

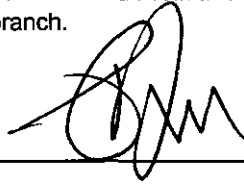
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MCKINSEY & COMPANY, INC. UNITED KINGDOM
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998



MCKINSEY & COMPANY, INC. UNITED KINGDOM
FOR THE YEAR ENDED 31 DECEMBER 1998

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 be 'J. M.', is written over a horizontal line.

For and on behalf of McKinsey & Company, Inc.
United Kingdom.

MCKINSEY & COMPANY, INC. UNITED KINGDOM
BALANCE SHEET
AS AT 31 DECEMBER 1998

(Pounds Sterling)

	<u>NOTES</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible assets	2	10,625,945	12,292,299
CURRENT ASSETS			
Work in progress		2,346,300	2,710,882
Debtors		25,717,298	17,358,258
Cash		7,778,084	4,160,253
Intercompany		29,203,356	19,434,598
Other		594,687	1,015,972
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors		(47,810,837)	(22,779,922)
Deferred income		(1,615,100)	(3,638,300)
NET CURRENT ASSETS		<u>26,839,733</u>	<u>30,554,040</u>
CREDITORS:			
AMOUNTS FALLING DUE AFTER ONE YEAR			
Provision for lease on 74 St James' Street		(8,076,000)	(9,884,293)
NET ASSETS		<u>18,763,733</u>	<u>20,669,747</u>
CAPITAL AND RESERVES			
Share capital		100	100
Capital reserve		3,890,487	3,890,387
Profit and loss account		14,873,146	16,779,160
		<u>18,763,733</u>	<u>20,669,647</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 1998

(Pounds Sterling)

	1998	1997
	<u>£</u>	<u>£</u>
TOTAL REVENUE	100,107,145	89,613,817
EXPENDITURE		
Cost of sales	(47,308,938)	(32,165,385)
Other operating expenses	(51,304,010)	(44,444,086)
TOTAL EXPENDITURE	(98,612,948)	(76,609,471)
EXCEPTIONAL ITEMS		
Provision for lease on 74 St James' Street	<u>1,808,293</u>	<u>(11,585,897)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,302,490	1,418,449
TAXATION	(5,208,504)	(810,175)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>(1,906,014)</u>	<u>608,274</u>
RETAINED PROFIT BROUGHT FORWARD	16,779,160	16,170,886
RETAINED PROFIT CARRIED FORWARD	<u>14,873,146</u>	<u>16,779,160</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 1998

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 ten years for furniture and equipment and over the remaining term of the lease for leasehold improvements. Motor vehicles are depreciated on the same basis as capital allowances are available for them.

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.

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 fixed assets:

	1998	1997
Leasehold improvements	7,644,588	7,771,467
Furniture and equipment	1,965,278	3,404,232
Motor vehicles	1,016,079	1,116,600
	<u>10,625,945</u>	<u>12,292,299</u>

The movement in the year was as follows:

COST OR VALUATION

Beginning of year	31,284,103	29,282,845
Additions	1,293,405	2,904,659
Disposals	(479,862)	(903,401)
End of year	<u>32,097,646</u>	<u>31,284,103</u>

DEPRECIATION

Beginning of year	(18,991,805)	(15,675,191)
Charge	(2,713,618)	(4,108,353)
Disposals	233,722	791,739
End of year	<u>(21,471,701)</u>	<u>(18,991,805)</u>

NET BOOK VALUE

Beginning of year	<u>12,292,298</u>	<u>13,607,654</u>
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NET BOOK VALUE

End of year	<u>10,625,945</u>	<u>12,292,298</u>
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MCKINSEY & COMPANY, INC. UNITED KINGDOM
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CALLED-UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
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.