

FC 12665

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

(Pounds Sterling)

	Notes	1997 £	1996 (restated) £
FIXED ASSETS			
Tangible Assets	2	12,292,299	13,607,654
CURRENT ASSETS			
Work in Progress		2,710,882	2,516,221
Debtors		17,358,258	20,562,217
Cash		4,160,253	2,222,479
Intercompany		19,434,598	5,121,368
Other		1,015,972	320,608
CREDITORS			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors		(22,779,922)	(21,467,967)
Intercompany			
Deferred income		(3,638,300)	(2,674,700)
Deep discount note		0	(146,507)
NET CURRENT ASSETS		30,554,040	20,061,373
CREDITORS			
AMOUNTS FALLING DUE AFTER ONE YEAR		(9,884,293)	0
NET ASSETS		<u>20,669,747</u>	<u>20,061,373</u>
CAPITAL AND RESERVES			
Share capital	3	100	100
Capital reserve		3,890,487	3,890,387
Retained earnings		16,779,160	16,170,886
		<u>20,669,747</u>	<u>20,061,373</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

(Pounds Sterling)

	<u>1997</u>	<u>1996</u> (restated)
TOTAL REVENUE	89,613,817	84,762,088
EXPENDITURE		
Cost of sales	(32,165,385)	(34,920,330)
Other operating expenses	(44,444,086)	(38,153,131)
Anticipated lease costs	(11,585,897)	0
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,418,449	11,688,627
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	(810,175)	(5,215,925)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	608,274	6,472,702
RETAINED PROFIT BROUGHT FORWARD	16,170,886	9,698,184
RETAINED PROFIT CARRIED FORWARD	<u>16,779,160</u>	<u>16,170,886</u>

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

MCKINSEY & COMPANY, INC. UNITED KINGDOM
NOTES TO FINANCIAL STATEMENTS: 31 DECEMBER 1997

1. ACCOUNTING POLICIES:

The principal accounting policies, all of which have been applied consistently, unless otherwise stated, throughout the year and in 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.

At 31 December 1997, the net book value of motor vehicles was aligned with the tax written down value shown in the corporation tax computation. In future, the net book value will follow the corresponding capital allowance calculations.

Depreciation is provided on a reducing balance basis over ten years for furniture and equipment, and for leasehold improvements over the remaining term of the 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 profit and loss account of this scheme represents the contributions payable in the year.

e) Work in progress

Work in progress is stated at the lower of cost and net realisable value.

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 assets:

	1997	1996 (restated)
Leasehold improvements	7,771,467	7,863,968
Furniture and equipment	3,404,232	5,012,426
Motor vehicles	1,116,600	731,260
	<u>12,292,299</u>	<u>13,607,654</u>

The movement in the year was as follows:

COST OR VALUATION

Beginning of year	29,282,845	26,858,048
Additions	2,904,659	3,475,891
Reclassification and removal of unidentified assets	0	(502,020)
Disposals	(903,401)	(549,074)
End of year	<u>31,284,103</u>	<u>29,282,845</u>

DEPRECIATION

Beginning of year	(15,675,191)	(13,024,366)
Reclassification and removal of unidentified assets	0	434,164
Disposals	791,739	458,555
Charge	(4,108,352)	(3,543,544)
End of year	<u>(18,991,804)</u>	<u>(15,675,191)</u>

NET BOOK VALUE

Beginning of year	<u>13,607,654</u>	<u>13,833,682</u>
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NET BOOK VALUE

End of year	<u>12,292,299</u>	<u>13,607,654</u>
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MCKINSEY & COMPANY, INC. UNITED KINGDOM
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CALLED-UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
Authorised 100 shares of £1	100	100
Alotted, called-up and fully paid 100 shares of £1	100	100

4. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

There were no capital commitments or contingent liabilities.

MCKINSEY & COMPANY, INC. UNITED KINGDOM
YEAR ENDED 31 DECEMBER 1997

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 company.

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