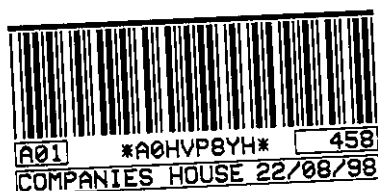


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MCKINSEY & COMPANY, INC. UNITED KINGDOM
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996



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MCKINSEY & COMPANY, INC. UNITED KINGDOM
BALANCE SHEET
AS AT 31 DECEMBER 1996

(Pounds Sterling)

	<u>NOTES</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	2	13,607,654	13,833,684
CURRENT ASSETS			
Work in progress		0	334,781
Debtors:		20,320,817	11,168,970
Employee loans		320,608	553,131
VAT recoverable		0	984,030
Cash at bank and in hand		2,222,479	1,666,039
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		(10,489,088)	(4,332,715)
Intercompany		5,121,368	(2,125,389)
Deep discount note		(146,507)	(2,547,243)
Vacation reserve		(572,842)	(494,324)
Accrued withholding taxes		(4,683,868)	(4,718,326)
Corporation tax payable		(4,776,917)	(674,709)
Other liabilities		(695,652)	(59,258)
VAT payable		(223,660)	0
NET CURRENT ASSETS		6,396,738	(245,013)
CREDITORS:			
AMOUNTS FALLING DUE AFTER ONE YEAR		0	0
NET ASSETS		<u>20,004,392</u>	<u>13,588,671</u>
CAPITAL AND RESERVES			
Share capital		100	100
Capital reserve		3,890,387	3,890,387
Profit and loss account		16,113,905	9,698,184
		<u>20,004,392</u>	<u>13,588,671</u>

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

MCKINSEY & COMPANY, INC. UNITED KINGDOM
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

(Pounds Sterling)

	<u>1996</u> £	<u>1995</u> £
TOTAL REVENUE	84,156,785	69,082,626
EXPENDITURE		
Cost of sales	34,920,330	31,906,485
Personnel compensation	8,663,637	6,283,890
Office operating expenses	16,299,908	14,207,149
Memberships and contributions	36,938	36,795
Legal and professional fees	1,359,737	1,711,937
Management services	6,142,275	6,468,093
Interoffice transfer expense	754,700	1,005,571
Practice development	4,227,047	4,964,209
Deep discount premium	<u>146,507</u>	<u>397,243</u>
TOTAL EXPENDITURE	(72,551,079)	(66,981,372)
OPERATING PROFIT	<u>11,605,706</u>	<u>2,101,254</u>
Interest income	0	0
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>11,605,706</u>	<u>2,101,254</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	(5,189,985)	(905,097)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>6,415,721</u>	<u>1,196,157</u>
DIVIDENDS DECLARED	0	0
RETAINED PROFIT OR (LOSS) FOR THE YEAR	<u>6,415,721</u>	<u>1,196,157</u>
RETAINED PROFIT BROUGHT FORWARD	9,698,184	8,502,027
RETAINED PROFIT CARRIED FORWARD	<u>16,113,905</u>	<u>9,698,184</u>

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

MCKINSEY & COMPANY, INC. UNITED KINGDOM
NOTES TO FINANCIAL STATEMENTS : 31 DECEMBER 1996

1. ACCOUNTING POLICIES:

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are:

a) Basis of accounting

The financial statements are prepared under the historical cost convention. The Balance Sheet and Profit and Loss Account have been prepared in accordance with the Companies Act 1985 and with the applicable Accounting Standards.

b) Tangible fixed assets

Fixed assets are shown at original historical cost less depreciation.

Depreciation is provided on a reducing balance basis over the approximate useful lives of the fixed assets, which are 10 years for furniture and equipment, and 3 years for motor vehicles. Leasehold improvements are depreciated over the remaining term of each lease.

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

d) Pension

The Firm operates a pension scheme for its employees. The amount charged to the profit and loss account of this scheme represents the contributions payable in the year.

MCKINSEY & COMPANY, INC. UNITED KINGDOM
NOTES TO FINANCIAL STATEMENTS (Continued)

2. TANGIBLE FIXED ASSETS

The following are included in the net book value of tangible fixed assets:

	1996	1995
Leasehold improvements	7,863,970	8,319,705
Furniture and equipment	5,012,428	4,753,231
Motor vehicles	731,256	760,748
	<u>13,607,654</u>	<u>13,833,684</u>

The movement in the year was as follows:

COST OR VALUATION

Beginning of year	26,858,048	23,727,430
Additions	3,475,891	3,862,701
Reclassification and removal of unidentified assets	(67,856)	0
Disposals	(549,074)	(732,083)
End of year	<u>29,717,009</u>	<u>26,858,048</u>

DEPRECIATION

Beginning of year	(13,024,366)	(10,452,462)
Charge	(3,543,544)	(3,156,050)
Disposals	458,555	584,146
End of year	<u>(16,109,355)</u>	<u>(13,024,366)</u>

NET BOOK VALUE

Beginning of year	<u>13,833,684</u>	<u>13,274,968</u>
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NET BOOK VALUE

End of year	<u>13,607,654</u>	<u>13,833,684</u>
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3. CALLED-UP SHARE CAPITAL

	1996	1995
Authorised		
100 shares of £1	100	100
Alloted, called-up and fully paid		
100 shares of £1	100	100

MCKINSEY & COMPANY, INC. UNITED KINGDOM
NOTES TO FINANCIAL STATEMENTS (Continued)

4. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

There were no capital commitments or contingent liabilities.

MCKINSEY & COMPANY, INC. UNITED KINGDOM
YEAR ENDED 31 DECEMBER 1996

I certify that the figures shown on the attached Balance Sheet and Profit and Loss Account are in accordance with the books and records of the branch.

A handwritten signature in black ink, appearing to read 'CF', is positioned above a horizontal line.

Chris Fawcett
Financial Controller
For & on behalf of McKinsey &
Company, Inc.
United Kingdom