

Company number FCO 12665

MCKINSEY & COMPANY, INC. UNITED KINGDOM

Financial Statements for the year ended December 31, 2011

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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 31st December 2011 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
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London EC2A 4RR
28 September 2012

McKinsey & Company, Inc United Kingdom
Balance Sheet as at 31st December 2011

	<u>Notes</u>	<u>2011</u> £	<u>2010</u> £
Fixed Assets	1 & 2	8,076,137	7,583,780
Current Assets			
Accrued Income	1	24,374,888	15,426,330
Debtors	3	106,210,287	100,498,997
Cash		11,183,780	14,508,875
		<u>141,768,955</u>	<u>130,434,202</u>
Current Liabilities	4	(111,707,376)	(104,793,782)
Net Current Assets		<u>30,061,579</u>	<u>25,640,420</u>
Non-Current Deferred Tax Asset	1	521,304	428,658
		<u>38,659,020</u>	<u>33,652,858</u>
Share Capital		100	100
Capital Contribution		40,449,433	40,449,433
Capital Reserve		4,390,487	4,390,487
Retained Earnings	5	(6,181,000)	(11,187,162)
		<u>38,659,020</u>	<u>33,652,858</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
Director - Finance and Administration
Date September 28, 2012

COMPANY NUMBER FCO 12665

McKinsey & Company Inc United Kingdom
Profit and Loss account for the year ended 31st December 2011

	<u>Notes</u>	<u>2011</u> £	<u>2010</u> £
Revenues	1	284 615,747	249,772,515
Personnel Costs		<u>(203,475,087)</u>	<u>(174,891,565)</u>
Gross Profit		81,140,660	74,880,950
Administrative Expenses	1	(74,172,240)	(70,131,075)
Other Income / (Expenses)		21,537	(84,329)
Net Profit Before Tax		<u>6,989,957</u>	<u>4 665 546</u>
Taxation			
Current Tax	1 & 6	(2,076,441)	(3,677,815)
Deferred Tax	1	92 646	(743,858)
Net Profit After Tax		<u><u>5,006,162</u></u>	<u><u>243,873</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
Director - Finance and Administration
Date September 28, 2012

McKinsey & Company, Inc. United Kingdom
Notes to the financial statements
for the year ended 31st December 2011

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 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.

McKinsey & Company Inc United Kingdom
Notes to the financial statements
for the year ended 31st December 2011

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.

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 & Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£
Cost -				
Cost brought forward	11,363,105	13,554,098	75,731	24,992,934
Additions	1,454,988	922,448	-	2,377,436
Disposals / Adjustments	(916,529)	-	(75,731)	(992,260)
Cost carried forward	<u>11,901,564</u>	<u>14,476,546</u>	<u>-</u>	<u>26,378,110</u>
Depreciation -				
Depreciation brought forward	5,283,855	12,086,843	38,456	17,409,154
Charge for the year	661,785	722,614	-	1,384,399
Disposals / Adjustments	(453,124)	-	(38,456)	(491,580)
Depreciation carried forward	<u>5,492,516</u>	<u>12,809,457</u>	<u>-</u>	<u>18,301,973</u>
Net book value -				
As at 31 December 2011	<u>6,409,048</u>	<u>1,667,089</u>	<u>0</u>	<u>8,076,137</u>
As at 31 December 2010	<u>6,079,250</u>	<u>1,467,255</u>	<u>37,275</u>	<u>7,583,780</u>

McKinsey & Company, Inc United Kingdom
Notes to the financial statements
for the year ended 31st December 2011

	<u>2011</u> £	<u>2010</u> £
3 DEBTORS		
Trade debtors	71,567,375	66 482 216
Prepayments	3,652,028	2 511 747
Intercompany balance	30,732 158	31,419,406
Other receivables	258 726	85,628
	<u>106,210 287</u>	<u>100,498,997</u>
4 CURRENT LIABILITIES		
Trade creditors	2,354,370	227,757
Other creditors	32,850 571	31,462,398
Accruals	51,956 273	31 377 100
Advance billing to clients	25,263,232	38,048,712
Net Corporate taxes payable	<u>(717,070)</u>	<u>3 677 815</u>
	<u>111 707 376</u>	<u>104 793 782</u>
5 RETAINED EARNINGS		
Profit/ (Loss) brought forward from previous year	(11,187,162)	(11 431 035)
Profit for the year	<u>5 006,162</u>	<u>243,873</u>
Balance carried forward	<u>(6 181 000)</u>	<u>(11,187,162)</u>
6 CURRENT TAX		
Current year corporation charge	(2,306,837)	(3,677,815)
add - Adjustment for excess provision in 2010	<u>230,396</u>	<u>-</u>
Net charge for the year	<u>(2 076 441)</u>	<u>(3 677 815)</u>

Current year corporation charge includes an amount of GBP 806K on account of foreign withholding taxes

7 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 2011 is £ 417,599 (2010 £ 362,956).