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**McKINSEY & COMPANY, INC. UNITED KINGDOM**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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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 31<sup>st</sup> December 2007 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.

*Gallagher*

The Gallagher Partnership LLP  
Chartered Accountants  
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London EC2A 4RR

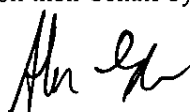
Date: 19.12.2008

McKinsey & Company, Inc. United Kingdom  
Balance Sheet as at 31st December 2007

	<u>Notes</u>	<u>2007</u> £	<u>2006</u> £
Fixed Assets	1 & 2	13,814,444	14,797,234
Non-current asset-Deferred tax	1	7,721,534	6,363,022
Current Assets:			
Accrued Income	1	8,989,595	5,455,184
Debtors	3	15,939,794	25,441,092
Cash		29,167,509	15,824,312
		<u>54,096,898</u>	<u>46,720,588</u>
Creditors: Amounts falling due within one year	4	(56,404,502)	(41,907,843)
Net Current Assets / (Liabilities)		(2,307,604)	4,812,745
		<u>19,228,374</u>	<u>25,973,001</u>
Share Capital		100	100
Capital Contribution		40,449,433	40,449,433
Capital Reserve		4,390,487	4,390,487
Retained Earnings	5	(25,611,646)	(18,867,019)
		<u>19,228,374</u>	<u>25,973,001</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



Alex Geddes

Date :

19/12/08

McKinsey & Company, Inc. United Kingdom  
Profit and Loss account for the year ended 31st December 2007

	<u>Notes</u>	<u>2007</u> £	<u>2006</u> £
Revenues	1	203,393,303	187,078,977
Personnel Costs		<u>147,629,720</u>	<u>140,966,105</u>
Gross Profit		55,763,583	46,112,872
Administrative Expenses	1	64,410,922	59,518,956
Other Income		544,200	348,940
Net loss before Tax		<u>(8,103,139)</u>	<u>(13,057,146)</u>
Taxation			
Deferred Tax	1	1,358,512	4,106,566
Net loss after Tax		<u><u>(6,744,627)</u></u>	<u><u>(8,950,580)</u></u>

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

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



Alex Geddes

Date :

19/02/08

McKinsey & Company, Inc. United Kingdom  
Notes to the financial statements  
for the year ended 31st December 2007

1 ACCOUNTING POLICIES

- 1.1 The financial statements for McKinsey & Company, Inc. United Kingdom ('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 that 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 over a period of 3 years on straight line basis.
- Leasehold improvements are amortised over the remaining term of the lease.
- Furniture and equipment is depreciated on straight line basis over 3 to 10 years.

1.3 Corporation tax -

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

1.4 Deferred tax -

Deferred tax is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations of periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities 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 guidelines on revenue recognition.

McKinsey & Company, Inc. United Kingdom  
Notes to the financial statements  
for the year ended 31st December 2007

1.6 Pension -

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

1.7 Revenues -

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.

1.8 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 amortization of leasehold improvements that are translated at historical rates.

1.9 Comparative figures have been adjusted to conform with changes in presentation in the current year, where necessary

2 FIXED ASSETS

	<u>Leasehold Improvements</u>	<u>Furniture &amp; Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£
Cost -				
Cost brought forward	20,227,031	11,031,187	203,567	31,461,785
Additions	3,148	1,077,579	87,009	1,167,736
Disposals	-	-	(182,651)	(182,651)
Cost carried forward	20,230,179	12,108,766	107,925	32,446,870
Depreciation -				
Depreciation brought forward	8,133,894	8,327,090	203,567	16,664,551
Charge for the year	1,108,051	1,014,158	28,317	2,150,526
Eliminated in respect of disposals	-	-	(182,651)	(182,651)
Depreciation carried forward	9,241,945	9,341,248	49,233	18,632,426
Net book value -				
As at 31 December 2007	10,988,234	2,767,518	58,692	13,814,444
As at 31 December 2006	12,093,137	2,704,097	-	14,797,234

McKinsey & Company, Inc. United Kingdom  
Notes to the financial statements  
for the year ended 31st December 2007

	<u>2007</u>	<u>2006</u>
	£	£
<b>3 DEBTORS</b>		
Trade debtors	10,946,662	21,535,906
Prepayments	4,933,507	3,418,942
Other receivables	59,625	486,244
	<u>15,939,794</u>	<u>25,441,092</u>
<b>4 CURRENT LIABILITIES</b>		
Trade creditors	11,563,335	4,868,058
Other creditors	19,846,786	15,674,028
Intercompany balance	2,966,035	-
Accruals	18,563,140	19,220,581
Payments on account and short term balances	3,465,206	2,145,176
	<u>56,404,502</u>	<u>41,907,843</u>
<b>5 RETAINED EARNINGS</b>		
Loss brought forward from previous year	(18,867,019)	(9,916,439)
Profit/(loss) for the year	(6,744,627)	(8,950,580)
Balance carried forward	<u>(25,611,646)</u>	<u>(18,867,019)</u>