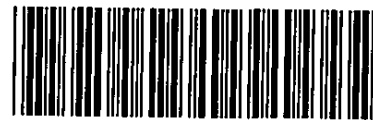


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MCKINSEY & COMPANY, INC UNITED KINGDOM
Company Number FCO 12665

Financial Statements for the year ended December 31, 2013

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COMPANIES HOUSE

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 2013 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 8 have been prepared under the accounting policies set out therein, in a manner consistent with UK GAAP



The Gallagher Partnership LLP

2nd Floor, Titchfield House

69/85 Tabernacle Street

London EC2A 4RR

September 29, 2014

McKinsey & Company, Inc. United Kingdom
Balance Sheet as at 31st December 2013

	<u>Notes</u>	<u>2013</u> £	<u>2012</u> £
Fixed Assets	1 & 2	10,801,592	10,907,633
Current Assets			
Accrued Income	1	18,659,006	1,274,422
Debtors	3	99,515,096	117,484,833
Cash		10,366,681	12,399,522
		<u>128,540,783</u>	<u>131,158,777</u>
Current Liabilities	4	(111,910,336)	(93,238,404)
Net Current Assets		<u>16,630,447</u>	<u>37,920,373</u>
Non-Current Deferred Tax (Liability)/Asset	1	(176,587)	(41,391)
		<u>27,255,452</u>	<u>48,786,615</u>
Share Capital		100	100
Capital Contribution		16,072,114	40,449,433
Capital Reserve		4,390,487	4,390,487
Retained Earnings	5	6,792,751	3,946,595
		<u>27,255,452</u>	<u>48,786,615</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



Parke Boneysteele
Director of Finance
Date September 29, 2014
Company Number FCO 12665

McKinsey & Company, Inc. United Kingdom
Profit and Loss account for the year ended 31st December 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		£	Restated Figures £
Revenues	1	407,457,871	391,185,975
Borrowed Cost		(80,300,815)	(84,229,001)
Personnel Costs		<u>(219,067,325)</u>	<u>(190,810,570)</u>
Gross Profit		108,089,731	116,146,404
Administrative Expenses	1	(103,403,339)	(101,662,489)
Other Income / (Expenses)		47,697	133,823
Net Profit Before Tax		<u>4,734,089</u>	<u>14,617,738</u>
Taxation			
Current Tax	1 & 7	(1,752,738)	(3,927,448)
Deferred Tax	1 & 6	(135,195)	(562,695)
Net Profit After Tax		<u><u>2,846,156</u></u>	<u><u>10,127,595</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



Parke Boneysteel
Director of Finance
Date September 29, 2014
Company Number FCO 12665

McKinsey & Company, Inc United Kingdom
Notes to the financial statements
for the year ended 31st December 2013

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 audited financial statements.

1.2 Fixed assets and depreciation -

Fixed assets are recorded at historical cost less accumulated depreciation. Depreciation is calculated on straight-line basis to write off the cost of each asset over their estimated useful lives.

	Estimated useful lives
- Motor vehicles	3 years
- Leasehold improvements	Remaining term of lease
- Furniture and equipment	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.

1.6 Pension -

McKinsey UK operates pension schemes for its employees. The amount charged to the profit and loss account represents the amount paid/ 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 fixed assets that are denominated at the applicable historical rates. Revenues and expenses are translated at current monthly exchange rates, except for depreciation / amortization of fixed assets that are recorded at historical rates.

McKinsey & Company, Inc United Kingdom
Notes to the financial statements
for the year ended 31st December 2013

Borrowed Cost

- 19 Comparative figures have been adjusted to conform with changes in presentation in the current year, where necessary. The adjustment made to the 2012 comparative figures increases Revenue by £114,822,802, Borrowed cost by £84,229,001, Administrative expenses by £30,574,299, Personnel cost by £19,402 and Other expense by £101. The Net profit before tax is unaffected by these changes.

2 FIXED ASSETS

	<u>Leasehold Improvements</u>	<u>Furniture & Equipment</u>	<u>Total</u>
	£	£	£
Cost -			
Cost brought forward	15,975,061	15,298,957	31,274,018
Additions	1,771,011	495,346	2,266,357
Disposals / Adjustments	(240,172)	-	(240,172)
Cost carried forward	<u>17,505,900</u>	<u>15,794,303</u>	<u>33,300,203</u>
Depreciation -			
Depreciation brought forward	6,948,579	13,417,806	20,366,385
Charge for the year	1,726,375	555,330	2,281,705
Disposals / Adjustments	(149,479)	-	(149,479)
Depreciation carried forward	<u>8,525,475</u>	<u>13,973,136</u>	<u>22,498,611</u>
Net book value -			
As at 31 December 2013	<u>8,980,425</u>	<u>1,821,167</u>	<u>10,801,592</u>
As at 31 December 2012	<u>9,026,482</u>	<u>1,881,151</u>	<u>10,907,633</u>

	<u>2013</u>	<u>2012</u>
	£	£
3 DEBTORS		
Trade debtors	54,694,597	88,081,485
Prepayments	4,397,697	3,471,029
Intercompany balance	39,095,890	25,445,864
Net Corporate tax receivable	551,268	-
Other receivables	775,644	486,455
	<u>99,515,096</u>	<u>117,484,833</u>

4 CURRENT LIABILITIES

Trade creditors	368,496	1,499,697
Other creditors	33,610,821	22,425,985
Accruals	53,320,242	52,043,433
Advance billing to clients	24,610,777	16,726,904
Net Corporate taxes payable	-	542,385
	<u>111,910,336</u>	<u>93,238,404</u>

5 RETAINED EARNINGS

Profit/(Loss) brought forward from previous year	3,946,595	(6,181,000)
Profit for the year	2,846,156	10,127,595
Balance carried forward	<u>6,792,751</u>	<u>3,946,595</u>

McKinsey & Company, Inc United Kingdom
Notes to the financial statements
for the year ended 31st December 2013

6 DEFERRED TAX ASSET/(LIABILITY)	(176,586)	(41,391)
At beginning of the year	(41,391)	521,304
Capital allowances	(94,940)	(21,386)
Adjustment for prior years	(48,698)	-
Provision for deferred payments to employees	6,718	(486,809)
Pension contributions	-	(14,400)
Change in tax rate	1,725	(40,100)
	<u>(176,586)</u>	<u>(41,391)</u>

7 CURRENT TAX

Current year UK corporation charge	1,330,449	3,339,647
add - Adjustment for excess provision in 2012	-	41,641
Overseas tax	422,289	546,160
Total Current tax	<u>1,752,738</u>	<u>3,927,448</u>

The current tax charge for the period reported in the profit and loss account, may be reconciled to the current tax charge That would result from applying a standard rate of tax to profits reported in the profit and loss account as follows

Profit on ordinary activities before taxation	4,734,089	14,617,738
Tax at standard corporation tax rate {23 25% (2012-24 5)}	1,100,676	3,581,346
Tax effect on adjustments on taxable income		
Non deductible expense	403,517	415,854
Timing differences	(89,408)	(522,595)
Impact of overseas taxes	337,953	411,202
Adjustment in respect of prior years	-	41 641
	<u>652,062</u>	<u>346,102</u>
Total Current Tax	<u>1,752,738</u>	<u>3,927,448</u>

8 Employee Stock Option Plan

McKinsey and Company, Inc , ("the Firm") which is the parent company of McKinsey UK provides a share-based payment plan (the "Plan"), to the eligible employees of McKinsey UK Option 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 expense related to these options is reflected as a component of personnel costs in the profit and loss account 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 recognized in the financial statements for the year ended 31 December 2013 is £ 672,517 (2012 £ 961,878)

The total income tax benefit related to the options granted recognized in the financial statements for the year ended 31 December 2013 was £ 156,360 (2012 £ 235,660)