayments	<u>2,761,008</u>	<u>2,779,466</u>
	<u>27,627,385</u>	<u>32,945,019</u>

4. CURRENT LIABILITIES

Trade creditors	3,009,028	2,606,261
Other creditors	11,482,211	6,274,044
Intercompany balance		10,121,589
Accruals	24,505,061	29,183,999
Payments on account and short term balances	<u>6,927,977</u>	<u>10,353,242</u>
	<u>45,924,277</u>	<u>58,539,135</u>

5. DETAILED TRADING ACCOUNT - ADMINISTRATIVE EXPENSES

Rent and occupancy	15,454,701	15,479,700
Other personnel costs	2,542,100	1,465,414
Depreciation	2,034,853	2,217,492
Loss/(Profit) on disposal of assets	(16,350)	1,250,587
Travel and entertaining	9,291,963	7,220,105
Inter office management services	8,917,713	11,373,063
Practice research	6,538,356	7,732,324
Interest and other finance charges	3,090,688	3,436,576
Legal and professional expenses	1,972,422	1,956,996
Other office expenses	<u>5,786,628</u>	<u>8,047,827</u>
	<u>55,613,074</u>	<u>60,180,084</u>