

Company number FCO12665

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McKINSEY & COMPANY, INC. UNITED KINGDOM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 2005 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 6 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

29th September 2006

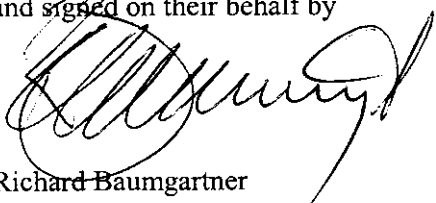
McKINSEY & COMPANY, INC. UNITED KINGDOM

BALANCE SHEET AS AT 31 DECEMBER 2005

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
Fixed Assets	1 & 2	16,026,606	17,816,151
Non-Current Asset-Deferred Tax	1 & 5	2,256,456	-
Current Assets:			
Accrued Income	1	3,341,043	4,142,856
Debtors	3	34,365,469	27,627,385
Cash		11,873,730	12,043,433
		<u>49,580,242</u>	<u>43,813,674</u>
Creditors: Amounts falling due within one year	4	(40,047,229)	(45,924,277)
Net Current Assets/(Current Liabilities)		9,533,013	(2,110,603)
		<u>27,816,075</u>	<u>15,705,548</u>
Share Capital		100	100
Capital Contribution		33,341,927	33,341,927
Capital Reserve		4,390,487	4,390,487
Retained Earnings	5	(9,916,439)	(22,026,966)
		<u>27,816,075</u>	<u>15,705,548</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

29th September 2006

McKINSEY & COMPANY, INC. UNITED KINGDOM

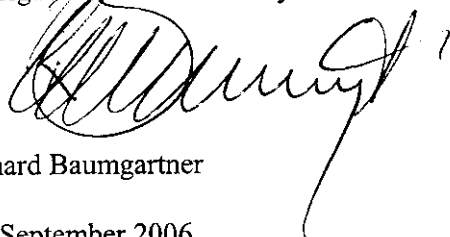
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
Revenues	1	185,826,735	147,003,282
Personnel Costs		<u>121,616,431</u>	<u>91,774,879</u>
Gross Profit		64,210,304	55,228,403
Administrative Expenses	1, 2 & 6	54,544,305	55,613,074
Other Income		364,274	449,624
Net Profit Before Tax		<u>10,030,273</u>	<u>64,953</u>
Taxation :			
Current Tax	1	176,202	-
Deferred Tax	1 & 5	3,384,034	-
Net Profit After Tax		<u>6,470,037</u>	<u>64,953</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



Richard Baumgartner

29th September 2006

McKINSEY & COMPANY, INC. UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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 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 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 assets are recognised to the extent that it is regards as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.5 Accrued income -

Accrued income was previously described as work in progress and 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 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 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.

McKINSEY & COMPANY, INC. UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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.

2. FIXED ASSETS

	<u>Leasehold Improvements</u> £	<u>Furniture & Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost -				
Cost brought forward	19,811,430	9,926,737	404,117	30,142,284
Additions	415,601	337,623	-	753,224
Disposals	-	-	(160,493)	(160,493)
Cost carried forward	<u>20,227,031</u>	<u>10,264,360</u>	<u>243,624</u>	<u>30,735,015</u>
Depreciation -				
Depreciation brought forward	5,757,722	6,289,387	279,024	12,326,133
Charge for the year	1,268,652	1,150,810	123,307	2,542,769
Eliminated in respect of disposals	-	-	(160,493)	(160,493)
Depreciation carried forward	<u>7,026,374</u>	<u>7,440,197</u>	<u>241,838</u>	<u>14,708,409</u>
Net book value -				
As at 31 December 2005	<u>13,200,657</u>	<u>2,824,163</u>	<u>1,786</u>	<u>16,026,606</u>
As at 31 December 2004	<u>14,053,708</u>	<u>3,637,350</u>	<u>125,093</u>	<u>17,816,151</u>

	<u>2005</u> £	<u>2004</u> £
3. DEBTORS		
Trade debtors	30,493,127	24,833,813
Other debtors	803,831	32,564
Prepayments	2,650,983	2,761,008
Other receivable	417,528	-
	<u>34,365,469</u>	<u>27,627,385</u>

McKINSEY & COMPANY, INC. UNITED KINGDOM

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£	£
4. CURRENT LIABILITIES		
Trade creditors	5,692,187	3,009,028
Other creditors	15,137,812	11,482,211
Intercompany balance	13,821	-
Accruals	16,241,487	24,505,061
Payments on account and short term balances	<u>2,961,922</u>	<u>6,927,977</u>
	<u>40,047,229</u>	<u>45,924,277</u>
5. RETAINED EARNINGS		
Loss brought forward from previous year	(22,026,966)	(22,091,919)
Adjustment for deferred taxation	5,640,490	-
Profit for the year	<u>6,470,037</u>	<u>64,953</u>
Balance carried forward	<u>(9,916,439)</u>	<u>(22,026,966)</u>
Accounting for deferred tax has been adopted during the year 2005. The impact of deferred tax relating to earlier years has been adjusted against the retained earnings brought forward. The current year impact of deferred tax has been recognised as a charge against the profits for the year.		
6. ADMINISTRATIVE EXPENSES		
Rent and occupancy	8,430,366	15,454,701
Other personnel costs	2,662,370	2,542,100
Depreciation	2,542,769	2,034,853
Loss/(profit) on disposal of assets	(18,993)	(16,350)
Travel and entertaining	11,593,853	9,291,963
Firm Functions Service Fees	9,757,931	8,917,713
Knowledge Pool	10,141,410	6,538,356
Interest and other finance charges	-	3,090,688
Legal and professional expenses	2,675,872	1,972,422
Firm Committees	920,211	-
Other office expenses	<u>5,838,516</u>	<u>5,786,628</u>
	<u>54,544,305</u>	<u>55,613,074</u>