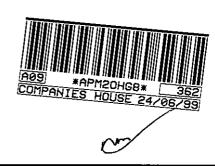
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MCKINSEY & COMPANY, INC. UNITED KINGDOM BALANCE SHEET AS AT 31 DECEMBER

(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	
Cash		4,160,253	
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	_	20,669,747	20,061,373
CAPITAL AND RESERVES			
Share capital	3	100	100
Capital reserve		3,890,487	3,890,387
Retained earnings	_	16,779,160	16,170,886
	_	20,669,747	20,061,373

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)

	1997	1996 (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	16,779,160	16,170,886

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 ASSSETS

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

		1996
	1997	(restated)
Leasehold improvements	7,771,467	7,863,968
Furniture and equipment	3,404,232	5,012,426
Motor vehicles	<u>1,116,600</u>	731,260
	12,292,299	13,607,654
		-
The movement in the year was as follows:		
COST OR VALUATION		
	00 000 045	00 050 040
Beginning of year Additions	29,282,845	26,858,048
	2,904,659	, ,
Reclassification and removal of unidentified assets	0	(502,020)
Disposals	(903,401)	(549,074)
End of year	31,284,103	29,282,845
DEPRECIATION		
Beginning of year	(15.675.101)	(13,024,366)
Reclassification and removal of unidentified assets	(13,073,191)	434.164
Disposals	791,739	,
Charge	•	
	(4,108,352)	
End of year	(18,991,804)	(15,675,191)
NET BOOK VALUE		
Beginning of year	13,607,654	13,833,682
-	,,,	,
NET BOOK VALUE		
End of year	12,292,299	13,607,654

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

3. CALLED-UP SHARE CAPITAL

	1997	1996
Authorised		
100 shares of £1	100	100
Alloted, 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.

Chris Fawcett
Financial Controller

For & on behalf of McKinsey &

Company, Inc. United Kingdom