Management Consulting Group PLC

Professional services across a wide range of industries and sectors

Management Consulting Group PLC
Annual report and accounts 2009

About us

MANAGEMENT CONSULTING GROUP PLC PROVIDES PROFESSIONAL SERVICES ACROSS A WIDE RANGE OF INDUSTRIES AND SECTORS.

It comprises three independently managed practices: Alexander Proudfoot; Ineum Consulting; and Kurt Salmon Associates.

This structure has created three highly focused businesses which provide a firm foundation for delivering profitable growth and enhanced shareholder value.

visit us online
www.mcgplc.com

Alexander Proudfoot

Alexander Proudfoot develops and implements operational improvements to its clients to increase productivity and reduce costs.

Established: 1946

Head office: Atlanta, US

Typical project size: £2m

2009 revenue

£71.2m

25.7% of total (2008: £107.0m)

ALEXANDER PROUDFOOT
people • productivity • profitability

Ineum Consulting

Ineum Consulting provides consultancy services to a wide range of industries in both the private and public sectors.

Established: 2003

Head office: Paris, France

Typical project size: £300k

2009 revenue

£142.2m

51.5% of total (2008: £153.1m)

ineum consulting

Kurt Salmon Associates

Kurt Salmon Associates provides consultancy services to the retail and consumer products sector and to the health care provider sector.

Established: 1935

Head office: Atlanta, US

Typical project size: £300k

2009 revenue

£63.1m

22.8% of total (2008: £83.0m)

KURT SALMON ASSOCIATES

The year in brief

Highlights

> Revenue down 19.4% to £276.5m (2008: £343.1m)

> Underlying operating profit down 19.3% to £28.0m (2008: £34.7m)

> Underlying operating margin unchanged at 10.1% (2008: 10.1%)

> Operating profit £9.6m (2008: £15.9m loss)

> Underlying earnings per share down 19.1% to 5.0p (2008: 6.2p)

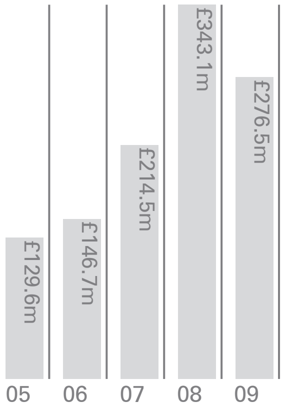
> Basic earnings per share 0.4p (2008: -6.4p)

> Total dividend 0.4p per share (2008: 1.3p)

> Net debt up 34.5% to £83.5m (2008: £62.1m)

Revenue

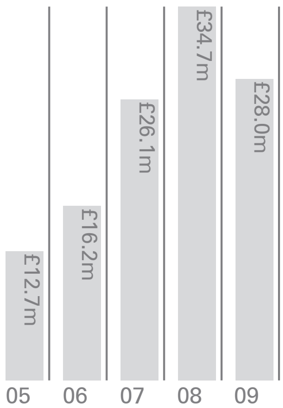
£276.5m



Note:
Throughout this statement the term "underlying" is defined as "before non-recurring items, the amortisation of acquired intangible assets and the impairment of acquired goodwill from continuing operations".

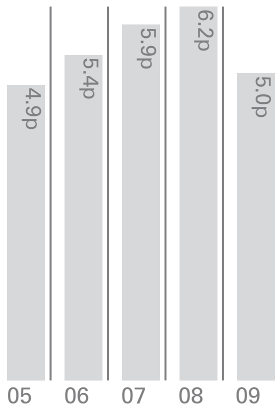
Underlying operating profit

£28.0m



Underlying earnings per share

5.0p



Overview

Performance

Governance

Financials

Chairman's statement

> 2009 proved to be a challenging year for the professional services industry and for MCG following the record results achieved in 2008

> Despite this we have delivered healthy profits and an operating margin level with last year

> We have taken many difficult decisions to restructure the business and minimise the effects of the economic downturn on the results

> The results demonstrate the success of our actions and the resilience of the Group

Overview

2009 has been a challenging year for Management Consulting Group PLC ("MCG" or "the Group"), but one during which good progress has been made to establish a strong platform for future development. In line with many other global consultancy and professional services businesses, MCG was adversely affected by the unprecedented environment that existed in the world economy over the past year and a half. Many client companies cut back or delayed their discretionary expenditure budgets and, in some sectors and geographies at different times of the year, business was difficult to find. However MCG has survived one of the toughest trading periods in the past fifty years in good shape with encouraging levels of business developing in early 2010.

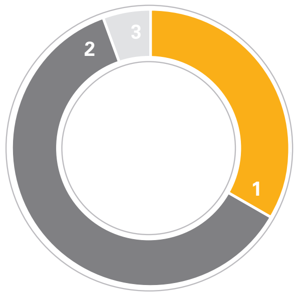
Trading as a professional services business during the recent recession, it is unsurprising that 2009 proved to be a difficult year for MCG following the record results achieved in 2008. Despite more favourable exchange rates, total revenue was well below 2008 levels but the Group continued to take decisive action to mitigate this influence on the bottom line, while leaving the Group in a sound state to take advantage of the economic upturn as and when it arises. I believe that maintaining the underlying operating margin at 10.1%, while revenue was £66.6m down on 2008, demonstrates the success of this decisive action and the resilience of the Group.

In the first half of 2009 the main area of concern in the Group was Kurt Salmon Associates, which faced downturns in business in both of its sectors, retail and consumer goods and health care, where revenues rely heavily on consumer and capital expenditure respectively. The business was loss making in the period ended June 2009. However, as predicted at the time of the half-year results, this division staged a recovery in the second half of the year, with cost cutting measures and encouraging signs of new business generation in both sectors contributing to its return to profit for the year as a whole. The management of Kurt Salmon Associates deserves great credit for the tight control over costs that they exercised, which has created the base for increased profits in 2010 in both areas of its focus.

Alexander Proudfoot reported good results in the first half of 2009 reflecting the strong order book brought forward into the year from 2008. However, as reported in November, the new business usually seen following the summer slowdown did not materialise this year and, as a result, second half revenue was lower than originally expected. Alexander Proudfoot is a business that generally performs well when the world economy is experiencing either an upswing or a downturn, as companies require throughput and revenue maximisation or cost reduction projects respectively. In 2009 potential clients tended towards a "wait and see" approach and, as a result, prospective business was often deferred. Although

Revenue by geography

1 Americas	2 Europe	3 Rest of World
£93.3m	£168.0m	£15.2m
33.8% of total (2008: £126.3m – 36.8% of total)	60.7% of total (2008: £183.7m – 53.5% of total)	5.5% of total (2008: £33.1m – 9.7% of total)



I am delighted that Ineum Consulting is remaining within MCG as it is a vital element of our current offering to the market.

Alexander Proudfoot ended 2009 with an order book significantly lower than it started the year, this has improved in recent weeks and there is room for cautious optimism that the spring 2010 selling season will be more productive and that the second half of the year will therefore see trading return to more traditional volumes.

Overall Ineum Consulting had a very satisfactory year, although its reported results for 2009 benefited more than the other divisions from the continued strength of the Euro. It has been the Group's most consistent performer throughout the year, reporting profit 25.7% higher than 2008. Particularly successful has been the division's well-diversified French business and in particular its public sector division which has benefited from continued French governmental expenditure during the recent economic crisis and its CIO advisory practice. Outside France, where the division relies far more heavily on the financial services industry for its revenue, business was slightly less robust although this has improved during recent months.

The trading slowdown during 2009 has also had an adverse effect on the net debt position of the Group and we ended the year with borrowings £21.4m higher than we started it. While the shortfall in revenue results in a real reduction of cash being deposited in our bank account, the profit has been protected largely through a reduction in bonus accruals. Our 2010 cash flow will accordingly benefit from the lower bonus payments relating to the 2009 profit.

The Board has again faced many difficult decisions to restructure the business and minimise the effects of the economic downturn on the results. The number of employees in MCG has fallen from a high of around 2,350 in June 2008 to below 1,650 at the end of 2009, and the Group now operates from a far slimmer portfolio of offices.

In addition, as announced in November 2009, the Board considered offers from three French private equity houses interested in purchasing some or all of Ineum Consulting, the most enduring of which valued the business at around £85m. Ultimately the Board rejected these offers as we felt strongly that they materially undervalued Ineum Consulting and were significantly dilutive to MCG shareholders. I am delighted that Ineum Consulting is remaining within MCG as it is a vital element of our current offering to the market. I am very pleased to announce that the managements of Ineum Consulting and Kurt Salmon Associates are at an advanced stage of discussion to merge their businesses into one entity. This will create a larger and more integrated global practice that will enlarge our scope of services across geographies and increase the global scale of the business. We believe that a new, unified practice will be a stronger competitor in the world market, attracting new talent and delivering enhanced results to all stakeholders.

Chairman's statement continued

MAXIMISING SHAREHOLDER VALUE

We are dedicated to ensuring that the business is well positioned to benefit from the eventual recovery in the global economy and to create long term value for shareholders.

Total dividend

0.4p per share

(2008: 1.3p per share)

Summary of trading performance

Total revenue for the year ended 31 December 2009 was down 19.4% to £276.5m (2008: £343.1m) reflecting the weakness in trading conditions during 2009 and the strong comparative period in 2008. Around 95% of the revenue reported by MCG comes from outside the UK and the Sterling value of this fluctuates with the exchange rates. A weaker Sterling results in higher reported revenue.

Underlying operating profit in 2009 was down £6.7m or 19.3% to £28.0m (2008: £34.7m). Given that revenue was £66.6m below last year, this reflects the success of the cost-reduction programme implemented by management throughout 2008 and 2009, and also the variable nature of many of the costs incurred by the Group.

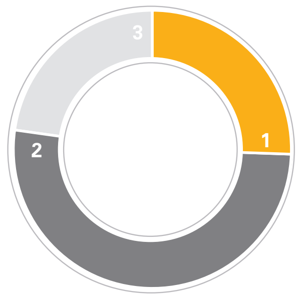
In view of the difficult trading conditions encountered by the Group during 2009, it has been necessary to protect the profit of the business by being proactive in downsizing the cost base. A total of £15.7m (2008: £21.5m) is reported as non-recurring costs associated with these programmes, with around £6m of this still to be spent in 2010. This charge relates to the closure of the Parson US and Alexander Proudfoot Australia businesses, the cost of the project to consider the potential sale of Ineum Consulting and the further office downsizing and redundancies throughout the year. There was no charge for impairment of goodwill in respect of any past acquisitions (2008: £26.7m relating to Parson Consulting). Consequently there was an overall profit from operations of £9.6m (2008: £15.9m loss). The net interest expense, net of investment income, benefited from the lower prevailing interest rates during the year and was £3.3m (2008: £4.2m). The profit before tax was £6.3m (2008: £20.0m loss).

With an underlying effective tax rate of 34% (2008: 33%) underlying earnings per share were 5.0p (2008: 6.2p), reflecting the lower underlying earnings for the year. Basic earnings per share were up to 0.4p (2008: -6.4p) due primarily to no repeat of the goodwill impairment charge booked in 2008.

An interim dividend of 0.4p per share was paid to shareholders on 27 October 2009. This was in line with the 2008 payment, despite the fact that underlying earnings for the first half of 2009 were below the levels of 2008, and was paid because the Group had been cash-generative in the twelve months to June 2009. This trend did not continue during the second half of 2009 and the net debt at the end of 2009 was £21.4m above its level twelve months previously. Consequently the Board has concluded that it is prudent not to declare a final dividend for the 2009 financial year (2008: 0.9p per share). This will reduce cash outflows in July 2010 by approximately £3m. However the Board intends to resume dividend payments starting with the 2010 interim dividend with an initial target dividend yield of between 2% and 3.5%.

Revenue by division

1 Alexander Proudfoot	2 Ineum Consulting	3 Kurt Salmon Associates
£71.2m	£142.2m	£63.1m
25.7% of total (2008: £107.0m)	51.5% of total (2008: £153.1m)	22.8% of total (2008: £83.0m)



The business is currently organised as three trading divisions: Alexander Proudfoot; Ineum Consulting; and Kurt Salmon Associates, each of which currently reports directly to me.

The nature of 2009 trading meant that cash generated by operations was significantly lower than in 2008 at -£13.5m (2008: £41.2m). Revenue in 2009 was £66.6m lower than in 2008. This represents a real cash shortfall. The operating profit was buoyed in part by a reduction in costs such as bonuses accrued during the year. In addition approximately £8m of cash expenditure relating to non-recurring costs was incurred. As a result net debt at the end of 2009 was £83.5m (2008: £62.1m).

Group structure and strategy

The business is currently organised as three trading divisions: Alexander Proudfoot; Ineum Consulting; and Kurt Salmon Associates, each of which currently reports directly to me.

The strategy of MCG remains to be a leading, integrated, global consulting and professional services company, comprising outstanding specialist practices focused on delivering high quality solutions to complex issues for its clients. The Group will achieve this by operating and investing in its businesses and people to ensure they deliver profitable, sustainable revenue growth; acquiring practices that either broaden or deepen the range of the offerings available to clients; co-ordinating the cross referral of work between the practices to achieve revenue and cost synergies; and communicating clearly, regularly and fairly with all its stakeholders.

Given the difficult trading conditions experienced towards the end of 2008 and throughout the majority of 2009, the management of the Group has been obliged to run its business under conditions of depressed customer demand. Non-client facing costs, particularly central costs, were reduced significantly during 2008 and this process has continued during 2009, with the cost cutting extended to cover appropriate client-facing costs wherever these were no longer warranted by current levels of demand. Further offices have been closed or downsized and all other costs minimised. The Group has been decisive in its actions, however difficult these were, but has managed to mitigate the top line shortfall to a large degree. The Group has remained compliant with its covenant obligations under its banking facility and will continue to manage its affairs to ensure that this remains the case in 2010 and beyond.

MCG enters 2010 as a lean organisation, with around 30% fewer employees and over twenty fewer offices than in mid-2008. Taking it to this level has been a costly and painful affair, as our non-recurring costs over the last two years demonstrate, but these actions have been necessary to maintain short term profit and net debt at their current levels and to pave the way for an eventual recovery when the global economy improves. The Group is well positioned to take advantage of this recovery and will recommence its investment for growth when positive signs emerge.

Chairman's statement continued

People

During the latter half of 2009 MCG underwent several changes to its Board of Directors. On 21 October 2009 Nick Stagg joined the Board as an executive director. He has taken charge of our human resources and corporate finance areas of activity. Nick's extensive background in managing and developing businesses which rely heavily on the motivation and talent of their employees will be extremely valuable to MCG as we develop.

Also on 21 October 2009 JP Bolduc resigned as a non-executive director. I would like to take this opportunity to thank JP, who was a director for thirteen years, for his long and valuable service to the Group.

On 10 November 2009 Chiheb Mahjoub joined the Board as an executive director and Miguel de Fontenay stood down from the Board. Chiheb was subsequently appointed Chief Executive of Ineum Consulting and Miguel left the Group.

I would like to thank Miguel for his contribution as a director of MCG and welcome Chiheb, who has been instrumental in driving both the domestic and international growth of Ineum since its inception in 2003.

Under the terms of the acquisition of Ineum Consulting in 2006, the vendors have the right to put forward a director for appointment to the Board of Directors until 1 September 2010. As a consequence Marco Lopinto, who is responsible for the strategy practice and the business development of Ineum Consulting, was appointed to the Board on 15 December 2009 as an executive director. Marco's broad experience of the consultancy industry will be of great help to the Board over the coming months.

I announced last year that I intended to stand down as Executive Chairman of MCG in the middle of 2010. The process for the selection of a new Chief Executive for the Group is well advanced and we believe that an announcement regarding the appointment will be made prior to the Annual General Meeting on 20 April 2010. However, subject to re-election at the Annual General Meeting, I now intend to continue to act as Executive Chairman until the end of 2010 to see through the induction of the new Chief Executive and the merger between Ineum Consulting and Kurt Salmon Associates, before transitioning to the Non-executive Chairman role.

2009 has been a difficult year for MCG, with the unprecedented external trading conditions making life extremely challenging. I would like to take this opportunity to thank everyone who worked for MCG during 2009 for their support during this turbulent time in the Group's history.

MCG enters 2010 as a lean organisation, with around 30% fewer employees and over twenty fewer offices than in mid-2008.

Summary and outlook

Following the record results reported for 2008, doing business in the professional services industry in 2009 proved to be far more difficult. Many prospective clients chose to curtail their discretionary expenditure and many took far longer to come to a positive decision. In particular Alexander Proudfoot, whose average project is far larger than those of our other divisions, found client commitment to projects extremely difficult to obtain.

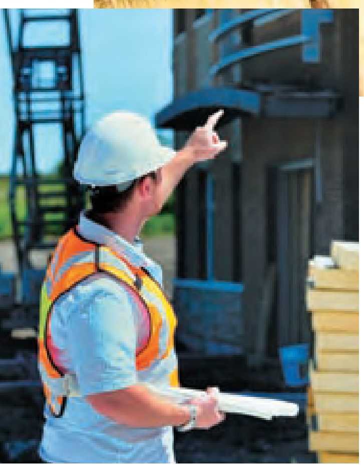
However, since the final quarter of 2009, there is no doubt that the tough economic climate has eased to a degree and we can look forward to better conditions in 2010. Kurt Salmon Associates returned to profitability in the second half of 2009 and Alexander Proudfoot has significantly more leads for new business than six months ago. Ineum Consulting continues to trade well, particularly in its French heartland. The proof of the recovery will be the spring selling season, when we would hope to move to a new level of trading.

Over the past two years we have taken decisive action to manage the cost base of the business during these uncertain trading times, and have mitigated top line weakness in a way to deliver decent profits and to trade within the covenant limits imposed by our financing facility. We are dedicated to ensuring that the business is well positioned to benefit from the eventual recovery in the global economy and to create long term value for shareholders.

Alan Barber
Executive Chairman
8 March 2010

Our businesses

ALEXANDER PROUDFOOT
people • productivity • profitability



Services include:

- > Call centre optimisation
- > Cost optimisation
- > Post-merger integration
- > Process improvement
- > Procurement
- > Productivity
- > Revenue enhancement
- > Supply chain management

visit us online
www.alexanderproudfoot.com

Total projects completed

16,000

across 35 countries since 1946. We now have offices in Brazil, Canada, the US, the UK, France, Germany and South Africa.

Alexander Proudfoot's mission is to deliver measurable and sustainable financial benefits to clients by developing and installing processes and programmes to rapidly improve operations.

95% of our people interact on a daily basis with our clients, working side-by-side with their employees to deliver real, long term change and sustainable benefits.

Luiz Carvalho
Chief Executive, Alexander Proudfoot

Our businesses continued

ineum consulting™

The consultancy's range of services, based on its in-depth knowledge of its clients' businesses and ability to implement specific solutions, is a unique asset.

Ineum Consulting puts team spirit, the spirit of enterprise, excellence and a collaborative approach at the heart of the synergy created between our experts and with our clients.

Chiheb Mahjoub
Chief Executive, Ineum Consulting

Overview

Total employees

1,000

across France, Continental Europe, North Africa, Australia, the UK and the US.

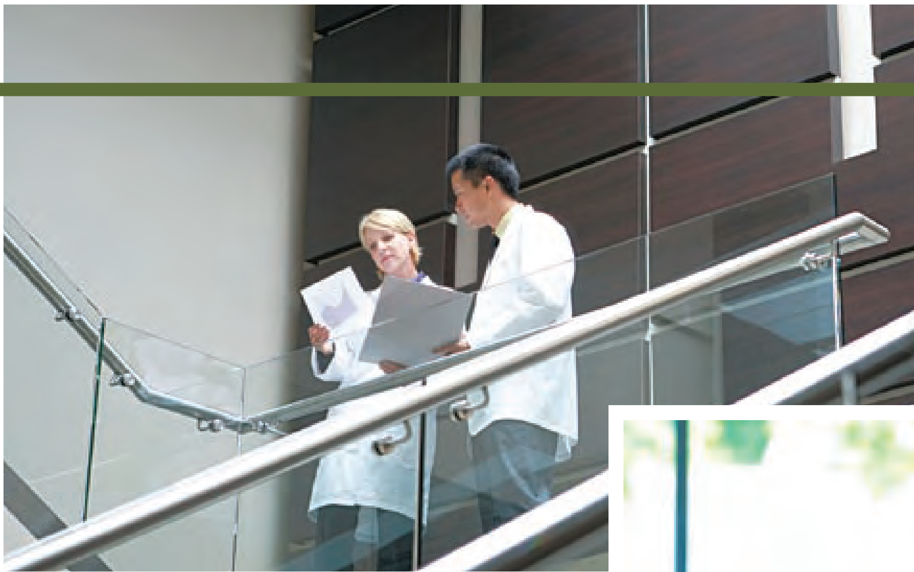
Services include:

> Strategy
> Marketing, sales and services
> Operations, industrial performance
> Finance, accounting and cost controlling
> Human resources and change management
> Information systems strategy and transformation
> Complex programmes and corporate solutions
> Financial subsidies
> Sustainable development
> Corporate finance
> Corporate transactions

visit us online
www.ineumconsulting.com

Our businesses continued

KURT SALMON ASSOCIATES



Services include:

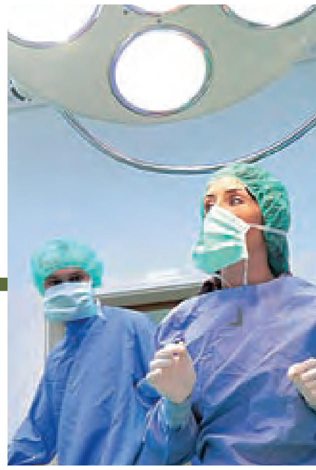
- > Strategy
- > Product development and sourcing
- > Merchandising and planning
- > Supply chain
- > Store operations
- > Customer experience
- > Information technology
- > Private equity
- > Capital advisers
- > Facility development
- > Operational planning

visit us online
www.kurtsalmon.com

KSA combines industry expertise, analytical rigour and an implementation focus to help our clients create tangible and meaningful results.

Mark Wietecha
Chairman, Kurt Salmon Associates

KSA's clients are industry leaders and include the world's top global retailers and consumer products companies and, in North America, the nation's premier hospitals and provider-based health care organisations.



Industry experience

70 years

Clients find value in this unparalleled industry expertise and deep functional experience that underpin our recommendations and solutions.

Business review

MAINTAINING A WELL BALANCED PORTFOLIO

Through its three divisions MCG is a far more widely spread business than ever before in terms of industries, geographies and sectors.

> Alexander Proudfoot delivers measurable financial benefits to its clients by developing and installing processes and programmes to improve its clients' operations

> Ineum Consulting provides consultancy services to both the private and public sectors through its in depth knowledge of issues relevant to specific industries

> Kurt Salmon Associates was founded over 70 years ago and delivers consultancy services to the retail and consumer products sector and to the health care provider sector

Alexander Proudfoot
Alexander Proudfoot delivers measurable financial benefits to its clients by developing and installing processes and programmes to improve its clients' operations. These programmes and processes help companies rapidly improve their operating performance by increasing productivity, reducing costs and generating incremental cash flow. Alexander Proudfoot differentiates itself from its competitors by working side-by-side with client management and front-line workers to implement the changes which deliver improved performance. Alexander Proudfoot works with clients across a broad range of sectors and has developed a particularly strong expertise in the mining, financial services, manufacturing and telecommunications industries. Alexander Proudfoot has a wealth of experience and expertise across a number of different functional areas, including production and all related areas, supply chain operations and management, procurement, capital expenditure, sales and revenue enhancement. Clients begin to realise the real cash benefits of the changes implemented during the early stages of the engagement process. The annualised return on investment clients obtain from working with Alexander Proudfoot is typically two to three times the cost of the project. Alexander Proudfoot is headquartered in Atlanta in the US and has offices in London, Paris, Frankfurt, Johannesburg, Toronto and São Paulo.

Alexander Proudfoot performed extremely well in 2008, benefiting from the slowdown in the economy and the natural resources boom to record high levels of profit. It completed 2008 with a strong order book and this was the basis of its good performance in the first half of 2009. Alexander Proudfoot is a business that generally performs well when the world economy is experiencing either an upswing or a downturn, as companies require throughput and revenue maximisation or cost reduction projects, respectively. 2009 has been characterised by a 'wait and see' approach taken by prospective clients. This has led to a deferral of potential business and a far lower than expected input of new business throughout the year. This was particularly apparent in the autumn when, following the usual summer slowdown, Alexander Proudfoot traditionally books significant new business. In 2009 this business did not materialise and, as a result, Alexander Proudfoot's second half performance was weaker than expected. It also means that Alexander Proudfoot has entered 2010 with a far lower order book than was the case twelve months previously and this will have an adverse effect on trading in the first half of the year.

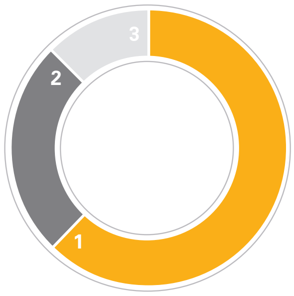
The management of Alexander Proudfoot reacted quickly to this slowdown in demand and was able to protect its profit to a good degree. The Australian office was closed during the first half of the year due to the completion of its ongoing

Alexander Proudfoot performance summary

Revenue	Operating profit	Operating margin
£71.2m	£12.0m	16.9%
(2008: £107.0m)	(2008: £18.1m)	(2008: 16.9%)

Revenue by market

1 Americas: 62.3%
2 Europe: 25.3%
3 Rest of World: 12.4%



projects and the Australian business will now largely be run out of the global Natural Resource Centre of Excellence. In addition there have been substantial redundancy programmes across the division and a refocusing of the management structure, particularly in Europe and the US, which has already resulted in renewed demand in both regions in recent months. As a result the number of staff employed by Alexander Proudfoot has fallen during the year from 480 to 270 and the reduction in the cost base will allow margins to be leveraged quickly as its business starts to pick up. The remuneration model of Alexander Proudfoot allows for a large percentage of variable pay when demand is strong but, when business is not forthcoming, this is not accrued and protects the bottom line still further.

In the first half of 2009 Alexander Proudfoot recorded revenue of £46.3m which was £0.4m higher than for the first half of 2008. However the second half of 2009 brought revenue of just £24.9m which compared unfavourably with the extremely strong second half of 2008 when revenue of £61.1m was recorded. Under these circumstances the achievement of an operating margin of 16.9%, equal to the 16.9% recorded in 2008, showed the success of the management actions in realigning the cost base to the lower level of demand. However the shortfall in revenue in the second half of the year did lead to a profit of £12.0m, £6.1m lower than the £18.1m reported for 2008. At constant exchange rates, revenue for the full year was actually 41.8% below 2008.

Ineum Consulting

Ineum Consulting provides consultancy services to both the private and public sectors through its in depth knowledge of issues relevant to specific industries. Those served include banking and financial services, the public sector, utilities, telecommunications, media and transportation. A specialist middle market group meets the needs of growing businesses and other groups provide complementary financial consultancy services across industries. Ineum Consulting uses its broad range of service capabilities to work with clients to resolve issues of strategic importance, organisational design, information system management and project management in order to achieve sustainable performance improvement. Ineum Consulting is headquartered in Paris, France and has offices across Continental Europe, London, New York, California, North Africa and Sydney. The number employed by the division was 960 at the end of 2009, down 190 from the position at the beginning of the year.

During 2009 the Group received indicative offers from three French private equity houses interested in purchasing some part or all of Ineum Consulting. The Board reviewed these offers in detail, given the desire to maximise value for its shareholders.

ALEXANDER PROUDFOOT
people • productivity • profitability

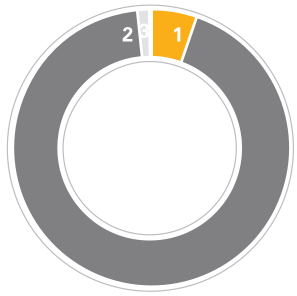
Business review continued

Ineum Consulting performance summary

Revenue	Operating profit	Operating margin
£142.2m	£12.5m	8.8%
(2008: £153.1m)	(2008: £9.9m)	(2008: 6.5%)

Revenue by market

1 Americas: 5.4%
2 Europe: 93.2%
3 Rest of World: 1.4%



Ineum Consulting continued

Two of these approaches foundered quite early in the process but significant time and expense was incurred on the third, which valued Ineum Consulting at around £85m. The Board concluded that this proposal materially undervalued the Ineum Consulting business and was significantly dilutive to MCG shareholders and accordingly it too was rejected.

In November 2009 Miguel de Fontenay stepped down from the Board of Directors of MCG and subsequently as Chief Executive of Ineum Consulting. He has since left the Group. He was replaced in both capacities by Chiheb Mahjoub. Chiheb was one of the founding partners of Ineum Consulting in 2003, responsible for the Global Financial Services Team. In 2008 he became Managing Partner and Global Executive of Ineum Consulting, heading the development of its international business.

Trading in Ineum Consulting was robust throughout 2009, particularly in its largest French market. The business has benefited from increased revenue from French public sector projects, which accounted for 26.0% of French revenue in 2009 (2008: 21.6%) and have compensated for the slightly weaker demand in the private sector and particularly in the financial management practice. Outside France trading was more subdued as the business was more heavily involved in the financial services industry which remained at the heart of the economic crisis.

Trading in the "legacy" Parson US business was very slow at the beginning of the year and the business has now been closed, leaving only the CBH Consulting business (now re-branded Ineum Consulting), acquired in 2007, active in this space. Losses for the closed business were £1.7m (2008: £4.3m) on revenue of £2.6m (2008: £7.3m). In total Ineum Consulting reported revenue of £142.2m (2008: £153.1m), operating profit of £12.5m (2008: £9.9m) and an operating margin of 8.8% (2008: 6.5%). Excluding the closed legacy Parson US business, results for Ineum Consulting as a whole for 2009 were very similar to 2008 with revenue of £139.6m (2008: £145.8m), operating profit of £14.2m (2008: £14.2m) and operating margin of 10.2% (2008: 9.7%). At constant exchange rates, revenue for the total division was actually 16.7% below 2008, although France alone was only down 11.0%.

Ineum Consulting is currently at an advanced stage of discussions with Kurt Salmon Associates to integrate the businesses into a world-class global relationship consultancy practice.

Kurt Salmon Associates

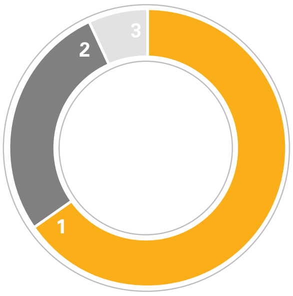
Kurt Salmon Associates was founded over 70 years ago and delivers consultancy services to the retail and consumer products sector and to the health care provider sector. The retail and consumer products group works globally solving client problems that often require the

Kurt Salmon Associates performance summary

Revenue	Operating profit	Operating margin
£63.1m	£3.5m	5.5%
(2008: £83.0m)	(2008: £6.7m)	(2008: 8.1%)

Revenue by market

1 Americas: 65.6%
2 Europe: 27.7%
3 Rest of World: 6.7%



co-ordination and integration of several disciplines. The health care group creates tailored solutions for strategic, facility development and the information technology planning needs of the hospital industry in the US. Kurt Salmon Associates also provides focused corporate finance services delivering financial and strategic advisory services to retail and consumer products companies. Kurt Salmon Associates is headquartered in Atlanta, US and has offices in North America, Europe and Japan.

The retail and consumer products group is generally very strong during stable or upward economic cycles when clients wish to improve their supply chain, merchandising and overall business performance. The health care group relies heavily on the stability of credit and policy conditions as major client success indicators. As reported last year, towards the end of 2008 there was a substantial slowdown across the business. Retail customers were concerned about the viability of their cash flows across the all-important holiday season as the slowdown in consumer spending became apparent. Health care projects were adversely affected by the uncertainty of both credit markets supporting client capital and the health reform being sought by the US government. These effects continued throughout the first half of 2009 and the division recorded a loss for this period.

However management was proactive in its downsizing of the division during the year with redundancy projects concentrated in the US, the hardest hit region, two office closures and major space reductions in Atlanta and Minneapolis. The health care practice refocused on strategic and information technology projects where client market conditions were more favourable. As a result the division's cost base was reduced still further during 2009 and, as new contracts started to appear in both areas of the division there was a welcome return to profitability for both the second half of 2009 and indeed for the year as a whole. Special mention is also due to the Japanese office which recorded good results throughout the year despite the prevailing conditions. The number employed by the division was 390 at the end of 2009, down 130 from the position at the beginning of the year.

Revenue for the division in 2009 was 24.0% lower than in 2008 at £63.1m (2008: £83.0m). Compared to 2008 the 2009 results are inflated by the stronger US Dollar and Euro. If translated at constant exchange rates, revenue was 33.0% below 2008 levels. Operating profit was £3.5m (2008: £6.7m) despite a loss of £0.2m in the first half of the year (2008: £4.0m profit). Operating margin was 5.5% (2008: 8.1%).

Kurt Salmon Associates is currently at an advanced stage of discussions with Ineum Consulting to integrate the businesses into a world-class global relationship consultancy practice.

KURT SALMON ASSOCIATES

Financial review

> MCG derives the vast majority of its revenue and profit from outside the UK

> The shortfall in revenue reflects the difficult trading conditions experienced throughout the Group during 2009

> Group management has protected the profit of the business by being proactive in downsizing the cost base

> The nature of 2009 trading meant that cash generated by operations was significantly lower than in 2008

Financial performance

Exchange rates

MCG derives the vast majority of its revenue and profit from outside the UK. As results are presented in Sterling, average exchange rates, particularly those of the US Dollar and the Euro to Sterling, can have a significant effect in the translation of those results. In 2009, on average, Sterling weakened 15.5% against the US Dollar and 10.8% against the Euro, and this had a beneficial effect on revenue and profit. The average exchange rates used to translate the 2009 results were £1=$1.5671 (2008: £1=$1.8543) for the US Dollar and £1=€1.1233 (2008: £1=€1.2588) for the Euro.

Employees

There were 1,641 people employed at the end of 2009, down 511 or 23.7% from the end of 2008 and 709 or 30.2% from the highest reported figure of 2,350 at the end of June 2008.

Revenue

Total revenue for the year ended 31 December 2009 was down 19.4% to £276.5m (2008: £343.1m). The shortfall in revenue reflects the weakness in trading conditions experienced throughout the Group during 2009, mitigated by the more favourable exchange rates encountered during the year. At 2008 average exchange rates revenue would have been £245.3m.

Alexander Proudfoot reported revenue in line with 2008 for the first half of 2009 but was unable to match the comparison with the extremely strong second half of last year and ended 2009 with revenue of £71.2m (2008: £107.0m). Ineum Consulting performed steadily throughout the year, reporting revenue of £142.2m (2008: £153.1m). Kurt Salmon Associates began the year slowly but saw improved demand, particularly in the final quarter of 2009, to reach £63.1m (2008: £83.0m). Alexander Proudfoot accounted for 25.7% of Group revenue (2008: 31.2%), Ineum Consulting for 51.5% (2008: 44.6%) and Kurt Salmon Associates 22.8% (2008: 24.2%).

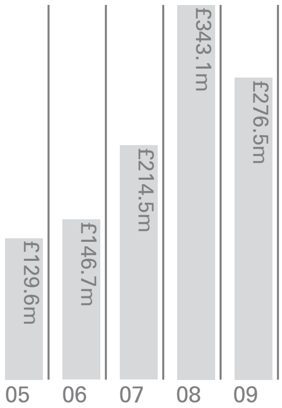
Geographically the American business was hit hardest by the economic downturn with revenue down 26.1% to £93.4m (2008: £126.3m). At constant exchange rates the shortfall to 2008 was 36.8%. Revenue from the Americas accounted for 33.8% of Group revenue (2008: 36.8%). Europe performed better, recording revenues of £168.0m (2008: £183.7m), and increasing its share of the Group total to 60.7% (2008: 53.5%). The Rest of the World, with revenues predominantly accruing in South Africa, Japan and Australia, accounted for 5.5% of Group revenue (2008: 9.7%) with £15.2m (2008: £33.1m).

Operating profit

Underlying operating profit in 2009 was down £6.7m or 19.3% to £28.0m (2008: £34.7m). Given that revenue was £66.6m below last year this shortfall reflects the success of the cost-reduction programme implemented by management throughout 2008 and 2009, and also the variable and discretionary nature of many of the costs incurred by the Group. Indeed the underlying operating margin

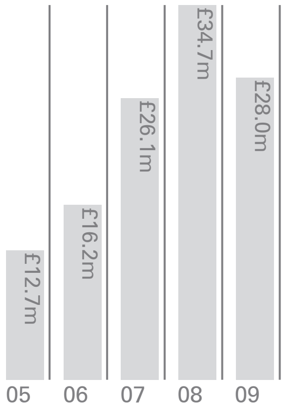
Revenue

£276.5m



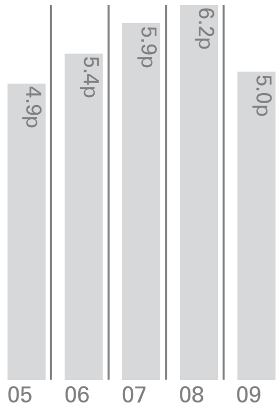
Underlying operating profit

£28.0m



Underlying earnings per share

5.0p



As results are presented in Sterling, average exchange rates, particularly those of the US Dollar and the Euro to Sterling, can have a significant effect in the translation of those results. In 2009, on average, Sterling weakened 15.5% against the US Dollar and 10.8% against the Euro, and this had a beneficial effect on revenue and profit.

was unchanged from 2008 at 10.1%. At 2008 average exchange rates operating profit would have been £24.2m.

The operating profit performance of the three divisions was largely predicated by the shortfall in revenue, mitigated as far as possible by strong cost control. Alexander Proudfoot, where revenue in the second half of 2009 was significantly lower than in the same period in 2008, saw its operating profit fall to £12.0m (2008: £18.1m). However the control of its cost base enabled operating profit margin to reach 16.9%, equal to the 16.9% reported last year. Compared to the other divisions Ineum Consulting managed to maintain its revenue closer to 2008 levels, and reported operating profit 25.7% above last year at £12.5m (2008: £9.9m) at a margin of 8.8%, 2.3% higher than in 2008 (2008: 6.5%). Kurt Salmon Associates were marginally loss making during the first half of 2008, but rebounded well during the second half of the year, as the effects of their cost saving programmes became apparent and they reported £3.5m operating profit for the full year (2008: £6.7m). Their margin was affected by the sales slowdown and they recorded 5.5% in 2009 (2008: 8.1%).

Amortisation of acquired intangibles was £2.7m (2008: £2.4m). There was no impairment of acquired goodwill (2008: £26.7m).

Non-recurring costs

In view of the difficult trading conditions encountered by the Group during 2009, Group management has protected the profit of the business by being proactive in downsizing the cost base. A total of £15.7m (2008: £21.5m) is reported as non-recurring costs. Around £6m of this will result in cash outflows in 2010.

Following the office reduction programme instigated in 2008, several further offices have been closed or downsized and redundancy programmes have continued throughout the year. A provision of £4.9m has been taken against future lease costs for properties in Atlanta, Minneapolis, Sydney and Amsterdam.

A further £2.0m was spent early in the year for the final closure of the legacy Parson US business and the associated costs of the IT organisation.

During 2009 the Group received indicative offers from three private equity houses interested in purchasing some part or all of Ineum Consulting. These offers were considered in great detail before being ultimately rejected as the Board considered that the proposals materially undervalued the Ineum Consulting business and were significantly dilutive to MCG shareholders. The cost of this project was £1.4m.

Late in the year Miguel de Fontenay, formerly an executive director of MCG and Chief Executive of Ineum Consulting, left the Group. As a result £1.1m was incurred as severance costs. Further redundancy and other costs of £6.3m have been incurred as the general workforce has been downsized during the year.

Financial review continued

INVESTING IN PEOPLE

The remuneration policies of the Group are designed to retain key individuals by rewarding performance and deferring the payment of a portion of incentive pay contingent on continued employment.

Financial performance continued

Non-recurring costs continued

Consequently there was an overall profit from operations of £9.6m (2008: £15.9m loss).

Interest

The margin paid on the outstanding balance of the debt drawn under the multi-currency facility depends on the outcome of the most recent leverage covenant calculation. When net debt is calculated as between one and two times adjusted EBITDA a margin of 1.15% is paid above Euribor and US Dollar Libor and, when this ratio goes above two times, the margin increases to 1.5%. During 2009 MCG paid a margin of 1.15% from 23 March to 5 October 2009 and a margin of 1.5% for the rest of the year. The total interest payable on borrowings was £3.3m (2008: £5.0m). Adjusting for interest received on bank deposits and the finance cost on retirement benefit plans, the total net finance charge was also £3.3m (2008: £4.2m).

Taxation

The total taxation charge for the year was £4.9m (2008: £0.9m). After adjusting for non-recurring items and the amortisation of acquired intangibles, the underlying effective tax rate was 34% (2008: 33%). The Group has tax losses in various jurisdictions and the underlying tax rate has benefited in previous years from the utilisation of these, particularly in France. However these have diminished in recent years and the ability to utilise those remaining is uncertain and dependent on trading profitability. A tax loss arose in the year in the US due to the accelerated write-off of goodwill for tax purposes on the closure of Parson US. This is included in the deferred tax asset of £10.4m (2008: £3.1m), recognised in respect of Group tax losses.

Earnings per share

Basic earnings per share were 0.4p (2008: -6.4p). Diluted earnings per share were also 0.4p (2008: -6.4p). Dilution occurs if performance criteria related to share option schemes are met. The improvement in basic and diluted earnings per share during 2009 reflects, in particular, the relative levels of non-recurring costs in the two years and the 2008 impairment of the Parson Consulting goodwill.

Underlying earnings per share, after adjusting for non-recurring items and the amortisation of acquired intangibles, was down 19.1% to 5.0p (2008: 6.2p) as a result of the reduction in the underlying operating profit.

Net assets

The Group holds the vast majority of its assets and liabilities in currencies other than Sterling, particularly the US Dollar and the Euro, and translates the value of these into Sterling at the year end exchange rate. Comparing exchange rates at the beginning and the end of 2009, Sterling strengthened 8.3% against the US Dollar and 5.8% against the Euro. This had the effect of deflating the Sterling value of assets held in these currencies at the end of 2009. The year-end exchange rates used to translate the 2009 balance sheet were £1=$1.5971 (2008: £1=$1.4742) for the US Dollar and £1=€1.1100 (2008: £1=€1.0491) for the Euro.

During 2009 net assets decreased by 13.1% to £151.5m (2008: £174.4m). This reduction is predominantly due to the movement in exchange rates relative to Sterling during the year. The largest item on the balance sheet is the intangible asset recognised on the acquisition of Ineum Consulting and Kurt Salmon Associates. This is held in US Dollars and Euros.

Net trade receivables decreased by £13.7m to £45.0m (2008: £58.7m). The vast majority of the Group's receivables is held in currencies other than Sterling and its value in Sterling is dependent on the exchange rates prevailing at the date of the translation. Debtor days at the end of 2009 were 47 days (2008: 49 days).

Pension funds

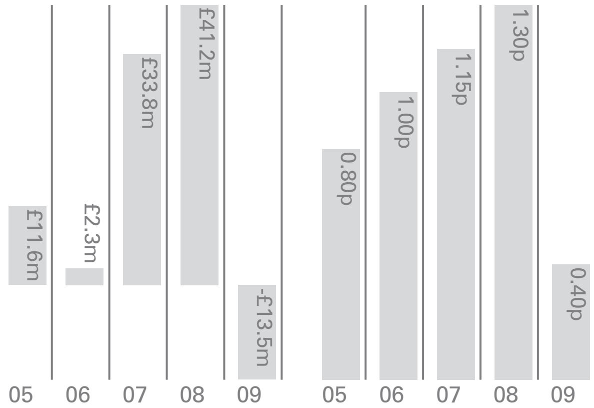
The Group's retirement benefits liability relates to the closed US defined benefit pension scheme; the closed US post-retirement medical benefits plan; French statutory retirement provisions; and an unfunded German retirement obligation acquired with Kurt Salmon Associates. The Group actively manages the potential liabilities arising from these schemes, regularly reviewing performance in conjunction with

Cash generated from operations

-£13.5m

Dividend per share

0.40p



qualified independent actuaries and making changes where appropriate.

The net post-retirement obligation from these schemes rose from £20.9m at 31 December 2008 to £23.3m at 31 December 2009. Cash contributions to these schemes amounted to £0.8m in 2009 (2008: £1.2m). The increase in the net liability was due to the revaluation of the liability of the US post-retirement medical plan as a reflection of the fact that the scheme was operating as uncapped.

Liquidity and capital resources

Net debt

The Group's capital structure is reviewed regularly to ensure that it remains relevant to the business and its planned development. In September 2007 the Group refinanced its balance sheet with a five year multi-currency facility. Draw downs under this facility allow for interest maturities of up to six months in US Dollars and Euros.

When negotiated the facility consisted of term loans amounting to $50.6m and €37.0m and revolver loans of £60.7m and €44.5m, around £143.3m at 2009 year-end exchange rates. In December 2009 $2.53m and €1.85m of the term loan were repaid, making the total remaining facility £139.9m at the end of 2009. At these exchange rates there will be repayments of the term loan of £6.5m in September 2010, £13.0m in September 2011 and then the remainder in September 2012.

The facility has two covenants, which were calculated at 30 June and 31 December during 2009. The first of these is that interest cover must be greater than four times. This covenant was met comfortably at both dates. The second covenant is a leverage covenant, which is that net debt divided by adjusted EBITDA must remain below 2.75 times at calculation dates. Adjusted EBITDA is defined as 'underlying operating profit plus non-cash items such as depreciation, share option charges and adjustments relating to retirement benefit funds'. At the 31 December 2009 calculation date adjusted EBITDA was £3.8m higher than the underlying operating profit of £28.0m.

The trading slowdown during 2009 has had an effect on the net debt position of the Group. We ended the year with net debt of £83.5m, £21.4m higher than the position twelve months previously when net debt was £62.1m. While the shortfall in revenue results in a real reduction of cash being deposited in our bank account, the profit has been protected largely through the reduction of bonus accruals.

These influences meant that in December, although the leverage covenant was met, the headroom was less than we had expected at the beginning of 2009. Of course the 2010 cash flow will benefit from the lower bonus payments resulting

Net assets

-13.1%

to £151.5m, down from £174.4m in 2008

Net debt

+34.5%

to £83.5m, up from £62.1m in 2008

Financial review continued

Liquidity and capital resources continued

Net debt continued

from 2009 trading. The Group will continue to manage its affairs to ensure covenant compliance during 2010 and beyond.

Foreign exchange exposure

The Group's foreign exchange exposure is primarily a translation risk as the vast majority of the Group's business is transacted in Euros and US Dollars and the goodwill arising on acquisitions is also denominated in these currencies. Both the term loan and the working capital facilities are drawn down in US Dollars and Euros to provide a partial hedge against these. In 2009 we calculated that the Group would have a surplus of Euros and a shortfall in Sterling and so established forward contracts to sell Euros and purchase Sterling during the year. In all £12.0m of Sterling was purchased at an average exchange rate of £1 = €1.1127. There were no outstanding contracts at 31 December 2009. Similar contracts have been put in place for 2010. Again these will all have been completed by the end of the year.

Treasury activities are managed on a day-to-day basis by a treasurer who reports to me. There are established treasury policies that are reviewed regularly to ensure that they remain relevant to the business. The objective of these policies is to provide liquidity across the Group at minimum risk and cost and to hedge known financial exposures. The Group's net debt position is closely monitored and there are effective forecasting procedures in place.

Cash flow

The nature of 2009 trading meant that cash generated by operations was significantly lower than in 2008 at -£13.5m (2008: £41.2m). Revenue in 2009 was £66.6m lower than in 2008. This represents a real cash shortfall into the Group's bank accounts. The operating profit was buoyed in part by a reduction in discretionary costs such as bonuses accrued during the year. However these costs are paid out in the year following the year of accrual and so the cash 'benefit' of this particular cost reduction will not be seen until 2010. In addition approximately £8m of cash expenditure relating to non-recurring costs was incurred during the year.

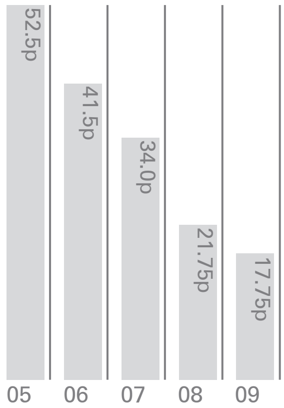
Dividend

An interim dividend of 0.4p per share was paid to shareholders on 27 October 2009. This was in line with the 2008 payment despite the fact that underlying earnings for the first half of 2009 were below the levels of 2008 and was paid because the Group had been cash generative in the twelve months ended June 2009, reporting a net debt position £10.4m lower than at June 2008, at constant exchange rates. This trend did not continue during the second half of 2009 and the net debt at the end of 2009 was £21.4m above its level twelve months previously. Consequently the Board has concluded that it is prudent not to declare a final dividend for the 2009 financial year (2008: 0.9p per share).

The Group's capital structure is reviewed regularly to ensure that it remains relevant to the business and its planned development.

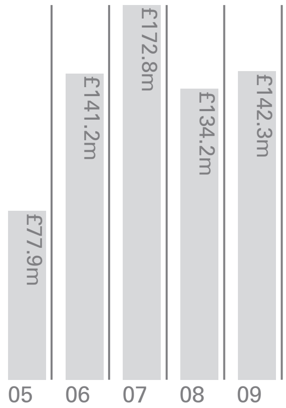
Share price

17.75p



Enterprise value

£142.3m



Net debt

£83.5m

This will reduce cash outflows in July 2010 by approximately £3m. However the Board intends to resume dividend payments starting with the 2010 interim dividend.

Business resources and investment in the future

The Group's key assets are its client relationships, its people and its intellectual property. Client relationships are strengthened by the regular review of every engagement in conjunction with the client throughout its duration. This enables timely resolution of any issues so that the client remains highly satisfied with our performance. It is our objective that every client becomes a referee for future clients.

The remuneration policies of the Group are designed to retain key individuals by rewarding performance and deferring the payment of a portion of incentive pay contingent on continued employment. The performance of each employee is regularly reviewed and plans are established to deal with any performance issues. Evaluation systems are in place throughout the Group. The training requirements of employees are also reviewed and tailored training programmes have been established for each of the core functions. The headcount needs of the business are reviewed weekly in view of the projected requirements of the business as indicated by the order book and prospects.

The Group has developed knowledge management systems that document the intellectual property that has been developed throughout many years of assisting clients. Client needs are regularly reviewed and new services developed in accordance with these. Appropriate steps are taken to safeguard the security of the Group's intellectual property and legal or other action is taken as necessary to protect this.

The Group continues to invest in its client relationships, its people and its intellectual property to ensure that the Group is prepared to face its challenges and to focus client awareness on the Group's brands and the services offered.

Principal risks and uncertainties

The Group has operating and financial policies and procedures designed to maximise shareholder value within a defined risk management framework. The key risks to which the business is exposed are reviewed regularly by senior management and the Board.

The major risks facing the business relate to the demand for services provided by the Group in the markets and sectors in which it operates; the management of its client base; the recruitment and retention of talented employees; and the optimisation of the Group's intellectual capital. These risks are managed by anticipating market trends, maximising staff utilisation, developing remuneration policies that reward good performance and promote continued employment with the Group and maintaining a comprehensive knowledge management system.

Potential contractual liabilities arising from client engagements are managed through control of contractual conditions and insurance arrangements. The Directors are aware of no material outstanding litigation against the Group not covered by an appropriate level of insurance or provision in the financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review. The financial position of the Group is described in this Financial Review. In addition, note 23 of the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital and its exposures to risk.

The Group's committed borrowing facilities are detailed under the "Liquidity and capital resources" section of this Financial Review. It is explained that the Group's banking covenants have been met throughout 2009. The Group prepares regular business forecasts and monitors its projected compliance with these covenants. These are reviewed by the Board. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed, and consideration given to actions opens to management to mitigate the impact of

Financial review continued

Going concern continued

these sensitivities. In particular this includes the discretionary nature of a significant amount of the cost incurred by the Group.

Despite the significant uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded that the Group has adequate resources to be able to operate within the level of its current facility and remain covenant compliant for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements. For further details please refer to note 2 to the Consolidated Financial Statements.

Key performance indicators

The key performance indicators used by the Board to monitor progress are: revenue growth; operating profit; operating margin; net debt; earnings per share growth; staff retention; and client satisfaction. We use these key performance indicators to monitor performance as they indicate our achievements against our objectives of delivering shareholder value and revenue and margin growth.

Critical accounting policies

The discussion and analysis of the Group's financial position and results are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). This preparation requires estimates and judgements that affect the reported level of assets and liabilities, revenues and costs, and the related disclosure of contingent assets and liabilities at the date of the financial statements. Critical accounting policies are those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions. It is believed that the Group's critical accounting policies are limited to those described below.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for services provided to third parties in the normal course of business. Revenue from services is recognised when the service has been provided and the right to consideration earned. When a service has been provided to third parties but no billing made, the amount receivable is estimated. This estimate is based on the nature of the service supplied and the terms of the contract.

Goodwill and other intangible fixed assets

Under IFRS goodwill is capitalised and tested for impairment annually or when events or changes in circumstance indicate that the carrying value may not be recoverable. Intangible assets with finite lives are capitalised and amortised over their remaining useful economic lives.

The key performance indicators used by the Board to monitor progress are: revenue growth; operating profit; operating margin; net debt; earnings per share growth; staff retention; and client satisfaction.

Employee benefits
Accounting for pensions and other post-retirement benefits involves judgement about uncertain events including discount rates, life expectancy, future pay inflation and the expected rate of return on plan assets. Determination of the projected benefit obligations for the Group's defined benefit pension scheme and post-retirement plans are important to the recorded amounts in the statement of recognised income and expense and the liability recorded in the balance sheet.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. There are transactions and calculations for which the ultimate tax determination is uncertain until agreed with the tax authorities. Where the final outcome is different from the initial estimate, these adjustments will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made.

Summary of critical accounting policies
The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee. Additional discussion of the application of these estimates and other accounting policies is provided in note 2 to the Consolidated Financial Statements.

Craig Smith
Finance Director
8 March 2010

Board of Directors

Executive Directors and Company Secretary (1–8)

1. Executive Chairman **
A J Barber
Alan Barber, aged 62, joined the Board in April 2005. He is a non-executive director of Invesco English & International Trust PLC, JP Morgan Japanese Investment Trust PLC, Western & Oriental PLC, Witan Pacific Investment Trust PLC and Impax Asian Environmental Markets PLC. He is a former non-executive director of lastminute.com PLC and Teather & Greenwood Holdings PLC and was a partner in KPMG's London office until 2004. He was appointed Executive Chairman on 19 February 2008 and is a member of the Nominations Committee.

2. Finance Director
C H Smith
Craig Smith, aged 46, was appointed Finance Director on 26 April 2007. He graduated in Economics at the University of St Andrews in 1985 and subsequently held finance positions with Coats Viyella PLC both in the UK and overseas. After leaving Coats Viyella in 1997 he was European finance director of two US-based companies in the product identification and printing ink industries and then served as finance director at Huntleigh Technology PLC from 2003 until he joined the Group. He is a qualified Certified Accountant.

3. Executive Director
L H Carvalho
Luiz Carvalho, aged 52, was appointed an Executive Director on 19 March 2008. He has dual US and Brazilian citizenship and resides in the US. After attending Pontifícia Universidade Católica de São Paulo, he joined Alexander Proudfoot in 1982 and, following a series of promotions and international assignments, was appointed President of the Proudfoot American operations in 1999 and Chief Executive of Alexander Proudfoot worldwide in 2002. He is a member of the World Presidents organisation and serves on the Board of Directors of the Association of Management Consulting Firms.

4. Executive Director
M E Lopinto
Marco Lopinto, aged 47, was appointed Executive Director on 15 December 2009. He has dual French and Italian nationality. He is a graduate of the Lyon Business School (ÉM Lyon-France). He began his career at Arthur Andersen, where he became a partner in Arthur Andersen Business Consulting. Subsequently he worked for A T Kearney and Carrefour before joining Ineum Consulting in 2005 as a partner in the Communication, Media and Technology practice. He is currently in charge of the strategy practice and the business development of Ineum Consulting.

5. Executive Director
C Mahjoub
Chiheb Mahjoub, aged 45, was appointed Executive Director on 10 November 2009 and is Chief Executive of Ineum Consulting worldwide. He has dual French and Tunisian nationality and is a graduate of the École Nationale des Ponts et Chaussées and Ensimag in Paris. Following a short period working in the derivatives market he helped to establish Summit Systems, a leader in derivatives trading packages. He joined Deloitte Consulting in 1995 and was a founding partner when it became Ineum Consulting in 2003. He has held various senior roles in the financial services practice while being instrumental in the international development of Ineum Consulting as a whole.

Non-executive Directors (9–12)

6. Executive Director
N S Stagg
Nicholas Stagg, aged 50, was appointed Executive Director on 21 October 2009. He graduated in physics at University College, London and joined Thomson McLintock in 1981, where he qualified as a Chartered Accountant. He worked in property investment companies before becoming group managing director of Lambert Smith Hampton PLC. Subsequently he was managing director of W S Atkins International PLC and then first COO and then CEO of Teather & Greenwood Holdings PLC, where he was responsible for the development of the business and its eventual sale to Landsbanki in 2005 and then Straumur in 2008.

7. Executive Director
M Wietecha
Mark Wietecha, aged 52, was appointed an Executive Director on 19 March 2008. He is a US citizen and holds both MSc and MBA degrees. He is Chairman of Kurt Salmon Associates and has served in multiple leadership roles including Managing Director of the Health Services practice in his 25 years with the company. He is a prominent consulting practitioner in the health care sector in the US. He has served on the boards of the Institute for Bilingual Children, the Shepherd Spinal Center and the Medical Heritage Foundation.

8. Company Secretary
C W Ansley
Charles Ansley, aged 59, was appointed Company Secretary in April 2007, having joined the Group in 2001. He graduated in Law at the University of Sheffield and subsequently worked in the London office of KPMG. He is a qualified Chartered Accountant.

9. Non-executive Director * # **
Baroness Cohen of Pimlico
Baroness Cohen, aged 69, joined the Board in August 2003. She was originally a solicitor, followed by a career in the Department of Trade and Industry and subsequently as a corporate financier and adviser in the Charterhouse Group. She sits as a Labour peer in the House of Lords. She is a non-executive director of the London Stock Exchange PLC and non-executive chairman of three private companies. She is the Senior Independent Director and a member of the Remuneration Committee, the Audit and Risk Committee and the Nominations Committee.

10. Non-executive Director * # **
S A Ferriss
Stephen Ferriss, aged 64, joined the Board on 3 March 2006. He is a US citizen residing in London. He spent 17 years at Bank of America working in the United States of America and latterly in London and Madrid. In 1987 he joined Bankers Trust and served in various roles including managing director and partner of the Bankers Trust's Global Investment Bank in London and New York. He spent three years from 1999 to 2002 as president and chief executive of Santander Central Hispano Investment Securities Inc. He is a non-executive director of Santander Bancorp in Puerto Rico and other privately owned companies. He is Chairman of the Audit and Risk Committee and of the Nominations Committee and a member of the Remuneration Committee.

11. Non-executive Director * # **
A H Simon OBE
Andrew Simon, aged 64, joined the Board on 3 March 2006. He spent 23 years as the managing director, chief executive and chairman of the Evode Group PLC. He holds an MBA from Wharton School of Finance in Philadelphia and has a diversified range of non-executive director and chairman positions. He is a non-executive director of Exova Group plc and Travis Perkins PLC in the UK and of Finning International Inc. in Canada. He sits on the supervisory board of SGL Carbon AG in Germany. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and the Nominations Committee.

12. Non-executive Director * # **
J D Waldron
Julian Waldron, aged 45, joined the Board on 8 October 2008. He is a UK citizen residing in France. He is currently chief financial officer of Technip, a French listed group providing project management, engineering and construction services for the oil and gas industry, which he joined in October 2008. Prior to this he was a managing director in corporate finance at UBS Warburg and the chief financial officer of Thomson SA. He is a member of the Remuneration Committee, the Audit and Risk Committee and the Nominations Committee.

* Member of the Remuneration Committee
\# Member of the Audit and Risk Committee
** Member of the Nominations Committee

Directors' report

The directors present their annual report, incorporating their reports on corporate governance, audit and risk, and remuneration, together with the audited financial statements for the year ended 31 December 2009. These will be laid before the shareholders at the Annual General Meeting on 20 April 2010.

Activity
The principal activity of the Group is the provision of professional services. Details of the Group's principal subsidiary undertakings, through which it carries out its activities, are set out in note 26 to the financial statements.

Business Review
The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2009, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a "Business Review"). The information that fulfils the requirements of the Business Review can be found in the Financial Review section of the annual report.

Group results
The Group's profit before taxation for the year ended 31 December 2009 amounted to £6,288,000 (2008: loss £20,013,000).

Dividends
An interim dividend of 0.40p per share was paid on 27 October 2009. The directors do not recommend the payment of a final dividend (2008: interim dividend of 0.40p; final dividend of 0.90p).

Directors
The names and brief biographical details of the current directors are shown on the preceding pages. During 2009 Mr Barber, Mr Smith, Mr Carvalho, Mr Wietecha, Baroness Cohen, Mr Ferriss, Mr Simon and Mr Waldron held office throughout the year. Mr Bolduc and Mr de Fontenay stood down as directors on 21 October 2009 and 10 November 2009, respectively. Mr Stagg, Mr Mahjoub, and Mr Lopinto were appointed directors on 21 October 2009, 10 November 2009 and 15 December 2009, respectively.

In accordance with the Company's Articles of Association, Mr Stagg, Mr Mahjoub, and Mr Lopinto will offer themselves for re-election at the forthcoming Annual General Meeting. As Executive Chairman, Mr Barber has chosen to stand for re-election every year. Mr Ferriss and Mr Smith will retire from the Board by rotation at the forthcoming Annual General Meeting and will offer themselves for re-election.

During and at the end of the financial year no director had a material interest in any contract of significance to which the Company or any subsidiary was a party. Information on the directors' interests in the shares of the Company are set out in the Directors' Remuneration Report. Related party transactions are disclosed in note 25.

Creditor payment policy
The Group's policy, in relation to all of its suppliers, is to agree the terms of payment when first contracting with the supplier and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any code on payment practice but operates a prompt payment policy on settling invoices. The amount of trade creditors shown in the balance sheet at 31 December 2009 represents 26 days of average purchases during the year (2008: 27 days) for the Company and 30 days (2008: 33 days) for the Group.

Substantial share interests
As at 4 March 2010 (the latest practicable date prior to the issue of this report), the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules issued by the Financial Services Authority, of the following interests in the ordinary share capital of the Company:

	Number of ordinary shares	% of issued share capital
Gartmore Investment Limited	66,286,657	20.00
Schroders PLC	26,489,930	7.99
Legal & General Group PLC	13,421,055	4.05

Capital structure
Information on the Group's capital structure and its share schemes are set out in note 19.

Corporate social responsibility

The Group is committed to making a positive social and economic contribution in all the places it operates. This is driven by the Board. Emphasis is placed on ensuring that we continue to create and maintain trust in and loyalty to our Group by all our stakeholders.

The Board annually assesses the social, environmental and ethical ("SEE") impact of the Group's business and ensures that any risks arising are being managed appropriately as recommended by the Association of British Insurers ("ABI"). The Board has carried out an assessment of its SEE risks and based on feedback from management has concluded that the Group's exposure to SEE risks is limited, primarily due to the nature of its operations. Further information on the environmental and ethical policies adopted is provided below.

The Group's internal audit function assists the Board in confirming disclosures made in the annual report and in reviewing the Group's treatment of SEE matters.

Environmental policy

The Group's environmental policy aims to minimise, where practical, the Group's impact on the environment.

As a group of professional services companies, the Group's business has a relatively small impact on the environment. Nevertheless, the Board recognises the quality of the environment in which it operates is a concern for its stakeholders and others in the community and consequently is essential to the long-term financial performance of the Group.

As a member of the FTSE4Good index, the Group ensures that all laws, regulations and official guidelines in the countries in which it operates are complied with. The Group is also a member of the United Nations Global Compact.

Following the reporting guidelines issued by the Department for Environment, Food and Rural Affairs ("DEFRA"), the Group's Environmental Officer has identified areas where the Group could have an impact on the environment and has taken steps to reduce this impact. These are detailed below. Reviews of the quantitative impact on the environment in these and other areas will continue to be undertaken to enable the Group's environmental performance to be assessed and further improved.

Energy use and climate change

Carbon dioxide is one of the most significant air pollutants as a by-product of energy consumption and is the major contributor to the "enhanced greenhouse gas effect". We continue with the programme to measure the amount of electricity being used in our largest offices, to identify where reductions can be made in the future.

Due to the nature of the business and the need for employees with appropriate experience to work on projects, employees regularly need to travel to clients' sites. The Group's employees are encouraged, wherever possible, to share private road transport or use public transport.

Whilst further improvements are being targeted, the Group has made progress in reducing energy consumption. There is an ongoing programme to install energy saving devices within all our offices. The principal methods adopted by the Group to reduce energy consumption are as follows:

> installing automatic power-off systems on lights and certain equipment;

> using energy-efficient lighting;

> using time-switches on air conditioning systems; and

> reducing travel by making use of video conferencing facilities.

Waste and recycling

The increase in waste generated is a serious problem in many of the countries in which the Group operates. The shortage of new landfill sites in these countries is well documented, as are the potential health impacts and carbon dioxide emissions caused by landfill sites.

Quantitative information regarding the amount of waste produced by the Group during a particular period is currently not available; however it is estimated that over 70% of such waste could be recycled. Most of our offices recycle printer cartridges, paper and other dry recyclables. The Group has maintained its efforts to reduce waste and increase recycling by:

> encouraging employees to recycle paper and toner cartridges and providing recycling facilities in all UK offices;

> giving furniture and working computer equipment which is no longer needed to local schools and charities; and

> stripping obsolete or irreparable computer equipment for useful parts before being disposed of in accordance with the European Waste Electrical and Electronic Equipment Directive.

Directors' report continued

Corporate social responsibility continued

Water

Water usage throughout the world is growing at an unsustainable speed. The Group does not use a significant amount of water; however where available, the Group seeks to lease buildings with water-efficient fittings and white goods.

Health and safety

The Group is committed to achieving and maintaining the highest standards of health, safety and welfare for its employees throughout the world. Employees are one of the Group's most important assets and their health and safety is critical to business performance by reducing the costs associated with workplace injuries and ill-health.

The Group aims to comply with all laws, regulations and official guidelines relating to health and safety in all its offices throughout the world. Due to the many different locations of the Group's offices, the Group does not have a single detailed worldwide policy. Instead, it is the responsibility of a senior employee in each office to ensure that his or her office meets the high standards the Group aims for.

In the UK, the Health and Safety Committee, chaired by the Director of Human Resources and including two other employees, has a policy that not only adheres to the Health and Safety at Work Act (1974) and the Management of Health and Safety at Work Regulations, but also incorporates views of other employees.

Group ethics

The Group subscribes to the Association of Management Consulting Firms' Code of Ethics (available at www.amcf.org) and, in the UK, the Code of Ethics of the UK Management Consultancies Association (available at www.mca.org.uk).

The codes of ethics conform to regulatory and legislative initiatives and assure the users of consulting services that members are publicly committed to providing the highest quality work.

Whistleblowing

The Board considers the financial management team as holding an important role in corporate governance, having both the responsibility and authority to protect, balance and preserve the interests of all stakeholders. Specific polices are in place and form part of the financial management team's twice-yearly appraisal.

All employees can voice their concerns about any unethical behaviour through an internal "whistleblowing" process.

Employees

The Group operates in a number of countries and its employment practices vary to meet local requirements and best practices within a framework established by the Group.

It is Group policy that all people be treated with dignity and respect. The Group is committed to providing and fostering a working environment that is free from harassment, discrimination, victimisation or bullying, and where all employees are treated with dignity and respect.

Our ability to operate as a high-performing organisation depends on our inclusion of people who come from diverse backgrounds. It is Group policy to ensure equal opportunities exist without discrimination for all employees, irrespective of their race, colour, creed, religion, gender, ancestry, citizenship, sexual preference, marital status, national origin, age, pregnancy, or any other reason prohibited by the laws of the individual countries in which it operates. This applies with respect to recruitment, promotion, compensation, transfer, retention, training and other employment actions. In South Africa the Group operates positive discrimination in respect of previously disadvantaged individuals. Wherever possible the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

One of the Group's key objectives is to achieve a shared commitment by all employees to the success of the business. We recognise the importance of employees understanding the Group strategy, the businesses' priorities and the expectations of individuals. Presentations on strategy and priorities are made at meetings of employees and are supplemented by communications from the Executive Chairman.

Employees have a written job description and are appraised by their manager quarterly or semi-annually using a formal process. The Group is committed to providing support to help realise the full potential of all its employees, whilst recognising that the ultimate responsibility for personal development must rest with the individual. There are executive and management development programmes for current and future leaders of the business; training programmes for client-facing staff and an induction programme for all new staff. There is regular communication via internal meetings, email, intranets and in-house magazines.

Charitable and political contributions

No political donations were made in 2009 or 2008. Charitable donations of £152,000 (2008: £107,000) were made during the year. In addition pro bono work is carried out by a number of the Group's consultancies with good causes worldwide. During 2009 the market value of work carried out for these charities totalled £245,000 (2008: £170,000).

The Board has established a Charitable Donations Committee to oversee the charitable donations by the Group. Three senior members of staff were appointed to the Committee and meet at regular intervals to review proposals for donations.

The Group encourages its employees worldwide to contribute actively to their local communities.

Auditors

Each director who held office at the date of approval of this Directors' Report confirm that, so far as the director is aware:

> there is no relevant audit information of which the Company's auditors are unaware; and

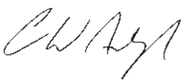
> the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 2.30pm on Tuesday 20 April 2010 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA. Details of the meeting are included in the circular to shareholders enclosed with this report, at the back of which is the Notice of Meeting.

By order of the Board,



Charles Ansley
Company Secretary
8 March 2010

Registered office
10 Fleet Place
London EC4M 7RB

Corporate governance

The maintenance of effective corporate governance is a key priority for the Board. Accordingly, the Board has considered carefully the requirements of Section 1 of the 2006 Combined Code on Corporate Governance (the Code) and has taken various actions in light of its guidance. The Company has complied throughout the year with the Code except as explained below.

Board of directors

From 1 January 2009 until 20 October 2009 the Board comprised the Executive Chairman, four other executive directors and five non-executive directors. Mr Stagg was appointed as an executive director and Mr Bolduc stood down as a non-executive director on 21 October 2009. From 21 October 2009 until 14 December 2009 the Board comprised six executive directors and four non-executive directors. On 10 November 2009, Mr de Fontenay stood down as an executive director and Mr Mahjoub was appointed as an executive director. On 15 December 2009, Mr Lopinto was appointed an executive director and from then until the year end there were seven executive directors and four non-executive directors. The Code requires that smaller companies should have at least two independent non-executive directors and the Company complied with this aspect. Combining the roles of Chairman and Chief Executive constitutes a breach of the Code. This occurred as a result of the previous Chairman and Chief Executive standing down from the Board and is expected to be remedied by the appointment of a new Group Chief Executive later this year.

Baroness Cohen, Mr Ferriss, Mr Simon and Mr Waldron are considered to be independent non-executive directors.

The roles of the Board and the management are clearly defined. Throughout the year, the roles of Executive Chairman and Senior Independent Director were separated and clearly defined in writing. The terms and conditions of appointment of the non-executive directors are available for inspection at the Company's registered office and will also be available at the Annual General Meeting.

The Board is satisfied that each of the non-executive directors committed sufficient time during 2009 for the fulfilment of their duties as directors of the Company. None of the non-executive directors has any conflict of interest which has not been disclosed to the Board.

The number of Board and Committee meetings eligible for attendance and attended by each of the directors during the year was as follows:

Name	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
A J Barber	7	—	—	6
J P Bolduc (resigned 21 October 2009)	5	—	—	—
L H Carvalho	7	—	—	—
Baroness Cohen	5	4	2	6
S A Ferriss	7	4	2	6
M de Fontenay (resigned 10 November 2009)	5	—	—	—
M E Lopinto (appointed 15 December 2009)	1	—	—	—
C Mahjoub (appointed 10 November 2009)	1	—	—	—
A H Simon	7	4	3	5
C H Smith	7	—	—	—
N S Stagg (appointed 21 October 2009)	3	—	—	—
J D Waldron	7	4	1	4
M Wietecha	7	—	—	—
Total meetings held	7	4	3	6

On appointment, directors are provided with formal details of their responsibilities under legislation applicable to a company listed in the UK. Changes to such legislation and other relevant factors affecting the Group are communicated to all directors. Newly appointed directors are also required to participate in an induction programme in order to familiarise themselves with the Group's businesses. Regular presentations are made to the Board by senior management in order to refresh and expand this knowledge.

All directors are authorised to obtain, at the Company's expense and subject to the Chairman's approval, independent legal or other professional advice where they consider it necessary. All directors have access to the Company Secretary who oversees their ongoing training and development needs.

Election and re-election of directors

The Company's Articles of Association contain detailed rules for the appointment and retirement of directors. There is a formal procedure in place to select and appoint new directors to the Board. These directors are required to retire at the next Annual General Meeting, but can offer themselves for re-election by shareholders. All directors are required to submit themselves for re-election at intervals not exceeding three years.

The Board annually evaluates the performance of individual directors, the Board as a whole and its Committees. This review comprises structured interviews with each director followed by the presentation of the results of this process to the Board and individual discussions with the Executive Chairman. The results of the evaluation were approved by the Executive Chairman and an agreed plan of action produced. The results are specifically taken into account when considering the re-appointment of directors.

Operation of the Board
The Board meets regularly. Seven meetings were held during 2009. All members of the Board are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. The Executive Chairman met throughout the course of the year with the non-executive directors in the absence of the other executive directors.

There is a formal schedule of decisions reserved for the Board. This includes approval of the following: the Group's strategy; the annual operating plan and budget; the annual and interim financial statements; significant transactions; major capital expenditures; risk management policies; the authority levels vested in management; Board appointments; and remuneration policies. As described below, the review of certain matters is delegated to Board Committees, which make recommendations to the Board in relation to those matters reserved for the Board as a whole.

Audit and Risk Committee
Details of the membership, role and operation of the Audit and Risk Committee are provided in the Report of the Audit and Risk Committee.

The Code recommends that the Committee should comprise at least two members and that all members should be independent non-executive directors. The Committee comprised four independent non-executive directors throughout 2009.

Financial matters
The Group has adopted a code of ethical conduct applicable to the Board and all members of the finance function. In addition, it has a "whistleblowing" policy whereby procedures exist that allow employees to report any financial wrongdoing that they believe may have occurred.

The Board has also defined which services can be purchased from the Group's auditors and has adopted procedures in respect of the purchase of these services to minimise the risk of an actual or perceived conflict of interest. For similar reasons, the Board has adopted a policy in respect of hiring staff from the auditors who have been involved in the Group's audit.

Nominations Committee
The membership of the Committee during 2009 was:

Mr Stephen Ferriss
(Chairman, member since 2008)

Mr Alan Barber
(Member since 2005)

Baroness Cohen
(Member since 2003)

Mr Andrew Simon
(Member since 2006)

Mr Julian Waldron
(Member since 15 June 2009)

The Committee's purpose is to consider future appointments to the Board and the succession policy for key management positions. The Nominations Committee adopted formal terms of reference dated 14 March 2003. These were updated on 2 March 2007 and are available from the Group's website (www.mcgplc.com) or the Company Secretary upon request.

The Code recommends that a majority of the members of the Nominations Committee should be independent non-executive directors. The majority of the Committee was independent throughout 2009.

During the year the Committee commenced a succession planning process, with assistance from external executive search consultants, to identify and evaluate both internal and external candidates for the role of Group Chief Executive. This process has included the identification of external candidates by the consultants and the interview and assessment of both internal and external candidates by the consultants and the Committee. The Committee also continues to look to identify further non-executive directors for appointment with the help of external search consultants.

Remuneration Committee
Details of the membership, role and operation of the Remuneration Committee are provided in the Directors' Remuneration Report.

The Code recommends that the Committee should comprise at least two independent non-executive directors. The Committee comprised four independent non-executive directors throughout 2009.

Corporate governance continued

Relations with investors and the Annual General Meeting

The Annual General Meeting gives all shareholders the opportunity to communicate directly with the Board. During the year, the directors are available to respond to enquiries from investors on the Group's operations. Effective communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

During the year, the executive directors hold discussions with major shareholders. The Executive Chairman is available to shareholders if there are matters that they wish to discuss with him directly. Announcements are made to the London Stock Exchange and the business media concerning trading and business developments to provide wider dissemination of information. Registered shareholders are sent copies of both the annual report and accounts, and the half-year report. The Group's website www.mcgplc.com also contains information relevant to investors.

The Executive Chairman and the Finance Director met with key shareholders throughout the year and in particular around the time of the full year results and the half year results.

The notice convening the Annual General Meeting to be held on 20 April 2010 is contained in the circular to shareholders.

Internal controls

The Company, as required by the Listing Rules, has complied with the Code provisions on internal control having established the procedures necessary to implement the guidance issued in September 1999 (The Turnbull Committee Report) and by reporting in accordance with that guidance.

The Board has overall responsibility for the Company's system of internal control and reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company which is in accordance with the guidance set out in The Turnbull Committee Report and has been in place for the year under review and up to the date of approval of the annual report and accounts. This process, which is regularly reviewed by the Board, is as follows:

> the Group's management operates a risk management process which identifies the key risks facing the business and reports to the Board on how those risks are being managed. This is based on a risk register produced by executive management which identifies those key risks, the probability of those risks occurring, their impact if they do occur and the actions being taken to manage those risks to the desired level. This risk register is discussed at Board meetings on a regular basis and regular monitoring reports are presented to the Board. The management of these risks is monitored by the internal audit function:

> large acquisitions and capital projects require Board approval; and

> there is regular communication between management and the Board on matters relating to risk and control.

The Board has established a strong control framework within which the Group operates. This contains the following key elements:

> organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;

> defined expenditure authorisation levels;

> on site, video and teleconferencing reviews of operations, covering all aspects of each business are conducted by Group executive management on a regular basis throughout the year;

> the financial reporting and information systems which comprise: a comprehensive annual budget which is approved by the Board; weekly reports of key operating information; cash flow and capital expenditure reporting; monthly results and forward performance indicators which are measured against the annual budget and the prior year's results. Significant variances are reviewed by the Board and executive management and action is taken as appropriate. The forecast for the year is revised when necessary;

> Group tax and treasury functions are coordinated centrally. There is weekly cash and treasury reporting to Group management and periodic reporting to the Board on the Group's tax and treasury positions; and

> internal audits are performed by Group's internal audit function.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it deemed to be significant. Therefore a confirmation in respect of necessary actions has not been deemed appropriate.

Report of the Audit and Risk Committee

This report describes the membership and operation of the Audit and Risk Committee.

Membership
During 2009 the membership of the Committee was:

Mr Stephen Ferriss
(Chairman, member since 2006)

Baroness Cohen
(Member since 2003)

Mr Andrew Simon
(Member since 2008)

Mr Julian Waldron
(Member since 2008)

Mr Ferriss is a banker and Mr Waldron is a chief financial officer. Both are considered to have recent and relevant financial experience. The Committee met four times during the year. The external auditors attended all the meetings and the Committee met privately with them on one occasion.

Operation of the Committee
The Committee's terms of reference were reviewed and updated with effect from 2 March 2007 to conform with current best practice and are available on the Group's website (www.mcgplc.com) as well as in hard copy format from the Company Secretary. The main activities of the Committee during the year were as follows:

> Financial statements. The Committee reviewed the interim and full year financial statements. Presentations were made by management and the auditors about the key technical and judgemental matters relevant to the financial statements. The Committee was satisfied that it was appropriate for the Board to approve the financial statements.

> Internal financial control and risk management systems. The Committee reviewed the register of Group risks prepared by management, recommendations made by the external auditors and internal audit reports. A review of the register of Group risks was carried out by internal audit. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Report.

> External auditors. The Committee is responsible for the re-appointment of the external auditors, approval of their remuneration and their terms of engagement. The Committee has considered the independence of the external auditors and is satisfied that independence has been maintained. As part of this year's decision to recommend the re-appointment of the auditors, the Committee has taken into account the tenure of the auditors who were appointed in 2001. There are no contractual obligations that act to restrict the Committee's choice of external auditors. As a consequence of its satisfaction with the results of the activities outlined above, the Committee has recommended to the Board that the external auditors are re-appointed. It is policy that the auditors shall not provide any services that would potentially result in them auditing the result of their own work or which are prohibited under the US Sarbanes-Oxley Act. The Committee pre-approves any material permitted non-audit engagements. Regular reports were presented of fees paid to the external auditors in order to ensure that the relationship between non-audit fees and audit fees was not inappropriate. The Committee reviewed the external audit plan proposed by the auditors and participated in the review of the quality of the service that they provided.

> Internal audit function. The Head of Internal Audit reports to the Committee, which reviewed and approved the annual internal audit work programme and reviewed all internal audit reports prepared in the year. The internal audit function also assists executive management on special projects.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 to the Companies Act 2006. The report also meets the relevant requirements of the Listing rules of the Financial Services Authority and it describes how the Board has applied the principles relating to directors' remuneration set out in the Combined Code. As required by the Act, a Resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the annual report and accounts will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for unaudited and audited information.

UNAUDITED INFORMATION

The Remuneration Committee

During 2009 the membership of the Committee was:

Mr Andrew Simon
(Chairman, member since 2006)

Baroness Cohen
(Member since 2003)

Mr Stephen Ferriss
(Member since 2008)

Mr Julian Waldron
(Member since 2008)

The Committee reviews and determines, on behalf of the Board, the salary, benefits and pension packages of the Executive Chairman and the other executive directors. The Committee also reviews, on behalf of the Board, the remuneration packages of the highest paid executives and the Company Secretary. Fees for the non-executive directors are determined annually by the Board based on market information obtained from external surveys.

In determining the directors' remuneration for the year, the Committee consulted the Executive Chairman save in relation to his own remuneration. No director is involved in deciding their own remuneration. The Committee makes use of published reports on directors' remuneration packages and advice from independent external advisers is obtained when required. Hewitt New Bridge Street has been appointed by the Committee and provides advice to it on the operation of the Company's incentive schemes and the remuneration of executive and non-executive directors as well as employee remuneration. Hewitt New Bridge Street may also advise the Committee on other matters within the Committee's terms of reference, which were last reviewed on 2 March 2007. Hewitt New Bridge Street has no other connection with the Company.

Remuneration policy

Compensation packages for executive directors are set by reference to individual and corporate performance, individual competencies, external market comparisons in commerce generally and consultancy specifically and remuneration levels below Board level in the Group. The package for each executive director currently comprises a basic salary, an annual bonus scheme, share incentives, pension contributions and benefits.

In order to align the interests of executive directors with the interests of shareholders, a significant proportion of executive directors' remuneration is performance-related through the use of annual bonus and share incentive schemes.

Base salaries

The Committee's policy is to set the base salaries of each executive director at levels that reflect their roles, experience and the practices in the employment market whilst ensuring that they are in line with the pay and employment conditions of other employees within their business units. Pension and associated costs are also taken into account.

Mr Barber was remunerated at a basic salary of £500,000 per annum as laid out in the contract dated 6 March 2009.

Mr Smith's salary of £285,000 per annum was last increased with effect from 1 January 2008, Mr Carvalho's salary of US$1,000,000 per annum was last increased on 1 July 2008 and Mr Wietecha's salary of US$412,541 per annum has not been increased since his appointment to the Board on 19 March 2008, other than a car allowance to which he was previously entitled, now being included in base salary.

For the new executive directors appointed in the year, Mr Stagg received a base salary of £300,000 per annum, Mr Mahjoub received a base salary of €400,000 per annum and Mr Lopinto received a base salary of €242,000 per annum. Neither Mr Mahjoub nor Mr Lopinto, who were existing Group employees, received any increase on appointment to the Board.

Following the 2010 salary review, the Committee has decided not to make any increases to executive directors' base salaries, except that Mr Wietecha's, Mr Mahjoub's and Mr Lopinto's base salaries are still being considered by the Committee in conjunction with the bonus arrangements to apply for 2010.

UNAUDITED INFORMATION continued

Annual bonus scheme

Mr Barber, Mr Carvalho and Mr Smith are entitled to an annual bonus that comprises current elements (for all three) and deferred elements (Mr Carvalho and Mr Smith only). The Group's and individual consultancies' budgeted profits from operations (adjusted for subsequent acquisitions or disposals) are used as the benchmarks for the financial performance in relation to both elements of the scheme.

Under the current element, each director is entitled to an amount equal to up to 125% of basic salary. The amount payable is split equally by reference to the financial performance of the Group (and consultancy, where relevant) and the achievement of detailed individual short and medium term performance criteria pre-agreed with the Remuneration Committee.

Under the deferred element, an amount of up to 75% of base salary may be earned, subject to the achievement of a sliding scale of profit before tax targets which are above budget. Two-thirds of this second element will be payable in cash three years after the end of the relevant financial year. The remaining third will be used to acquire shares in the Company which will also be transferred to the executive director three years after the end of the relevant financial year. However, both the deferred cash and share elements of the annual bonus will normally be forfeited if the executive director ceases employment with a Group company during that three year period.

Mr Barber's and Mr Smith's bonuses are related to the financial performance of the Group. Mr Carvalho's bonus is related one quarter to the financial performance of the Group and three-quarters to the financial performance of the consultancy for which he is responsible, Alexander Proudfoot.

The budget for 2009 was set at 9% above the actual result for 2008. The actual underlying profit from operations of the Group for 2009 amounted to £28.0m before non-recurring items, amortisation of acquired intangible assets and the impairment of acquired goodwill from continuing operations, a decrease of £6.7m compared with the prior year. For the Group and Alexander Proudfoot, the financial performance criteria were not met. As a result, no current bonus arises in respect of financial performance for Mr Barber, Mr Carvalho and Mr Smith. The balance of the current bonus reflects the Committee's assessment of the achievement of personal performance objectives. Whilst personal performance objectives have been achieved, no bonuses will be paid in this respect in view of the performance of the business in the year.

As noted above, Mr Wietecha participated in the Kurt Salmon Associates plan in respect of 2009. The plan is based on the multiple of the performance ratings for the individual and for the consultancy. These performance ratings are assessed by a remuneration committee in Kurt Salmon Associates. For 2009, the KSA remuneration committee has indicated that Mr Wietecha should receive no bonus and this has been reviewed by the Committee and agreed.

Mr Stagg, who joined the Company in October 2009 is not entitled to a bonus in respect of 2009. Mr Mahjoub and Mr Lopinto, who are both employees of Ineum Consulting and who joined the Board in November and December 2009 respectively, have been awarded bonuses solely in respect of their work for Ineum Consulting based on the principles used in that Consultancy. Mr Mahjoub has been awarded a bonus of €160,000 and Mr Lopinto a bonus of €72,000. These have been reviewed by the Committee and agreed.

Mr Stagg will move on to a common bonus scheme with Mr Smith with effect from 1 January 2010. The bonus schemes for Mr Wietecha, Mr Mahjoub and Mr Lopinto are still being considered by the Committee.

Share incentives

The Group has two share incentive schemes under which awards currently subsist:

> the Management Consulting Group 2008 Performance Share Plan (the "2008 Performance Share Plan"); and

> the Management Consulting Group PLC 1998 Executive Share Option Scheme (the "1998 Scheme") formerly known as the Proudfoot Plc Executive Share Option scheme.

The 2008 Performance Share Plan

The 2008 Performance Share Plan was approved at the Annual General Meeting held on 23 April 2008 and will expire on 22 April 2018. It is designed to motivate directors and senior employees, whilst retaining them in the Group's employment by granting awards to acquire ordinary shares in the Company. Following the introduction of this plan it is envisaged that the directors will no longer be granted options under the 1998 Scheme. The initial awards granted in 2008 were structured as conditional awards of free shares which will vest after three years provided the individual remains employed by the Group and the performance condition has been met. The performance condition was based on the compound annualised growth in adjusted earnings per share ("EPS") over a three year performance period. The Committee believe that an EPS-based measure is better understood and therefore more motivational than a market-based measure. For these purposes, 'adjusted' EPS will be calculated by excluding non recurring items, amortisation of intangibles and other items that the Committee considers appropriate. The adjusted EPS figure is based upon information in the annual report and accounts of the relevant year and is verified by the Audit and Risk Committee.

These initial awards will vest as follows:

Compound annualised growth in adjusted EPS	Percentage of the award that vests
Less than 6%	0%
At 6%	20%
At or more than 13%	100%
Between 6%–13%	Straight-line vesting between 20% and 100%

The adjusted EPS will be based on the results for the year preceding the year in which the award is made and the results for three years later.

Governance

Directors' remuneration report continued

UNAUDITED INFORMATION continued

Share incentives continued

The 2008 Performance Share Plan continued

No new awards were made in 2009 as the Company was in a prohibited period through much of the year, but it is intended that awards will be made in 2010.

Under the rules of the 2008 Performance Share Plan, an employee may not receive awards in any financial year over shares having a market value in excess of 100% of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit may be increased to 200% of an employee's annual base salary.

The Committee may set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applied to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Certain awards have been made to participants below board level under the French schedule required to comply with the requirements of French tax and social security contributions legislation. This requires the participants to hold their shares for a further two years after the vesting date, with certain exceptions.

At 31 December 2009, there were awards outstanding over new shares under the 2008 Performance Share Plan of 7.1 million, comprising 2.2% of the issued share capital.

Shareholders have approved that the aggregate options and awards over new issue shares outstanding are limited to 12.8% of the fully diluted share capital. In addition, there are 1.9 million options that are not dilutive which were put in place as part of the Kurt Salmon Associates acquisition.

The 1998 Scheme

No awards were made to directors or staff under this plan during the year and it is not intended to make any further awards to executive directors under the plan.

The 1998 Scheme (under which market value options are granted) was extended by the Extraordinary General Meeting held on 30 August 2006 and now expires on 18 June 2011. It is designed to motivate senior employees, whilst retaining them in the Group's employment, by granting options which are exercisable in two equal amounts after three years and five years respectively. For grants made after 1 January 2003 and before 31 December 2005, options are subject to a performance condition that compares the Total Shareholder Return ("TSR") over the three year period following grant (with no ability to retest performance in subsequent years) with the TSR of the constituents of an external index as follows:

TSR ranking compared to index	Percentage of options that vest
Below median	0%
At median	50%
Between median and upper quartile	50–100% (pro-rated)
Upper quartile	100%

For grants made before 1 January 2006, the index used was the FTSE Mid 250. For grants made after 31 December 2005, the index used is the FTSE All-Share Index. The change to the FTSE All-Share Index was made to align the performance conditions with the index to which the Company belongs. The TSR calculations will be undertaken by a third party to ensure independent verification of the extent to which the performance condition is met.

From December 2007, the performance conditions were changed to an EPS based measure which the Committee believed would be better understood by participants and therefore more motivational. The performance condition compares the adjusted EPS growth with performance above inflation (fixed at the time of grant having regard to the prevailing rates of inflation in the Group's territories) as follows:

EPS growth	Percentage of options that vest
Below inflation +3% pa	0%
At inflation +3% pa	50%
Between inflation +3% and inflation +5% pa	50–100% (pro-rated)
At inflation +5% and above	100%

The adjusted EPS will be based on the results for the year preceding the year in which the grant is made and the results for three years later.

Under the rules of the 1998 Scheme, options over shares with an aggregate exercise consideration of up to eight times remuneration may be granted to an individual in a ten year period. However, it is the Committee's current intention that option grants to any individual will be limited to 50% of salary each year.

UNAUDITED INFORMATION continued

Share incentives continued

The 1998 Scheme continued

With effect from 30 August 2006, the Company may at its discretion satisfy the exercise of options granted under the 1998 Scheme by issuing (or procuring the transfer of) only that number of ordinary shares which has a value, at the time of exercise of the options, equal to the net gain resulting from the exercise. In respect of options issued prior to 30 August 2006, the Company will only exercise its discretion with the option holder's consent.

At 31 December 2009 there were 9.3 million options outstanding over new shares under share option schemes that count to dilution limits, comprising 2.8% of the issued share capital. In addition, there were outstanding options over 0.6 million shares which are already in issue and are owned by an employee trust. These include options issuable under arrangements put in place in connection with acquisitions for which shareholder approval was obtained at the time of the acquisitions. On 5 March 2009, 2.5 million options over unissued shares and 0.9 million options over issued shares lapsed, because the performance criteria were not met. On 28 September 2009, 0.1 million options over newly-issued shares lapsed having not been exercised within the prescribed period. In addition we expect options granted in March 2007 to lapse due to the performance conditions not having been met.

International Financial Reporting Standards require that a charge is recognised against profits in relation to share options. More details in relation to this are provided in note 19 to the financial statements.

Pension arrangements

The Group contributes 17.5% of salary to defined contribution pension schemes of Mr Smith's and Mr Stagg's choice. Bonuses and other payments to directors are not pensionable. The Group does not contribute to any pension scheme in respect of Mr Barber. The Group contributes to the US 401 (K) retirement provisions for Mr Carvalho and Mr Wietecha, however no contributions were made for Mr Wietecha in respect of 2009. Mr Mahjoub and Mr Lopinto do not participate in a defined contribution scheme.

Other benefits

Benefits vary according to the employing country of the Executive but may comprise some or all of the following: a car (or car allowance), insurances for life, personal accident, disability, permanent health and family medical cover.

Service contracts

No director has a service contract containing more than a one year notice period or with pre-determined compensation provisions upon termination exceeding one year's salary and benefits. It is the Company's policy that, except where prescribed by law, there should be no automatic entitlement to bonuses or share-based payments in the event of an early termination.

Mr Barber had a contract that continued until the 2010 Annual General Meeting. This contract has now been extended for a period up to 31 December 2010 to allow him to see through the induction of the new Chief Executive and the merger between Ineum Consulting and Kurt Salmon Associates. The notice period is the lower of twelve months or the period remaining until the 31 December 2010. Mr Smith has a contract with the Company which either party is able to terminate by giving twelve months' notice. Mr Stagg has a contract with the Company which either party is able to terminate with nine months' notice. Mr Carvalho, Mr Wietecha, Mr Mahjoub and Mr Lopinto each have an appointment letter in respect of their role as a director of the Company which may be terminated with no notice. They also have employment contracts with Group companies. Mr Carvalho has a contract with a Group company which either party is able to terminate with twelve months' notice. Mr Mahjoub and Mr Lopinto have contracts with a Group company which either party is able to terminate by giving three months' notice. Mr Wietecha has a contract with a Group company which either party is able to terminate by giving four months' notice. Mr Smith's and Mr Stagg's contracts continue until age 65. Mr Mahjoub's and Mr Lopinto's contracts continue until the mandatory retirement age as specified under French employment legislation.

In the event of the early termination of an executive director's contract, it is the Committee's policy that the amount of compensation (if any) paid to the executive director will be determined by reference to the relevant circumstances that prevail at the time.

Mr de Fontenay had an appointment letter in respect of his role as a director of the Company and an employment contract with a Group company under which either party was able to terminate by giving three months' notice. Mr de Fontenay's employment agreement terminates on 8 March 2010 and, the Company having taken French legal advice, he will receive in total €1,046,203 as payment for notice and statutory and other compensation for his loss of employment.

The dates of the appointment letters of the executive directors who served during the year are as follows:

Director	Date of contract
A J Barber	6 March 2009
C H Smith	6 March 2007
L H Carvalho	18 March 2008
M de Fontenay	18 March 2008
M E Lopinto	12 January 2010
C Mahjoub	17 December 2009
N S Stagg	13 January 2010
M Wietecha	18 March 2008

Directors' remuneration report continued

UNAUDITED INFORMATION continued

External appointments

Mr Barber holds directorships of Invesco English & International Trust PLC, JP Morgan Japanese Investment Trust PLC, Western & Oriental PLC and Witan Pacific Investment Trust Plc, and is a limited partner in Hybridan LLP, all of which he held on appointment as Executive chairman, and he became a director of Impax Asian Environmental Markets plc in the year. Mr Stagg is a director of Shinetrip Ltd. The Company recognises that executive directors may be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience to the benefit of the Group and they are entitled to retain any fees earned. None of the other current executive directors held non-executive directorships for which they were remunerated.

Non-executive directors – summary of entitlements

For 2009, each of the non-executive directors received a fee of £35,000 per annum and the Chairman of the Audit and Risk Committee, the Chairman of the Remuneration Committee and the Senior Independent Director each received an additional fee of £5,000. Mr Simon was appointed to the Supervisory Board of the Company's French subsidiary, Ineum Conseil et Associes SA, and the Board has awarded him a fee of €20,000 per annum from 1 January 2009 for this role. The Board has concluded that this appointment does not affect Mr Simon's independence as the role is considered an extension of his role as a non-executive director. With effect from 1 April 2009, Mr Ferriss received fees of a further £5,000 per annum for his role as Chairman of the Nominations Committee.

Apart from as noted above, the fees payable to the non executive directors were last revised with effect from 1 January 2007. Having reviewed market survey information, the Board concluded that there should be no general increase in the fees payable to the non-executive directors. Mr Bolduc was entitled to a retainer of US$35,000 per annum for his services as an introducer of business to the Group. In addition, Mr Bolduc could earn commission of 2.5% of the value of any work introduced. No commission was payable in relation to 2009. In light of the level of commissions potentially payable to Mr Bolduc, he was not considered to be an independent non-executive director. The other non-executive directors are not entitled to bonuses, benefits, pension contributions or to participate in any share scheme.

None of the non-executive directors has a service contract and all are appointed for limited terms. None of the non-executive directors is subject to notice periods and none has any rights to compensation on termination. The Company considers this approach appropriate in the current circumstances. The dates of the most recent letters of appointment of non-executive directors are set out below:

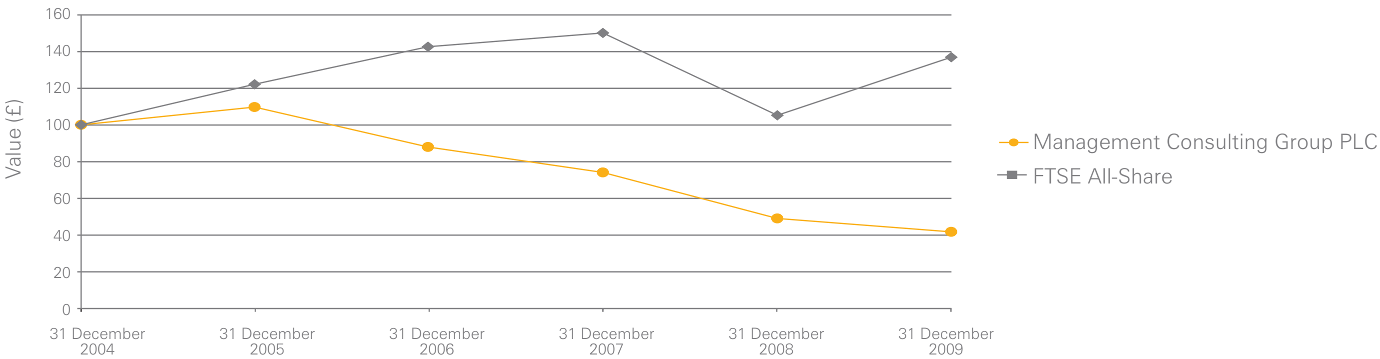
Director	Date of letter of appointment
Baroness Cohen	16 March 2009
S A Ferriss	9 March 2009
A H Simon	7 August 2009
J D Waldron	9 October 2008

Performance graph

The regulations require this report to contain a graph illustrating the Company's performance compared with an appropriate "broad equity market index" over the past five years. Management Consulting Group PLC is a constituent of the FTSE All-Share Index and, accordingly, that index is considered the most appropriate form of "broad equity market index" against which the Group's performance should be plotted. Performance, as required by the legislation, is measured by TSR (share price growth plus dividends paid).

TSR

Source: Datastream



This graph looks at the value, by the end of 2009, of £100 invested in Management Consulting Group PLC on 31 December 2004 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

AUDITED INFORMATION

Directors' remuneration

The remuneration of the directors who served in the year ended 31 December 2009 and year ended 31 December 2008 was as follows:

	Salaries and fees as directors £	Bonus and other[1]		Benefits £	Pension contributions £	Loss of office £	Other £	**Total emoluments 2009 (or from date of appointment if later) £**	Total emoluments 2008 £
		Cash £	Shares Number						
Executive									
A J Barber	500,000	—	—	—	—	—	—	**500,000**	766,314
L H Carvalho	638,134	—	—	13,583	6,541	—	—	**658,258**	865,418
M E Lopinto[2]	10,094	3,003	—	—	—	—	—	**13,097**	—
C Mahjoub[3]	51,257	20,503	—	—	—	—	—	**71,760**	—
C H Smith	285,000	—	—	23,698	49,875	—	—	**358,573**	732,319
N S Stagg[4]	59,231	—	—	950	10,365	—	—	**70,546**	—
M Wietecha	263,256	—	—	7,594	—	—	—	**270,850**	430,158
M de Fontenay[5]	459,598	—	—	—	—	931,549	—	**1,391,147**	711,478
K A H Parry[6]	—	—	—	—	—	—	—	**—**	1,716,728
Non-executive									
Baroness Cohen	40,000	—	—	—	—	—	—	**40,000**	40,000
S A Ferriss	43,750	—	—	—	—	—	—	**43,750**	39,276
A H Simon	57,805	—	—	—	—	—	—	**57,805**	40,000
J D Waldron	35,000	—	—	—	—	—	—	**35,000**	8,750
J P Bolduc[7]	29,167	22,335	—	—	—	—	—	**51,502**	54,572
R W H Stomberg[6]	—	—	—	—	—	—	—	**—**	13,388
	2,472,292	45,841	—	45,825	66,781	931,549	—	**3,562,288**	5,418,401

[1] Comprises current bonuses payable to C Mahjoub and M E Lopinto and the retainer payable to J P Bolduc.

[2] Appointed 15 December 2009.

[3] Appointed 10 November 2009.

[4] Appointed 21 October 2009.

[5] Stood down 10 November 2009.

[6] Stood down 19 February 2008.

[7] Stood down 21 October 2009.

Directors' remuneration report continued

AUDITED INFORMATION continued

Directors' remuneration continued

Interest in shares

The beneficial interests of the directors in office at 31 December 2009 in the ordinary share capital of the Company were as follows:

	8 March 2009	31 December 2009	31 December 2008
Executive			
A J Barber	**1,220,829**	1,220,829	650,000
L H Carvalho	**832,669**	832,669	207,983
M E Lopinto	**1,107,118**	1,107,118	1,107,118
C Mahjoub	**3,740,322**	3,740,322	3,740,322
C H Smith	**258,664**	258,664	86,808
N S Stagg	**—**	—	—
M Wietecha	**2,256,714**	2,256,714	2,256,714
Non-executive			
Baroness Cohen	**164,300**	164,300	164,300
S A Ferriss	**220,751**	220,751	208,761
A H Simon	**12,100**	12,100	12,100
J Waldron	**—**	—	—

Interest in the 1998 Scheme

The interests of the directors in share options in the Company are set out in the table below:

Director	At 1 January 2009	Granted in year	Exercised in year	Lapsed in year	**At 31 December 2009**	Exercise price P	Date from which exercisable	Expiry date
L H Carvalho	250,000	—	—	(250,000)	**—**	57.75	6 March 2009	5 March 2016
	250,000	—	—	—	**250,000**	48.75	12 March 2010	11 March 2017
Total	500,000	—	—	(250,000)	**250,000**			
C H Smith	276,382	—	—	—	**276,382**	49.75	26 April 2010	25 April 2017
Total	276,382	—	—	—	**276,382**			
M Wietecha	101,391	—	—	(101,391)	**—**	25.00	1 May 2009	30 July 2009
	78,976	—	—	(78,976)	**—**	31.07	1 May 2009	30 July 2009
	78,929	—	—	—	**78,929**	31.09	1 May 2010	30 July 2010
Total	259,296	—	—	(180,367)	**78,929**			

All the above share options are under the 1998 Scheme except those held by Mr Wietecha. Mr Wietecha's share options represent options which were originally granted under the Kurt Salmon Associates, Inc. Retention and Equity Incentive Plan, and which were exchanged for options of equivalent value over shares in Management Consulting Group PLC following the acquisition of Kurt Salmon Associates, Inc. in 2008. No consideration was payable for the grant of the options.

AUDITED INFORMATION continued

Directors' remuneration continued

Interest in the 2008 Performance Share Plan

The interest of the directors in performance share awards in the Company are set out in the table below:

Director	Date of grant	At 1 January 2009	Granted in year	**At 31 December 2009**	Exercise price P	Date from which shares vest
L H Carvalho	3 June 2008	400,000	—	**400,000**	—	2 June 2011
M E Lopinto	3 June 2008	60,000	—	**60,000**	—	2 June 2011
C Mahjoub	3 June 2008	100,000	—	**100,000**	—	2 June 2011
C H Smith	3 June 2008	250,000	—	**250,000**	—	2 June 2011
M Wietecha	3 June 2008	250,000	—	**250,000**	—	2 June 2011

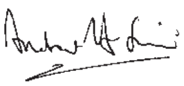
The share price on the date of grant was 33.25p and no performance share awards lapsed or vested during the year.

Except for the directors shown in the above tables no other director held share options or share awards at 31 December 2009. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

The market price at 31 December 2009 was 17.75p and the range during 2009 was 14.00p to 34.00p.

Approval

This report was approved by the Board of directors and signed on its behalf by:



Andrew Simon
Chairman of the Remuneration Committee
8 March 2010

Independent auditors' report
to the members of Management Consulting Group PLC

We have audited the financial statements (the "financial statements") of Management Consulting Group PLC for the year ended 31 December 2009 which comprise the Group income statement, the Group statement of comprehensive income, the Group statement of changes in equity, the Group balance sheet, the Group cash flow statement, the Company balance sheet, the Company statement of changes in equity, the Company cash flow statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion:
> the financial statements give a true and fair view of the state of the Group and parent company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
> the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
> the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
> the information given in the Corporate governance review with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
> the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
> the directors' statement contained within the Financial Review in relation to going concern; and
> the part of the Corporate governance review relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Nicola Mitchell (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
8 March 2010

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

> properly select and apply accounting policies;

> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

> provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

> make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Chairman's Statement, Business Review and the Financial Review contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 8 March 2010. The directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this report should be construed as a profit forecast.

Responsibility statement
We confirm that to the best of our knowledge:

> the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

> the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Alan J Barber
Executive Chairman
8 March 2010

Craig H Smith
Finance Director

Group income statement
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000 Restated*
Continuing operations			
Revenue	3	**276,456**	343,055
Cost of sales		**(173,500)**	(216,395)
Gross profit		**102,956**	126,660
Administrative expenses – underlying		**(74,931)**	(91,924)
Profit from operations – underlying		**28,025**	34,736
Administrative expenses – non-recurring impairment	4	**—**	(26,695)
Administrative expenses – non-recurring other	4	**(15,739)**	(21,502)
Profit/(loss) from operations before amortisation of acquired intangibles		**12,286**	(13,461)
Administrative expenses – amortisation of acquired intangibles		**(2,739)**	(2,390)
Total administrative expenses		**(93,409)**	(142,511)
Profit/(loss) from operations	3	**9,547**	(15,851)
Investment revenues	6a	**805**	1,232
Finance costs	6b	**(4,064)**	(5,394)
Profit/(loss) before tax	4	**6,288**	(20,013)
Tax	7	**(4,932)**	(907)
Profit/(loss) for the year from continuing operations		**1,356**	(20,920)
Discontinued operations	27	**—**	(1,099)
Profit/(loss) for the year attributable to equity holders of the parent		**1,356**	(22,019)
Earnings/(loss) per share – pence			
From continuing operations			
Basic	9	**0.4**	(6.4)
Diluted	9	**0.4**	(6.4)
Basic – underlying	9	**5.0**	6.2
From profit/(loss) for the year attributable to equity holders of the parent			
Basic and diluted	9	**0.4**	(6.8)

* Refer to note 2.

Group statement of comprehensive income
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Exchange differences on translation of foreign operations	20	**(18,166)**	51,195
Actuarial losses on defined benefit post-retirement obligations	17	**(3,802)**	(12,674)
Gain/(loss) on available-for-sale investments	12	**717**	(1,652)
Current tax		**(96)**	—
Deferred tax	15	**203**	2,334
Net (expense)/income recognised directly in equity		**(21,144)**	39,203
Profit/(loss) for the year		**1,356**	(22,019)
Total recognised (expense)/income for the period attributable to equity holders of the parent		**(19,788)**	17,184

Group statement of changes in equity

for the year ended 31 December 2009

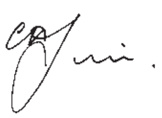
	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Shareholders' equity 1 January 2009	**82,817**	**48,981**	**32,513**	**2,720**	**(1,296)**	**55,091**	**5,386**	**(51,817)**	**174,395**
Profit for the period	—	—	—	—	—	—	—	1,356	1,356
Exchange differences	—	—	—	—	—	(18,166)	—	—	(18,166)
Actuarial movements	—	—	—	—	—	—	—	(3,802)	(3,802)
Profit on AFS investments	—	—	—	—	—	—	717	—	717
Tax on equity items	—	—	—	—	—	—	—	(155)	(155)
Tax on items recognised in Group statement of comprehensive income	—	—	—	—	—	—	—	107	107
Reclassification	—	—	—	(1,624)	—	—	—	1,624	—
Share options	—	—	—	1,120	—	—	—	—	1,120
Shares issued	31	—	—	—	—	—	—	—	31
Shares acquired by employee benefits trust	—	—	—	—	(114)	—	—	—	(114)
Shares transferred from employee benefits trust	—	—	—	—	257	—	—	—	257
Dividends	—	—	—	—	—	—	—	(4,234)	(4,234)
Shareholders' equity 31 December 2009	**82,848**	**48,981**	**32,513**	**2,216**	**(1,153)**	**36,925**	**6,103**	**(56,921)**	**151,512**
Shareholders' equity 1 January 2008	82,225	48,894	32,513	2,952	(1,296)	3,896	7,038	(17,210)	159,012
Loss for the period	—	—	—	—	—	—	—	(22,019)	(22,019)
Exchange differences	—	—	—	—	—	51,195	—	—	51,195
Actuarial movements	—	—	—	—	—	—	—	(12,674)	(12,674)
Loss on AFS investments	—	—	—	—	—	—	(1,652)	—	(1,652)
Tax on equity items	—	—	—	—	—	—	—	155	155
Tax on items recognised in Group statement of comprehensive income	—	—	—	—	—	—	—	2,334	2,334
Reclassification	—	—	—	(1,556)	—	—	—	1,556	—
Share options	—	—	—	1,324	—	—	—	—	1,324
Shares issued	592	87	—	—	—	—	—	—	679
Dividends	—	—	—	—	—	—	—	(3,959)	(3,959)
Shareholders' equity 31 December 2008	82,817	48,981	32,513	2,720	(1,296)	55,091	5,386	(51,817)	174,395

Financials

Group balance sheet
as at 31 December 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Intangible assets	10	**283,748**	307,992
Property, plant and equipment	11	**4,505**	5,057
Investments	12	**2,977**	7,076
Deferred tax assets	15	**17,856**	21,899
Total non-current assets		**309,086**	342,024
Current assets			
Trade and other receivables	13	**76,331**	90,265
Cash and cash equivalents	22	**23,965**	35,761
Total current assets		**100,296**	126,026
Total assets		**409,382**	468,050
Current liabilities			
Financial liabilities	16	**(53,151)**	(31,780)
Trade and other payables	14	**(100,079)**	(145,638)
Current tax liabilities	15	**(13,293)**	(14,971)
Total current liabilities		**(166,523)**	(192,389)
Net current liabilities		**(66,227)**	(66,363)
Non-current liabilities			
Financial liabilities	16	**(54,362)**	(66,112)
Retirement benefit obligations	17	**(23,248)**	(20,927)
Non-current tax liabilities	15	**(7,959)**	(8,992)
Long-term provisions	18	**(5,778)**	(5,235)
Total non-current liabilities		**(91,347)**	(101,266)
Total liabilities		**(257,870)**	(293,655)
Net assets		**151,512**	174,395
Equity			
Share capital	19	**82,848**	82,817
Share premium account	20	**48,981**	48,981
Merger reserve	20	**32,513**	32,513
Share compensation reserve	20	**2,216**	2,720
Shares held by employee benefits trust	20	**(1,153)**	(1,296)
Translation reserve	20	**36,925**	55,091
Other reserves	20	**6,103**	5,386
Retained earnings	21	**(56,921)**	(51,817)
Total equity attributable to equity holders of the parent		**151,512**	174,395

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2010. They were signed on its behalf by:



Craig H Smith
Director

Group cash flow statement
for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Net cash (outflow)/inflow from operating activities	22	**(18,490)**	40,688
Investing activities			
Interest received		**805**	701
Purchases of property, plant and equipment		**(1,419)**	(2,469)
Purchases of intangible assets		**(1,093)**	(784)
Proceeds on disposal of fixed assets		**—**	57
Purchase of financial assets		**(363)**	(606)
Proceeds on disposal of investments		**738**	1,359
Net cash used in investing activities		**(1,332)**	(1,742)
Financing activities			
Reclassification from investments		**3,848**	—
Interest paid		**(4,264)**	(4,591)
Dividends paid	8	**(4,234)**	(3,959)
Proceeds from borrowings		**31,237**	1,695
Repayment of borrowings		**(18,343)**	(8,833)
Proceeds from issue of shares		**143**	679
Disposal of subsidiary	27	**—**	(196)
Net cash raised by/(used in) financing activities		**8,387**	(15,205)
Net (decrease)/increase in cash and cash equivalents		**(11,435)**	23,741
Cash and cash equivalents at beginning of year		**35,761**	20,895
Effect of foreign exchange rate changes		**(361)**	(8,875)
Cash and cash equivalents at end of year	22	**23,965**	35,761

Company balance sheet
as at 31 December 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Intangible assets	10	**181**	1,679
Property, plant and equipment	11	**1,787**	1,762
Investments	12	**236,179**	191,020
Deferred tax assets	15	**187**	313
Total non-current assets		**238,334**	194,773
Current assets			
Trade and other receivables	13	**83,149**	100,617
Cash and cash equivalents	22	**3,632**	5,415
Total current assets		**86,781**	106,032
Total assets		**325,115**	300,805
Current liabilities			
Financial liabilities	16	**(19,000)**	(7,435)
Trade and other payables	14	**(95,460)**	(78,419)
Total current liabilities		**(114,460)**	(85,854)
Net current (liabilities)/assets		**(27,679)**	20,178
Net assets		**210,655**	214,951
Equity			
Share capital	19	**82,848**	82,817
Share premium account	20	**48,981**	48,981
Merger reserve	20	**26,830**	26,830
Share compensation reserve	20	**2,216**	2,720
Shares held by employee benefits trust	20	**(1,153)**	(1,296)
Capital redemption reserve	20	**1,186**	1,186
Retained earnings	21	**49,747**	53,713
Total equity attributable to equity holders of the parent		**210,655**	214,951

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2010. They were signed on its behalf by:

Craig H Smith
Director

Company number
1000608

Company statement of changes in equity

for the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Shareholders' equity 1 January 2009	**82,817**	**48,981**	**26,830**	**2,720**	**(1,296)**	**1,186**	**53,713**	**214,951**
Loss for the period	—	—	—	—	—	—	(1,201)	(1,201)
Tax on equity items	—	—	—	—	—	—	(155)	(155)
Reclassification	—	—	—	(1,624)	—	—	1,624	—
Share options	—	—	—	1,120	—	—	—	1,120
Shares issued	31	—	—	—	—	—	—	31
Shares acquired by employee benefits trust	—	—	—	—	(114)	—	—	(114)
Shares transferred from employee benefits trust	—	—	—	—	257	—	—	257
Dividends	—	—	—	—	—	—	(4,234)	(4,234)
Shareholders' equity 31 December 2009	**82,848**	**48,981**	**26,830**	**2,216**	**(1,153)**	**1,186**	**49,747**	**210,655**
Shareholders' equity 1 January 2008	82,225	48,894	26,830	2,952	(1,296)	1,186	63,994	224,785
Loss for the period	—	—	—	—	—	—	(7,878)	(7,878)
Reclassification	—	—	—	(1,556)	—	—	1,556	—
Share options	—	—	—	1,324	—	—	—	1,324
Shares issued	592	87	—	—	—	—	—	679
Dividends	—	—	—	—	—	—	(3,959)	(3,959)
Shareholders' equity 31 December 2008	82,817	48,981	26,830	2,720	(1,296)	1,186	53,713	214,951

Company cash flow statement

for the year ended 31 December 2009

	Note	**2009 £'000**	2008 £'000 Revised*
Net cash outflow from operating activities	22	**(2,911)**	(8,572)
Investing activities			
Interest received		**4**	95
Investments in subsidiaries		**—**	—
Purchases of property, plant and equipment		**(89)**	(1,534)
Purchases of intangible assets		**(115)**	(1,190)
Cash advances from subsidiaries		**11,905**	20,936
Repayment of advances to subsidiaries		**(22,140)**	(1,967)
Dividends received		**3,993**	4,305
Net cash raised by investing activities		**(6,442)**	20,645
Financing activities			
Interest paid		**(746)**	(1,024)
Dividends paid	8	**(4,234)**	(3,959)
Proceeds from borrowings		**11,565**	1,367
Proceeds from issue of shares		**143**	679
Net cash raised by/(used) in financing activities		**6,728**	(2,937)
Net (decrease)/increase in cash and cash equivalents		**(2,625)**	9,136
Cash and cash equivalents at beginning of year		**5,415**	973
Effect of foreign exchange rate changes		**842**	(4,694)
Cash and cash equivalents at end of year	22	**3,632**	5,415

* Refer to note 2.

Notes to the financial statements
for the year ended 31 December 2009

1. General information
Management Consulting Group PLC (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 92. The nature of the Group's operations and its principal activity are set out in note 3 and in the Financial Review.

2. Significant accounting policies
The following accounting policies have been applied consistently in the current and preceding year in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation
The financial statements of Management Consulting Group PLC and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union ("EU") and therefore comply with Article 4 of the EU International Accounting Standards ("IAS") regulation.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the Company has elected not to present its own income statement. Its separate financial statements have been prepared in accordance with IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below. The principal accounting policies adopted in the preparation of the parent company's financial statements are the same as those adopted in the consolidated financial statements except that the parent company's investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The Group has restated the Group income statement following a change in the treatment of certain sales costs. This has resulted in the reclassification of sales costs from administrative expenses to cost of sales for 2008, therefore ensuring consistency with 2009. A balance sheet as at 31 December 2007 has not been presented because there is no effect to the Group's results or financial position. The Group has revised the Company cash flow statement and the notes to the Company cash flow statement to take into account certain prior year typographical errors. This does not affect the Company's results or financial position. A balance sheet as at 31 December 2007 has not been presented because this does not effect the Company's results or financial position.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and principal risks and uncertainties are described in the Financial Review. In addition, note 23 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to liquidity risk and credit risk.

As detailed under "Liquidity and Capital Resources" in the Financial Review, the Group's committed borrowing facilities of $111.3 million and €81.5 million expire in September 2012 and are subject to the financial covenants (referred to in note 23) which have been met throughout the 2009 year. At 31 December 2009, £107.5 million was drawn down, leaving the Group with £30.5 million of available facilities. The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board. Forecasts are then adjusted for reasonable sensitivities which address the principal risks to which the Group is exposed. Consideration is then given to the potential actions available to management to mitigate the impact of one or more of these sensitivities, in particular the discretionary nature of a significant amount of cost incurred by the Group. Despite the significant uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded that the Group should be able to operate within the level of its current facility and remain covenant compliant for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

After making appropriate enquires, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Standards, amendments and interpretations effective in 2009
IFRS 2 (Amended) Share Based Payment Vesting Conditions and Cancellations, clarified that vesting conditions are limited to service conditions and performance only. It also clarified the accounting treatment for cancellations of equity instruments. This amendment did not have a significant impact on the Group.

IFRS 3 (Revised and restructured 2008) Business Combinations, amended the method of accounting for acquisitions achieved in stages, acquisition related costs, contingent consideration and partial disposals of a subsidiary. The revised standard will only affect the Group if it makes further acquisitions or makes a partial disposal of a subsidiary.

IFRS 7 (Amended) Financial Instruments: Disclosures expanded the disclosures required in respect of fair value measurements recognised in the balance sheet. This did not have a significant impact to the Group.

IFRS 8 Operating Segments was implemented for the first time. This has not had a significant impact on the presentation of Group results and its three operating segments (see note 3).

Notes to the financial statements continued

for the year ended 31 December 2009

2. Significant accounting policies continued

(a) Basis of preparation continued

Standards, amendments and interpretations effective in 2009 continued

IAS 1 (Revised 2007) Presentation of Financial Statements, amended the method of determining the cost of an investment in separate financial statements for companies adopting IFRS for the first time. This did not have a significant impact to the Group. Another requirement was the statement of changes in equity to be presented as a primary statement. The Group has complied with this requirement.

IAS 23 (Revised) Borrowing Costs, requires that borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for intended use or sale, form part of the cost of that asset. All other borrowing costs are recognised as an expense. This standard did not impact the Group.

IAS 32 (Amended) Financial Instruments Presentation and IAS 1 (amended) Presentation of Financial Statements, amended the accounting for puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to delivery to another party a pro rata share of the net assets of the entity only on liquidation. This did not have a significant impact to the Group.

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards have been published and, unless otherwise stated, are mandatory for the Group's future accounting periods. The Group has not early adopted these interpretations.

IFRS 2 (Amended) Share Based Payment provides additional guidance on the accounting for share-based payment transactions among Group companies. This is not expected to have a significant impact to the Group.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. This is not expected to have a significant impact to the Group. It is expected that IFRS 9 will eventually be a complete replacement for IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

IAS 24 (Amended) Related Parties simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government. This is not expected to have a significant impact to the Group.

IAS 32 (Amended) Financial Instruments: Presentation clarifies the classification of rights issues. This is not expected to have a significant impact to the Group.

IAS 39 (Amended) Financial Instruments: Recognition and Measurement provides clarification on hedge accounting, this is not expected to have an impact to the Group.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on 1 January 2010 (unless otherwise stated) but are not relevant for the Group's operations.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments addresses arrangements involving debt for equity swaps. This is not expected to have an impact on the Group.

Critical accounting policies and key sources of estimation uncertainty

The discussion and analysis of the Group's financial position and results are based on the consolidated financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires the development of estimates and judgements that affect the reported amount of assets and liabilities, revenues and costs and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions. It is believed that the Group's critical accounting policies are limited to those described below. The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee.

Goodwill and other intangible fixed assets

Under IFRS goodwill is capitalised and tested for impairment annually and when events or changes in circumstances indicate the carrying value may not be recoverable. Intangible assets with finite lives are capitalised and amortised over their useful economic lives. Changes in assumptions used in the Group's impairment reviews or estimated useful economic lives could have a material effect on the presentation of the Group's financial position and results of operations.

Employee benefits

Accounting for pensions and other post-retirement benefits involves judgements about uncertain events, including, but not limited to, discount rates, life expectancy, future pay inflation, expected rate of return on plan assets and expected health care trend rates. Determination of the projected benefit obligations for the Group's defined benefit pension scheme and post-retirement plans are important to the recorded amount of the benefit expense in the income statement and the net liability recorded in the balance sheet. Actuarial valuations are carried out annually. These determine the expense recorded in the income statement, the net liability recognised in the balance sheet, and items to be recorded in the consolidated statement of recognised income and expense. Details of the assumptions used are included in note 17 to the financial statements.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the world-wide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax liabilities and assets in the period in which such determination is made.

2. Significant accounting policies continued

(a) Basis of preparation continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided to third parties in the normal course of business. Revenue from services is recognised when the service has been provided and the right to consideration earned. When a service has been provided to third parties but no billing made, the amount receivable is estimated. This estimate is based on the nature of the service supplied and the terms of the contract.

Provision

The Group has onerous property leases which require judgement in terms of the provision being carried on the balance sheet.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries") made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. This generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of subsidiaries acquired or disposed of during the period are included in the Group income statement from or to the effective date of acquisition or disposal, respectively. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. In the income statement the results of subsidiaries acquired during the period are classified as part of continuing operations from the date control is achieved. The results of subsidiaries until the date control is relinquished disposed of during the period are classified within discontinued operations in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

(ii) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

The interest of minority shareholders in the acquiree is initially the minority's proportion of the net recognised fair value of the assets, liabilities and contingent liabilities.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale which are recognised and measured at fair value less costs to sell.

(d) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the recognised identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Goodwill is tested annually for impairment or when there is indication of impairment and carried at cost less accumulated impairment loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before 1 January 2004, the date of transition to IFRS, has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to equity prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss and disposal.

(e) Intangible assets

Acquired intangible assets (e.g. customer relationships, trademarks, licences) are capitalised and amortised on a straight-line basis over their useful economic lives. Purchased computer software licences are capitalised as intangible assets on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives, which do not exceed three years. Costs associated with developing software are capitalised as intangible assets when they are separable or arise from contractual or other legal rights. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. All other intangible assets are amortised from three years to a maximum of ten years depending on useful economic life.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, less estimated residual value, by equal annual instalments over their estimated useful lives of between three and seven years.

(g) Leasehold improvements

Leasehold improvements are depreciated using the straight-line method over the shorter of their estimated useful lives or the term of the related lease.

Notes to the financial statements continued
for the year ended 31 December 2009

2. Significant accounting policies continued

(h) Impairment of tangible and intangible assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by cash-generating units.

For goodwill each of those cash-generating units represents the Group's investment in each consultancy.

(i) Dividend distribution
Dividends to holders of common shares are recognised as a liability in the Group and parent company's financial statements in the period in which the shareholders right to receive payment has been established.

(j) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for short-term cash investment purposes.

(k) Financial liabilities
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(l) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years or are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates which are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(m) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle that obligation, and the amount has been reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

(n) Own shares
The Company shares held by the employee benefits trust established in respect of certain share-based awards are presented as a reduction of equity.

(o) Investments
The Group's financial assets are classified as either "at fair value through profit and loss" ("FVTPL") or "available-for-sale" ("AFS") financial assets, depending on the nature and purpose of the financial assets, which is determined at the time of original recognition. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on AFS monetary items, are recognised directly in equity. When an AFS investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The investments in the parent company balance sheet represent equity holdings in subsidiary companies. These are carried at cost less impaired amounts.

2. Significant accounting policies continued

(p) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(q) Dividend income
Dividend income is recognised when the right to receive payment is established.

(r) Operating leases
Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(s) Retirement benefit costs
For defined contribution pension schemes, the amount charged to the income statement represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For the defined benefit schemes, the amounts charged to the income statement are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest costs and the expected return on assets are shown as a net cost in finance costs or net income within investment income.

Actuarial gains and losses are recognised immediately in the Group statement of comprehensive income and expense. The US defined benefit pension scheme is funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value. Liabilities in relation to the defined benefit schemes are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at each balance sheet date. The resulting defined benefit asset or liability is presented on the face of the balance sheet.

(t) Share-based payments
Share options are awarded to selected employees on a discretionary basis. Awards are measured at their fair value (which is measured using the stochastic pricing model at the date of grant) and are recognised as an employee benefits expense on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions, with a corresponding increase in the share compensation reserve. The expected life used in the valuation model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The proceeds received net of any directly attributable transaction costs are credited to share capital (in respect of the nominal value) and share premium (in respect of the balance) when the options are exercised. Where options do not vest, a transfer is made from the share compensation reserve to retained earnings.

(u) Foreign currencies
The individual financial statements of each Group entity are drawn up in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the Company's functional and presentation currency. In preparing the financial statements, transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign company are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing at the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rate for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the financial statements continued
for the year ended 31 December 2009

2. Significant accounting policies continued
(v) Non-recurring items
Non-recurring items are those significant credits or charges which, in the opinion of the directors, should be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to non-recurring items include charges for impairment, restructuring costs and discontinued operations.

(w) Revenue
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided to third parties in the normal course of business net of discounts, VAT and other sales related taxes. Revenue from services is recognised when services have been provided and the right to consideration has been earned. If services have been provided to third parties but no billing has been made, estimates are made of the amounts receivable. These estimates are based on the nature of the services supplied and contract terms. Any significant under-estimation or over-estimation of amounts receivable could have a material effect on the Group's financial position and results of operations.

3. Operating segments
The Group's operating segments are defined as the three professional services practices, Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates. This is the basis on which information is provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business. The Board of Directors also receives information based on geography; the segments for this purpose are the Americas, Europe and the Rest of World. All revenues are derived from the provision of professional services.

(a) Geographical analysis
The Group operates in three geographical areas; the Americas, Europe and the Rest of World. The following is an analysis of financial information by geographic segment:

(i) Revenue and underlying operating profit by geography

Year ended 31 December 2009	**Americas £'000**	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Revenue – continuing operations	**93,346**	**167,943**	**15,167**	**276,456**
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	**8,663**	**15,653**	**3,709**	**28,025**
Non-recurring expenses and amortisation of acquired intangibles	**(6,329)**	**(9,942)**	**(2,207)**	**(18,478)**
Profit from operations	**2,334**	**5,711**	**1,502**	**9,547**
Investment income				**805**
Finance costs				**(4,064)**
Profit before tax				**6,288**

Year ended 31 December 2008	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Revenue – continuing operations	126,293	183,702	33,060	343,055
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	20,102	10,041	4,593	34,736
Non-recurring expenses and amortisation of acquired intangibles	(35,671)	(11,636)	(3,280)	(50,587)
(Loss)/profit from operations	(15,569)	(1,595)	1,313	(15,851)
Investment income				1,232
Finance costs				(5,394)
Loss before tax				(20,013)

3. Operating segments continued
(a) Geographical analysis continued
(ii) Net assets by geography

At 31 December 2009	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	**107,589**	**176,159**	**—**	**283,748**
Other segment assets	**25,689**	**61,762**	**3,108**	**90,559**
	133,278	**237,921**	**3,108**	**374,307**
Unallocated corporate assets				**35,075**
Consolidated total assets				**409,382**
Liabilities				
Segment liabilities	**(43,290)**	**(64,069)**	**(5,512)**	**(112,871)**
Unallocated corporate liabilities				**(144,999)**
Consolidated total liabilities				**(257,870)**
Net assets				**151,512**

At 31 December 2008	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	119,638	188,354	—	307,992
Other segment assets	31,402	72,550	1,389	105,341
	151,040	260,904	1,389	413,333
Unallocated corporate assets				54,717
Consolidated total assets				468,050
Liabilities				
Segment liabilities	(73,791)	(81,449)	(6,541)	(161,781)
Unallocated corporate liabilities				(131,874)
Consolidated total liabilities				(293,655)
Net assets				174,395

(iii) Capital additions, depreciation and amortisation by geography

At 31 December 2009	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Capital additions	**410**	**469**	**174**	**1,053**
Unallocated corporate additions				**689**
Total capital additions	**410**	**469**	**174**	**1,742**
Depreciation and amortisation	**1,778**	**3,244**	**101**	**5,123**

At 31 December 2008	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Capital additions	654	719	58	1,431
Unallocated corporate additions				1,192
Total capital additions	654	719	58	2,623
Depreciation and amortisation	1,725	3,003	140	4,868

Notes to the financial statements continued

for the year ended 31 December 2009

3. Operating segments continued

(b) Revenue and underlying operating profit by operating segment

The three operating segments are combined into one reportable segment owing to similar underlying economic characteristics across all three practices.

Not all significant non-recurring items and financial items can be allocated to the practices and are therefore disclosed for the reportable segment as a whole. Assets and liabilities by practice are not reviewed by the Board and are therefore not disclosed.

Year ended 31 December 2009	**Alexander Proudfoot £'000**	**Ineum Consulting £'000**	**Kurt Salmon Associates £'000**	**Total £'000**
Revenue – continuing operations	**71,171**	**142,239**	**63,046**	**276,456**
Underlying operating profit	**11,996**	**12,497**	**3,532**	**28,025**
Non-recurring expenses and amortisation of acquired intangibles				**(18,478)**
Profit from operations				**9,547**
Investment income				**805**
Finance costs				**(4,064)**
Profit before tax				**6,288**

Year ended 31 December 2008	Alexander Proudfoot £'000	Ineum Consulting £'000	Kurt Salmon Associates £'000	Total £'000
Revenue – continuing operations	106,975	153,109	82,971	343,055
Underlying operating profit	18,059	9,938	6,739	34,736
Non-recurring expenses, non-recurring impairment and amortisation of acquired intangibles				(50,587)
Loss from operations				(15,851)
Investment income				1,232
Finance costs				(5,394)
Loss before tax				(20,013)

Inter-segmental sales were not significant.

4. Profit/(loss) before tax

Profit/(loss) before tax has been arrived at after (crediting)/charging the following:

	Note	**2009 £'000**	2008 £'000
Foreign exchange gains		**(32)**	(25)
Amortisation of intangible assets		**3,597**	3,367
Depreciation of property, plant and equipment		**1,526**	1,501
Loss on disposal of fixed assets		**299**	—
Non-recurring items		**15,739**	21,502
Non-recurring items – impairment		**—**	26,695
Staff costs	5	**161,613**	206,035

Non-recurring items in 2009 comprise £3.6 million in relation to property rationalisation, £2.0 million in relation to the closure of Parson US, £1.3 million in relation to the closure of Alexander Proudfoot Australia, £1.4 million as the cost of the project to consider the potential sale of Ineum Consulting, £1.1 million as severance costs for the departure of the Executive Director and £6.3 million of restructuring costs across the business as a whole.

4. Profit/(loss) before tax continued

A more detailed analysis of the auditors' remuneration on a worldwide basis is provided below:

Auditors' remuneration	2009 £'000	2009 %	2008 £'000	2008 %
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**45**	**6**	45	6
Fees payable to the Company's auditors and their associates for other services to the Group – audit of the Company's subsidiaries pursuant to legislation	**398**	**55**	474	62
Total audit fees	**443**	**61**	519	68
Tax services	**225**	**31**	240	32
Other assurance services	**61**	**8**	—	—
Total non-audit fees	**286**	**39**	240	32
Total auditors' remuneration	**729**	**100**	759	100

A description of the work of the Audit and Risk Committee is set out in the Report of the Audit and Risk Committee and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

5. Staff numbers and costs

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:

	2009 Number	2008 Number
Sales and marketing	**91**	148
Consultants	**1,386**	1,685
Support staff	**291**	352
	1,768	2,185

The number of Group employees at the year end was 1,641 (2008: 2,152).

The aggregate payroll costs of these persons were as follows:

	2009 £'000	2008 £'000
Wages and salaries	**126,654**	166,209
Social security costs	**32,138**	35,463
Other pension costs	**2,821**	4,363
	161,613	206,035

A charge of £303,000 (2008: £252,000) is included in the operating results in respect of the current service cost of the retirement benefit obligations (see note 17). Wages and salaries includes £1,120,000 (2008: £1,324,000) relating to charges in respect of share options and share awards.

The average number of Company employees for the year was 24 (2008: 50) The payroll costs of the Company are £2,413,375 (2008: £5,580,915) for wages and salaries, £322,066 (2008: £841,010) for social security costs and £172,489 (2008: £220,791) for pension costs.

6a. Investment revenues

	Note	2009 £'000	2008 £'000
Interest receivable on bank deposits and similar income		**805**	779
Net finance income on retirement benefits plans	17	**—**	453
		805	1,232

Notes to the financial statements continued

for the year ended 31 December 2009

6b. Finance costs

	Note	2009 £'000	2008 £'000
Interest payable on bank overdrafts and loans and similar charges		**(3,310)**	(5,010)
Finance costs on retirement benefit plans	17	**(754)**	(384)
		(4,064)	(5,394)

7. Tax

	2009 £'000	2008 £'000
Tax in respect of current year		
UK corporation tax	**—**	200
Foreign tax	**8,896**	11,970
Deferred tax – acquired intangible assets	**(110)**	(836)
Deferred tax – temporary differences and other	**7,300**	2,165
Deferred tax – tax losses	**(6,535)**	(361)
Deferred tax – US goodwill	**2,434**	—
Total deferred tax	**3,089**	968
Total current year tax	**11,985**	13,138
Prior year current taxation	**(3,622)**	(2,883)
Total tax expense on underlying profit	**8,363**	10,255
Tax in respect of non-recurring items:		
Foreign tax	**(3,877)**	(3,245)
Deferred tax – US goodwill	**—**	(4,702)
Deferred tax – temporary differences and other	**446**	(1,401)
Total tax expense	**4,932**	907

UK corporation tax is calculated at 28% (2008: 28.5%) of the estimated assessable profit for the year. The UK corporation tax rate changed from 30% to 28% as at 1 April 2008 which resulted in a pro-rated tax rate of 28.5% in the prior year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the pre-tax profit from continuing operations per the income statement as follows:

	On underlying profit 2009 £'000	On non-recurring items and amortisation 2009 £'000	Total 2009 £'000	Total 2008 £'000
Profit/(loss) before tax	**24,766**	**(18,478)**	**6,288**	(20,013)
Tax at the average rate applicable across the Group of 36% (2008: 35%)	**8,915**	**(6,652)**	**2,263**	(7,004)
Net tax effect of unrelieved losses	**3,845**	**783**	**4,628**	2,095
Overseas tax rate differences and irrecoverable withholding tax	**964**	**—**	**964**	2,122
Tax benefit of non-taxable income	**—**	**—**	**—**	(465)
Net tax effect of permanent differences and other non-recognised temporary differences	**(1,739)**	**2,438**	**699**	7,042
Relating to prior years	**(3,622)**	**—**	**(3,622)**	(2,883)
Tax expense	**8,363**	**(3,431)**	**4,932**	907
Effective tax rate for the year	**34%**		**78%**	5%

The average tax rate applicable across the Group has increased in the year to 36% (2008: 35%) due to the Group operating in the year in countries having a slightly higher tax rate.

8. Dividends

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2008 of 0.90p (2007 final dividend: 0.82p) per share	**2,931**	2,657
Interim dividend for the year ended 31 December 2009 of 0.40p (2008: 0.40p) per share	**1,303**	1,302
	4,234	3,959

Dividends are not payable on shares held in the employee share trust which has waived its entitlement to dividends. The amount of the dividend waived in 2009 (in respect of the final dividend for the year ended 31 December 2008 and the interim dividend for the year ended 31 December 2009) was £73,806 (2008: £51,000).

The 2009 interim dividend was paid on 27 October 2009. The directors do not propose a final dividend for the year ended 31 December 2009.

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	2009 £'000	2008 £'000
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit/(loss) attributable to equity holders of the parent	**1,356**	(22,019)
Non-recurring items	**15,739**	21,502
Non-recurring items – impairment	**—**	26,695
Non-recurring items – tax	**(3,431)**	(9,347)
Discontinued operations	**—**	1,099
Amortisation of acquired intangibles	**2,739**	2,390
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**16,403**	20,320

Number of shares	Number million	Number million
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-recurring items and amortisation of acquired intangibles	**326.1**	326.0
Effect of dilutive potential ordinary shares:		
– share options and performance share plan	**9.4**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**335.5**	326.0

	P	P
Basic profit/(loss) earnings per share – continuing operations	**0.4**	(6.4)
Diluted profit/(loss) earnings per share – continuing operations	**0.4**	(6.4)
Basic earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**5.0**	6.2
Basic earnings per share from profit/(loss) for the year attributable to equity holders of the parent	**0.4**	(6.8)
Diluted earnings per share from profit/(loss) for the year attributable to equity holders of the parent	**0.4**	(6.8)
Basic loss earnings per share – discontinued operations	**—**	(0.4)
Diluted loss earnings per share – discontinued operations	**—**	(0.4)

The average share price for the year ended 31 December 2009 was 26.0p (2008: 31.6p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted profit per share in 2009 includes 2,234,553 share options and rights over 7,130,000 ordinary shares (2008: nil).

Notes to the financial statements continued

for the year ended 31 December 2009

10. Intangible assets

Group	Goodwill £'000	Brand and customer relationships £'000	Other intangibles £'000	Total intangibles £'000
Cost				
At 1 January 2009	287,808	23,326	6,524	317,658
Additions	—	—	1,362	1,362
Exchange differences	(19,390)	(1,532)	(500)	(21,422)
At 31 December 2009	**268,418**	**21,794**	**7,386**	**297,598**
Amortisation				
At 1 January 2009	—	5,362	4,304	9,666
Charge for the year	—	2,739	858	3,597
Exchange differences	—	338	249	587
At 31 December 2009	**—**	**8,439**	**5,411**	**13,850**
Carrying amount				
At 31 December 2009	**268,418**	**13,355**	**1,975**	**283,748**
At 31 December 2008	287,808	17,964	2,220	307,992

Other intangibles represent computer software related intangible assets.

Company	Software costs £'000
Cost	
At 1 January 2009	3,022
Additions	115
Intercompany transfer to other Group companies	(2,937)
At 31 December 2009	**200**
Amortisation	
At 1 January 2009	1,343
Intercompany transfer to other Group companies	(1,376)
Charge for the year	52
At 31 December 2009	**19**
Carrying amount	
At 31 December 2009	**181**
At 31 December 2008	1,679

Analysis of goodwill

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

Group	**2009 £'000**	2008 £'000
Cost		
Ineum Consulting	**126,800**	134,340
Kurt Salmon Associates	**92,628**	101,634
Alexander Proudfoot	**48,990**	51,834
	268,418	287,808

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to contribution during the period.

10. Intangible assets continued

Analysis of goodwill continued

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Goodwill is tested against the value in use of operating segments on the basis that, given the integrated nature of the segments, it cannot be reasonably allocated to a lower level of CGU.

The Group prepares cash flow forecasts based on the most recent financial budgets and forecasts approved by management for the next five years. The cash flows are extrapolated based on a steady long term EBITDA growth assumption of 2% and contribution rates which are consistent with past experience and industry norms. The rate used to discount the forecast cash flows for each CGU is around 8% (2008: 9%), which is based on the relevant regional weighted average cost of capital.

At the end of 2009, particularly in consideration of the trading environment faced by the divisions of the Group during the past year, the carrying amount of the goodwill of Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates goodwill was tested to ensure that sufficient headroom remained between the recoverable amount and carrying value of goodwill for each division.

In the cases of Alexander Proudfoot and Ineum Consulting the carrying amount of goodwill remained significantly below the recoverable amount. This was unchanged having undergone reasonable sensitivity analysis. In the case of Kurt Salmon Associates the carrying amount of goodwill remained below the recoverable amount but with sufficient headroom. This headroom was reduced with reasonable sensitivity analysis, but not to levels that required impairment.

Kurt Salmon Associates was established in 1937 and has weathered several such economic downturns during its history, recovering each time. 2009 was a challenging year for Kurt Salmon Associates. The business was loss making in the first half of the year but recovered strongly in the second half. This reflects the activity of the markets in which it was trading: the retail and consumer goods market where activity was low, and the capital expenditure area of the US health care market which was adversely affected by the lower availability of credit. The beginning of 2010 has brought higher levels of input and a stronger order book. As such management considers that the assumptions used to calculate the recoverable amount are appropriate and with reasonable sensitivity analysis still giving positive headroom. Therefore no basis exists at this moment to impair the carrying amount of the Kurt Salmon Associates goodwill in the Group accounts.

11. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2009	9,069	2,887
Additions	1,742	689
Exchange differences	(420)	—
Transfer to subsidiary undertakings	—	(801)
Disposals	(1,026)	(504)
At 31 December 2009	**9,365**	**2,271**
Accumulated depreciation		
At 1 January 2009	4,012	1,125
Charge for the year	1,526	326
Exchange differences	285	—
Transfer to subsidiary undertakings	—	(463)
Disposals	(393)	(504)
At 31 December 2009	**4,860**	**484**
Carrying amount		
At 31 December 2009	**4,505**	**1,787**
At 31 December 2008	5,057	1,762

Notes to the financial statements continued
for the year ended 31 December 2009

12. Investments

Cost	Group £'000
At 1 January 2009	7,076
Additions	363
Disposals	(738)
Exchange differences	(593)
Reclassification to cash and cash equivalents	(3,848)
Revaluation	717
At 31 December 2009	**2,977**

The above fair values are based on the reports received at the balance sheet date from independent investment advisers. Dividends are recorded when the right to receive payment is established.

The above values represent the principal amounts on which dividends are received. The timing of dividend receipts varies but generally they are received every six months or annually. Dividend income is recorded in the income statement.

Financial assets primarily comprise investments in corporate and government securities. The main risk associated with these investments is the risk of changes in market value. Investment performance is regularly monitored, and, where appropriate, professional advice is obtained.

Reclassification to cash and cash equivalents relates to items which meet the definition of cash equivalents whose primary investment purpose has changed to providing short term liquidity to the Group.

Company Investment in Group companies	Shares £'000	Loans £'000	Total £'000
At 1 January 2009	190,892	128	191,020
Addition	69,809	521	70,330
Intercompany transfer	(25,171)	—	(25,171)
At 31 December 2009	**235,530**	**649**	**236,179**

Shares are stated net of provisions of £11,972,560 (2008: £11,972,560) against impairment in value. Additions in the year reflect increased investments in intermediate holding companies.

Details of the Company's principal subsidiary undertakings are set out in note 26.

13. Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Trade receivables – gross	**48,716**	63,644	**—**	—
Allowance for doubtful debts	**(3,737)**	(4,905)	**—**	—
Trade receivables – net	**44,979**	58,739	**—**	—
Amounts owed by Group undertakings	**—**	—	**81,983**	99,731
Other receivables	**8,655**	11,155	**362**	316
Taxation receivable	**2,419**	2,818	**—**	—
Prepayments and accrued income	**20,278**	17,553	**804**	570
	76,331	90,265	**83,149**	100,617

Debtor days at the year end were 47 days (2008: 49 days). No interest was charged on receivables. The provision against doubtful receivables amounts to £3,736,542 (2008: £4,904,891). The directors consider that the carrying value of trade and other receivables approximates to their fair value (see note 23).

14. Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Trade payables	**9,100**	11,634	**1,610**	952
Amounts owed to Group undertakings	**—**	—	**88,701**	72,070
Other taxes and social security	**28,815**	31,701	**115**	99
Other payables	**986**	199	**119**	—
Deferred income	**5,688**	7,447	**—**	—
Accruals	**55,490**	94,657	**4,915**	5,298
	100,079	145,638	**95,460**	78,419

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2008: 33 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 23).

15. Tax assets and liabilities

		Group		Company	
	Note	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Current tax					
Current tax receivable	13	**2,419**	2,818	**—**	—
Current tax liabilities		**(13,293)**	(14,971)	**—**	—
Non-current tax					
Deferred tax asset		**17,856**	21,899	**187**	313
Tax liabilities		**(1,254)**	(2,459)	**—**	—
Deferred tax liabilities		**(6,705)**	(6,533)	**—**	—

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current year.

Group Deferred tax assets	Share options £'000	Pension £'000	Tax losses £'000	Other £'000	Total £'000
At 1 January 2008	128	1,036	785	11,226	13,175
Foreign exchange	—	724	166	3,646	4,536
Recognised in Group statement of comprehensive income	—	2,057	—	—	2,057
Recognised direct to equity	155	—	—	—	155
Credit/(charge) to Group income statement	30	(437)	4	2,379	1,976
At 1 January 2009	313	3,380	955	17,251	21,899
Reclassification	—	—	2,161	(2,161)	—
Foreign exchange	—	(260)	(54)	(696)	(1,010)
Recognised in the Group statement of comprehensive income	—	203	—	—	203
Recognised direct to equity	(155)	—	—	—	(155)
Credit/(charge) to Group income statement	29	(1,385)	7,303	(9,028)	(3,081)
At 31 December 2009	**187**	**1,938**	**10,365**	**5,366**	**17,856**

Notes to the financial statements continued

for the year ended 31 December 2009

15. Tax assets and liabilities continued

Group Deferred tax liabilities	Arising on acquisitions – intangibles £'000	Arising on acquisitions – other £'000	Profits taxable in future years £'000	Other £'000	Total £'000
At 1 January 2008	5,332	2,793	270	821	9,216
Foreign exchange	540	(69)	—	5	476
Charge/(credit) to Group income statement	(799)	(1,519)	(100)	(741)	(3,159)
At 1 January 2009	5,073	1,205	170	85	6,533
Reclassification	244	(1,205)	—	961	—
Foreign exchange	(189)	—	(13)	(80)	(282)
Charge/(credit) to income statement	(110)	—	(54)	618	454
At 31 December 2009	**5,018**	**—**	**103**	**1,584**	**6,705**

Of the total deferred tax assets recognised at 31 December 2009 totalling £17.9 million, amounts of £9.7 million (2008: £2.2 million, after reclassification) are in respect of US tax losses and £6.6 million (2008: £16.3 million) are in respect of other timing differences relating to the US. Based on forecast data, the Group believes there will be sufficient future taxable profits in the US to utilise the tax losses and the deductions arising from the reversal of the other US related deferred tax assets. The losses expire after 20 years. A further potential deferred tax asset for US tax losses totalling £1.2 million (2008: nil) has not been recognised at 31 December 2009.

A deferred tax asset of £0.7 million (2008: £0.9 million) has been recognised at 31 December 2009 in respect of tax losses arising in non-US jurisdictions. Based on current tax rules in the respective jurisdictions, all of the losses can be carried forward indefinitely. No deferred tax assets have been recognised in respect of additional non-US tax losses totalling £11 million (2008: £8 million). The losses may be subject to adjustment on tax audit and it is uncertain if there will be sufficient future profits against which the losses can be offset.

Additionally, the Group has not recognised potential deferred tax assets totalling £11.5 million (2008: £8.4 million) in respect of temporary differences other than losses as it is uncertain if there will be sufficient future profits against which these items can be offset.

No deferred tax liability is recognised in relation to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of the temporary differences which would give rise to the liability and it is probable that they will not reverse in the foreseeable future. The unrecognised deferred tax liability at 31 December 2009 of £1.4 million (2008: £11.8 million) is significantly reduced from the previous year as a result of a change to UK tax legislation which largely exempts from UK tax, overseas dividends received on or after 1 July 2009. The unrecognised deferred tax liability at 31 December 2009 is in respect of the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of tax due in overseas intermediate holding companies and dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Company Deferred tax asset	Other £'000
At 1 January 2009	313
Recognised direct to equity	(155)
Credit to income statement	29
At 31 December 2009	**187**

16. Financial liabilities

Group	**2009 £'000**	2008 £'000
Current: bank borrowings	**53,151**	31,780
Non-current: bank borrowings	**54,362**	66,112
Total borrowings	**107,513**	97,892

Bank borrowings

Borrowings denominated in US Dollars bear interest of US Dollar LIBOR plus 1.15% to 1.5% annually. Borrowings denominated in Euros bear interest of EURIBOR plus 1.15% to 1.5% annually. Borrowings denominated in Sterling bear interest of LIBOR plus 1.15% to 1.5% annually. Bank borrowings mature at different dates until 18 September 2012 as shown below. Included within on demand or within one year is £46,559,000 of revolver loans that are short term renewable borrowings of maturity ranging from three months to twelve months. These are typically renewed at the discretion of the Group and are available until 18 September 2012.

16. Financial liabilities continued
Bank borrowings continued

	2009 £'000	2008 £'000
On demand or within one year	**53,151**	31,780
In the second year	**13,003**	6,959
In the third to fifth year	**41,359**	59,153
Total	**107,513**	97,892

The exposure of the Group's borrowings to interest rate changes at the balance sheet dates are as follows:

	2009 £'000	2008 £'000
Six months or less	**107,513**	97,892

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount 2009 £'000	Carrying amount 2008 £'000	Fair value 2009 £'000	Fair value 2008 £'000
Bank borrowings	**54,362**	66,112	**51,608**	51,200

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values for non-current borrowings are based on cash flows discounted using a rate based on the borrowing rate of 3.0% (2008: 6.6%).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	2009 £'000	2008 £'000
Euro	**38,873**	35,268
US Dollar	**49,640**	60,624
Sterling	**19,000**	2,000
	107,513	97,892

The Group has the following undrawn borrowing facilities:

	2009 £'000	2008 £'000
Floating rate	**30,459**	51,442

Company Current	2009 £'000	2008 £'000
Bank borrowings	**19,000**	7,435

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. Borrowings denominated in Sterling bear LIBOR plus 1.15% to 1.5% annually.

The exposure of the Company's borrowings to interest rate changes at the balance sheet dates are as follows:

Currency	2009 £'000	2008 £'000
Six months or less	**19,000**	7,435

The carrying amounts of the Company's borrowings are denominated in the following currencies:

Currency	2009 £'000	2008 £'000
Sterling	**19,000**	7,435

The Company has the following undrawn borrowing facilities:

	2009 £'000	2008 £'000
Floating rate	**30,459**	51,442

Amounts borrowed under the facilities are partly secured on the shares of Group companies and are guaranteed by the Company and Group companies.

Notes to the financial statements continued
for the year ended 31 December 2009

17. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution pension schemes throughout the world. The total cost charged to income in respect of defined contribution schemes was £3,596,000 (2008: £2,694,000), representing contributions payable to these schemes by the Group at rates specified in the rules of the plans.

Defined benefit schemes

In the United States the Group operates a closed defined benefit pension scheme and a closed unfunded plan which provides benefits in respect of post-retirement medical costs. In France, the Group has a statutory unfunded post-retirement benefit obligation. In Germany, the Group has an unfunded post-retirement benefit obligation and, in the UK, a funded guaranteed pension. Actuarial valuations are obtained annually from independent qualified actuaries for each of the defined benefit arrangements.

The retirement benefit obligations are summarised below:

	2009 £'000	2008 £'000
US defined benefit pension scheme	**12,483**	13,754
US post-retirement medical plan	**3,882**	933
French statutory obligation	**948**	683
German obligation	**5,935**	5,557
	23,248	20,927

A 1% change in the discount rates used in calculating the above obligations is estimated to affect the total retirement benefit obligation by £6,900,000 (2008: £6,000,000).

US schemes

The funded US defined benefits pension scheme was closed to new entrants with effect from 1 February 2001 and further benefit accruals ceased for all members with effect from 31 December 2001. The US medical benefits plan applies only to certain former employees who retired prior to 30 September 1995 and to the post-retirement medical costs of a small number of current and former employees who were employed at that date.

The principal assumptions used for the recent actuarial valuations were:

	2009 %	2008 %
Rate of increase in salaries	**n/a**	n/a
Expected long term return on scheme assets	**8.00**	8.00
Discount rate	**5.78**	6.34
General inflation assumption	**3.00**	3.00

There are neither guaranteed nor discretionary increases to benefits after retirement. The mortality table used was the RP2005 White Collar Table. The discount rate assumption was changed to reflect changes in long term corporate bond yields.

(a) Amounts recognised in finance costs in respect of these benefit schemes are as follows:

	2009 £'000	2008 £'000
US defined benefit pension scheme		
Expected return on pension scheme assets	**2,227**	2,626
Interest on pension scheme liabilities	**(2,556)**	(2,173)
	(329)	453
US medical benefits plan		
Interest on plan liabilities	**(51)**	(48)
Net finance charge	**(380)**	405

Actuarial gains and losses have been reported in the Group statement of comprehensive income. The actual return on scheme assets was £2,418,382 (2008: (£9,646,926)).

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(b) The amount included in the balance sheet arising from the Group's obligations in respect of the US defined benefit pension scheme and medical benefits plan is as follows:

	Note	**2009 £'000**	2008 £'000
Present value of defined benefit obligations		**(48,986)**	(45,929)
Fair value of scheme assets		**32,621**	31,242
Liability recognised in the balance sheet		**(16,365)**	(14,687)
Defined benefit pension scheme	(17)(e)(i)	**(12,483)**	(13,754)
Medical benefit plan	(17)(e)(ii)	**(3,882)**	(933)
		(16,365)	(14,687)

(c) Movements in balance sheet amounts

Changes in the present value of the defined benefit obligations are as follows:

	2009 £'000	2008 £'000
Opening defined benefit obligation	**(45,929)**	(33,847)
Interest cost	**(2,608)**	(2,221)
Actuarial (loss)/gain	**(5,458)**	273
Exchange differences	**2,799**	(11,911)
Benefits paid	**2,210**	1,777
Closing defined benefit obligation	**(48,986)**	(45,929)

Changes in the fair values of the plan assets are as follows:

	2009 £'000	2008 £'000
Opening fair value of plan assets	**31,242**	30,848
Expected return	**2,227**	2,626
Actuarial gain/(loss)	**2,418**	(12,566)
Contributions by employer	**920**	1,171
Exchange differences	**(1,789)**	10,940
Benefits paid	**(2,397)**	(1,777)
Closing fair value of plan assets	**32,621**	31,242
Net retirement benefit obligations	**(16,365)**	(14,687)

(d) The fair value of plan assets at the balance sheet date and the expected rate of return are analysed as follows:

	Expected return %	**2009 £'000**	Expected return %	2008 £'000
Equities	**9.0**	**20,675**	9.0	17,440
Bonds	**5.5**	**11,753**	5.5	13,604
Cash	**3.0**	**193**	5.5	198
	8.0	**32,621**	8.0	31,242

The expected rates of return are based on actuarial advice received.

Notes to the financial statements continued
for the year ended 31 December 2009

17. Retirement benefit obligations continued
Defined benefit schemes continued
US schemes continued
(e) History of experience gains and losses

(i) US defined benefit pension scheme

The five year history of experience adjustments in relation to the US defined benefit pension scheme is as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of defined benefit obligations	**(45,104)**	(44,996)	(33,091)	(34,582)	(40,909)
Fair value of scheme assets	**32,621**	31,242	30,848	30,145	30,046
Deficit in the scheme	**(12,483)**	(13,754)	(2,243)	(4,437)	(10,863)
Experience adjustments on scheme liabilities					
Amount	**(2,431)**	(85)	(470)	626	86
Percentage of scheme liabilities	**(5)%**	0.2%	1.4%	1.8%	0.2%
Experience adjustments on scheme assets					
Amount	**2,464**	(12,950)	102	1,379	(277)
Percentage of scheme assets	**(8)%**	41.5%	0.3%	4.6%	(0.9)%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £1,000,000 (2008: £730,000).

(ii) Unfunded US medical benefit plan

The five year history of experience adjustments in relation to the US medical plan is as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of plan liabilities	**(3,882)**	(933)	(756)	(852)	(1,006)
Experience adjustments of plan liabilities	**1**	1	—	(42)	210
Percentage of the plan liabilities	**0.1%**	0.1%	—	(4.9)%	20.9%

(f) Unfunded French retirement obligation

The principal assumptions used for the recent actuarial valuation of the French retirement scheme were:

	2009	2008
Rate of increase in salaries	**3–6%**	3–6%
Discount rate	**5.2%**	6.3%

There are neither guaranteed nor discretionary increases to benefits after retirement.

In both years, the mortality table used was INSEE 00/02.

(i) Amounts recognised in finance costs in respect of the French post-retirement scheme are as follows:

	2009 £'000	2008 £'000
Interest on liabilities	**61**	35

(ii) The amount included in the balance sheet arising from the Group's obligations in respect of the French post-retirement benefit scheme is as follows:

	2009 £'000	2008 £'000
Present value of defined benefit obligations	**(948)**	(683)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(948)**	(683)

17. Retirement benefit obligations continued

Defined benefit schemes continued

French schemes continued

(f) Unfunded French retirement obligation continued

(iii) Movements in balance sheet amounts

Changes in the present value of the French defined benefit obligation are as follows:

	2009 £'000	2008 £'000
At start of year	**(683)**	(509)
Service cost	**(147)**	(110)
Interest cost	**(61)**	(35)
Actuarial (loss)/gain	**(90)**	109
Benefit paid	**—**	11
Foreign exchange difference	**33**	(149)
Closing defined benefit obligation	**(948)**	(683)

The French obligation is unfunded and therefore holds no plan assets, and no contributions are made.

(iv) History of experience gains and losses

There are no experience adjustments in relation to the French post-retirement scheme in the period since acquisition.

(g) Unfunded German retirement obligation

The principal assumptions used for the recent actuarial valuation of the German retirement scheme were:

	2009	2008
Rate of increase in salaries	**4.5%**	4.5%
Mortality table	**Heubeck 2005 G**	Heubeck 2005 G
Discount rate	**5.8%**	6%

There are neither guaranteed nor discretionary increases to benefits after retirement.

(i) Amounts recognised in finance costs in respect of the German post-retirement scheme are as follows:

	2009 £'000	2008 £'000
Interest on liabilities	**313**	301

(ii) The amount included in the balance sheet arising from the Group's obligations in respect of the German post-retirement benefit scheme is as follows:

	2009 £'000	2008 £'000
Present value of defined benefit obligations	**(5,935)**	(5,557)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(5,935)**	(5,557)

Notes to the financial statements continued
for the year ended 31 December 2009

17. Retirement benefit obligations continued
Defined benefit schemes continued
German schemes continued
(g) Unfunded German retirement obligation continued

(iii) Movements in balance sheet amounts

Changes in the present value of the German defined benefit obligation are as follows:

	2009 £'000	2008 £'000
At 1 January	**(5,557)**	(4,344)
Service cost	**(156)**	(142)
Interest cost	**(313)**	(301)
Actuarial (loss)/gain	**(298)**	81
Benefit paid	**248**	253
Foreign exchange	**141**	(1,104)
Closing defined benefit obligation	**(5,935)**	(5,557)

The German obligation is unfunded and therefore holds no plan assets, and no contributions are made.

(iv) History of experience gains and losses

The history of experience adjustments in relation to the German post-retirement scheme arise in the period since acquisition is as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of plan liabilities	**5,935**	5,557	—	—	—
Experience adjustments of plan liabilities	**(288)**	(216)	—	—	—
Percentage of the plan liabilities	**(4.9)%**	(3.9)%	—	—	—

(h) UK retirement obligation

The principal assumptions used for the recent actuarial valuation of the UK retirement scheme were:

	2009 %	2008 %
Expected long-term return on scheme assets	**5.7**	6.2
Discount rate	**5.7**	6.2

There are neither guaranteed nor discretionary increases to benefits after retirement.

(i) Amounts recognised in finance costs in respect of the UK post-retirement scheme are as follows:

	2009 £'000	2008 £'000
Interest	**—**	—

At 31 December 2009 and 31 December 2008 there are no actuarial gains and losses reported in the Group statement of comprehensive income relating to the UK scheme.

17. Retirement benefit obligations continued
Defined benefit schemes continued
UK schemes continued
(h) UK retirement obligation continued

(ii) The amount included in the balance sheet arising from the Group's obligations in respect of the UK post-retirement benefit scheme is as follows:

	2009 £'000	2008 £'000
Present value of defined benefit obligations	**(4,300)**	(3,700)
Fair value of scheme assets	**4,400**	3,800
Provision	**(100)**	(100)
Asset recognised in the balance sheet	**—**	—

Changes in the present value of the defined benefit obligations are as follows:

	2009 £'000	2008 £'000
Opening defined benefit obligation	**(3,700)**	(5,200)
Interest cost	**(200)**	(300)
Benefits paid	**100**	900
Actuarial (loss)/gain	**(500)**	900
Closing defined benefit obligation	**(4,300)**	(3,700)

Changes in the fair values of the plan assets are as follows:

	2009 £'000	2008 £'000
Opening fair value of plan assets	**3,800**	5,300
Expected return	**200**	300
Benefits paid	**(100)**	(900)
Actuarial gain/(loss)	**500**	(900)
Closing fair value of plan assets	**4,400**	3,800

The fair value of plan assets at the balance sheet date and the expected rate of return are analysed as follows:

	Expected return %	**2009 £'000**	Expected return %	2008 £'000
Equities	**5.7**	**4,400**	6.2	3,800

The expected rates of return are based on actuarial advice received.

(iv) History of experience gains and losses

The history of experience adjustments in relation to the UK post-retirement scheme arise in the period since acquisition is as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of plan liabilities	**4,300**	3,700	—	—	—
Experience adjustments of plan liabilities	**500**	(900)	—	—	—
Percentage of the plan liabilities	**12%**	(24)%	—	—	—

Notes to the financial statements continued

for the year ended 31 December 2009

18. Long term provisions

	£'000
At 1 January 2009	5,235
Utilised	(188)
Charge	3,792
Released	(2,605)
Foreign exchange movement	(456)
At 31 December 2009	**5,778**

The provisions primarily relate to property and obligations to former employees of the Group. The most significant element relates to the property provisions. These are expected to be utilised over the period to 2020. The release relates to the releases of property provisions which are no longer required. There are no provisions held by the Company. Provisions are discounted if material.

19. Share capital

(a) Called up share capital

	2009 £'000	2008 £'000
Authorised: 700 million (2008: 700 million) shares of 25 pence each	**175,000**	175,000
Issued and fully paid: 331,390,961 (2008: 331,269,758) shares of 25 pence each	**82,848**	82,817

Shares issued in the year were:

	Number	Nominal value £'000	Consideration £'000
At 1 January 2009	331,269,758	82,817	73,109
Employee share options exercised (note 19(b))	121,203	31	31
At 31 December 2009	**331,390,961**	**82,848**	**73,140**

The Company has one class of ordinary shares which carry no right to fixed income.

Options were exercised during the year with a weighted average exercise price of 25.0p (2008: 28.67p).

(b) Share options

At 31 December 2009, there were options outstanding to subscribe for new ordinary shares of 25.0p each as set out below:

Option grant date	Number of shares under option	Exercise price p	Weighted average price p	Exercisable not earlier than
The 1998 Scheme				
March 2007	2,720,850	48.75	48.75	March 2010
April 2007	1,117,000	48.75	48.75	April 2010
April 2007	276,382	49.75	49.75	April 2010
October 2007	1,913,805	25.00	25.00	April 2010
December 2007	1,298,097	33.75	33.75	December 2010
August 2008	1,036,000	25.00	25.00	August 2011
September 2008	975,000	33.50	33.50	September 2011
Total	**9,337,134**		**37.60**	

The number of options outstanding at the previous year end over new ordinary shares was 15,389,613 with a weighted average price of 39.74p.

19. Share capital continued

(b) Share options continued

The following options over new ordinary shares were exercised during the year:

Granted	Number	Nominal value £'000	Weighted average price p	Consideration £'000
September 1999	103,002	26	25.00	26
October 2007	18,201	5	25.00	5

During the year, options, with a weighted average price of 39.57p, over 3,759,127 new ordinary shares lapsed. Share options under the 1998 Scheme expire ten years after the date of grant.

The total subscription price if all share options over new shares are exercised is £3,510,636 (2008: £7,477,422).

The above amounts exclude options over 605,500 shares (2008: 1,842,700 shares) which are already in issue and are owned by an employee trust.

The 1998 Scheme (under which market value options are granted) was extended by the Extraordinary General Meeting held on 30 August 2006 and now expires on 18 June 2011. It is designed to motivate directors and senior employees, whilst retaining them in the Group's employment, by granting options which are exercisable in two equal amounts after three years and five years respectively. For grants made after 1 January 2003 and before 31 December 2005, options are subject to a performance condition that compares the Total Shareholder Return ("TSR") over the three year period following grant (with no ability to retest performance in subsequent years) with the TSR of the constituents of an external index as follows:

TSR ranking compared to index	Percentage of options that vest
Below median	0%
At median	50%
Between median and upper quartile	50–100% (pro-rated)
Upper quartile	100%

For grants made before 1 January 2006, the index used was the FTSE Mid 250. For grants made after 31 December 2005, the index used is the FTSE All-Share Index. The change to the FTSE All-Share Index was made to align the performance conditions with the index to which the Company belongs. The TSR calculations will be undertaken by a third party to ensure independent verification of the extent to which the performance condition is met.

From December 2007, the performance conditions were changed to an EPS based measure which the Committee believed would be better understood by participants and therefore more motivational. The performance condition compares the EPS growth with performance above inflation (fixed at the time of grant having regard to the prevailing rates of inflation in the Group's territories) as follows:

EPS growth	Percentage of options that vest
Below inflation +3% pa	0%
At inflation +3% pa	50%
Between inflation +3% and inflation +5% pa	50–100% (pro-rated)
At inflation +5% and above	100%

The EPS will be based on the results for the year preceding the year in which the grant is made and the results for three years later.

Under the rules of the 1998 Scheme, options over shares with an aggregate exercise consideration of up to eight times remuneration may be granted to an individual in a ten year period. However, it is the Committee's current intention that option grants to any individual will be limited to 50% of salary each year.

With effect from 30 August 2006, the Company may at its discretion satisfy the exercise of options granted under the 1998 Scheme by issuing (or procuring the transfer of) only that number of ordinary shares which has a value, at the time of exercise of the options, equal to the net gain resulting from the exercise. In respect of options issued prior to 30 August 2006, the Company will only exercise its discretion with the option holder's consent.

The fair value of options granted was determined using the stochastic valuation model. Expected volatility was assessed by considering the historic volatility of the Company's share price. An expense of £1,120,000 (2008: £1,324,000) has been recognised in the period in respect of the share options granted. The cumulative share compensation reserve at 31 December 2009 is £2,216,000 (2008: £2,720,000).

Notes to the financial statements continued
for the year ended 31 December 2009

19. Share capital continued
(b) Share options continued
The inputs into the stochastic valuation model for the August 2008 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	6.95p	7.77p
Exercise price and share price on date of grant	25.00p	25.00p
Expected life	5 years	7 years
Expected volatility	41.6%	44.2%
Risk free rate	4.7%	4.7%
Expected dividend yield	4.9%	4.9%

The inputs into the stochastic valuation model for the September 2008 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	10.82p	12.16p
Exercise price and share price on date of grant	33.50p	33.50p
Expected life	5 years	7 years
Expected volatility	43.8%	45.7%
Risk free rate	4.4%	4.4%
Expected dividend yield	3.46%	3.46%

The inputs into the stochastic valuation model for the March 2007 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	16.77p	19.01p
Exercise price and share price on date of grant	48.75p	48.75p
Expected life	5 years	7 years
Expected volatility	44.3%	48.5%
Risk free rate	5.1%	4.9%
Expected dividend yield	2.1%	2.1%

The inputs into the stochastic valuation model for the first set of April 2007 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	15.4p	16.6p
Exercise price	48.75p	48.75p
Share price on date of grant	47.5p	47.5p
Expected life	5 years	7 years
Expected volatility	43.8%	44.8%
Risk free rate	5.4%	5.2%
Expected dividend yield	2.1%	2.1%

19. Share capital continued

(b) Share options continued

The inputs into the stochastic valuation model for the second set of April 2007 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	16.57p	17.8p
Exercise price	49.75p	49.75p
Share price on date of grant	49.25p	49.25p
Expected life	5 years	7 years
Expected volatility	43.8%	44.7%
Risk free rate	5.4%	5.3%
Expected dividend yield	2.0%	2.0%

The inputs into the stochastic valuation model for October 2007 options are as follows:

	Vesting after 7 months	Vesting after 8 months	Vesting after 18 months	Vesting after 30 months	Vesting after 42 months	Vesting after 54 months
Fair value of options	17.3p	11.5p	17.4p	17p	19.1p	18.7p
Exercise price on date of grant	27p	33p	29p	29p	28p	31p
Share price on date of grant	43p	43p	43p	43p	43p	43p
Expected life	7 months	8 months	20 months	32 months	44 months	55 months
Expected volatility	37.8%	37.8%	35.0%	31.6%	35.0%	44.1%
Risk free rate	5.7%	5.6%	5.4%	5.2%	5.2%	5.2%
Expected dividend yield	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%

The inputs into the stochastic valuation model for December 2007 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	10.4p	11.2p
Exercise price and share price on date of grant	33.75p	33.75p
Share price on date of grant	33p	33p
Expected life	5 years	7 years
Expected volatility	44.7%	44.5%
Risk free rate	4.7%	4.7%
Expected dividend yield	4.0%	4.0%

Notes to the financial statements continued

for the year ended 31 December 2009

19. Share capital continued

(c) Share awards

The Performance Share Plan was introduced during 2008. Any employee (including an executive director) of the Company and its subsidiaries is eligible to participate in the Plan at the discretion of the Remuneration Committee ("the Committee").

The Committee may grant awards to acquire ordinary shares in the Company ("Shares") within six weeks following the Company's announcement of its results for any period; within six weeks of shareholder approval of the Plan; or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards.

The Committee may grant awards as conditional shares, a nil (or nominal) cost option with a short exercise period or as forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash.

No payment is required for the grant of an award. Awards are not transferable or pensionable.

An employee may not receive awards in any financial year over shares having a market value in excess of 100% of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit is increased to 200% of an employee's annual base salary.

The vesting of awards is subject to performance conditions set by the Committee.

The 2008 grant of awards to executive directors and certain other senior executives is subject to a performance condition based on average annual adjusted earnings per share ("EPS") growth over a three year performance period. For these purposes, "adjusted" EPS will be calculated by excluding non-recurring items, amortisation of intangibles and other items that the Committee considers appropriate.

These 2008 awards will vest as follows:

Average annual adjusted EPS growth over the performance period	Percentage of the award that vests
EPS growth of less than 6% pa	0%
EPS growth equal to 6% pa	20%
EPS growth equal to or more than 13% pa	100%
EPS growth of between 6%–13% pa	Straight-line vesting between 20% and 100%

The targets have been set taking account of inflation but do not expressly include RPI/CPI due to the international nature of the Company's workforce.

Different performance conditions may be applied to initial awards made to certain senior executives (below main board level) with divisional responsibilities, to take account of their divisional focus.

The Committee can set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Awards normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied and provided the participant is still employed in the Company's group.

In 2008 10,076,000 awards over new ordinary shares were made at an exercise price of nil pence per share. No new awards were made in 2009. The following awards remain outstanding as at 31 December 2009.

Award date	Number of shares under award	Exercise price p	Weighted average price p	Exercisable not earlier than
June 2008	6,920,000	0.00	0.00	June 2011
August 2008	60,000	0.00	0.00	August 2011
September 2008	150,000	0.00	0.00	September 2011
	7,130,000			

20. Equity

Group	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trusts £'000	Currency translation reserve £'000
At 1 January 2008	48,894	32,513	2,952	(1,296)	3,896
Currency translation differences	—	—	—	—	51,195
Share compensation expense	—	—	1,324	—	—
Reclassification to retained earnings	—	—	(1,556)	—	—
Share option scheme	87	—	—	—	—
At 31 December 2008	48,981	32,513	2,720	(1,296)	55,091
Currency translation differences	—	—	—	—	(18,166)
Share compensation expense	—	—	1,120	—	—
Reclassification to retained earnings	—	—	(1,624)	—	—
Shares acquired by employee benefits trust	—	—	—	(114)	—
Shares transferred from employee benefits trust	—	—	—	257	—
At 31 December 2009	**48,981**	**32,513**	**2,216**	**(1,153)**	**36,925**

Group	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 1 January 2008	5,878	1,186	(26)	7,038
Loss on available-for-sale investments	—	—	(1,652)	(1,652)
At 31 December 2008	5,878	1,186	(1,678)	5,386
Gain on available-for-sale investments	—	—	717	717
At 31 December 2009	**5,878**	**1,186**	**(961)**	**6,103**

Company	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trusts £'000	Capital redemption reserve £'000
At 1 January 2008	48,894	26,830	2,952	(1,296)	1,186
Currency translation differences	—	—	—	—	—
Share option scheme	87	—	—	—	—
Share compensation expense	—	—	1,324	—	—
Reclassification to retained earnings	—	—	(1,556)	—	—
At 31 December 2008	48,981	26,830	2,720	(1,296)	1,186
Currency translation differences	—	—	—	—	—
Share compensation expense	—	—	1,120	—	—
Share compensation expense	—	—	(1,624)	—	—
Shares acquired by employee benefits trust	—	—	—	(114)	—
Shares transferred from employee benefits trust	—	—	—	257	—
At 31 December 2009	**48,981**	**26,830**	**2,216**	**(1,153)**	**1,186**

Merger reserves comprise the premium arising on shares issued as consideration for the acquisition of Ineum Consulting where merger relief, under the relevant section of the Companies Act, applied.

Shares to be issued comprise the estimated value of shares that may be issued under the Management Incentive Plan. The share compensation reserve represents the net credit arising from the charge for share options less amounts transferred to retained earnings following the lapse of share options. Shares held by the employee benefits trusts represents 6,183,748 shares (2008: 4,197,374 shares were held within the onshore trust). The value of these shares held in reserves is £1,153,000 (2008: £1,296,000).

Notes to the financial statements continued
for the year ended 31 December 2009

21. Retained earnings

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 1 January		**(51,817)**	(17,210)	**53,713**	63,994
Net profit/(loss) for the year		**1,356**	(22,019)	**(1,201)**	(7,878)
Dividends paid		**(4,234)**	(3,959)	**(4,234)**	(3,959)
Actuarial loss related to retirement benefit schemes		**(3,802)**	(12,674)	**—**	—
Tax on items taken directly to equity		**(48)**	2,489	**(155)**	—
Reclassification from share compensation reserve	20	**1,624**	1,556	**1,624**	1,556
At 31 December		**(56,921)**	(51,817)	**49,747**	53,713

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The movement in the Group income statement for the financial year includes a loss of £1,201,000 (2008: £7,878,000) dealt with in the financial statements of the Company.

22. Notes to the cash flow statement

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000 Revised*
Profit/(loss) from operations	**9,547**	(15,851)	**(10,395)**	(13,054)
Adjustments for:				
Depreciation of property, plant and equipment	**1,526**	1,501	**326**	880
Amortisation of intangible assets	**3,597**	3,367	**52**	536
Impairment	**—**	26,695	**—**	—
Loss on disposal of plant and equipment	**633**	—	**—**	—
Adjustment for pension funding	**303**	(919)	**—**	—
Adjustment for share options charge	**1,120**	1,324	**1,120**	1,324
(Decrease)/increase in provisions	**(2,313)**	(2,295)	**—**	2,433
Operating cash flows before movements in working capital	**14,413**	13,822	**(8,897)**	(7,881)
Decrease/(increase) in receivables	**8,509**	(11,691)	**2,422**	(1,201)
(Decrease)/increase in payables	**(36,400)**	39,067	**3,536**	510
Cash (absorbed)/generated by operations	**(13,478)**	41,198	**(2,939)**	(8,572)
Income taxes paid	**(5,012)**	(510)	**28**	—
Net cash (outflow)/inflow from operating activities	**(18,490)**	40,688	**(2,911)**	(8,572)

* Refer to note 2.

Cash and cash equivalents
Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Cash at bank and in hand	**20,117**	35,761	**3,632**	5,415
Cash equivalents	**3,848**	—	**—**	—
Cash and cash equivalents	**23,965**	35,761	**3,632**	5,415

23. Financial instruments

Capital structure and treasury policies

The Group and Company are financed by shareholders' equity and debt. The Group and Company's capital structure is reviewed regularly to ensure that each remains relevant to the business and its planned development. There are established treasury policies that are reviewed regularly to ensure that they remain relevant to the business. The objective of the Group and Company's treasury policies is to provide liquidity for the Group and Company at minimum risk and minimum cost and to hedge known financial exposures. The main treasury risks faced by the Group and Company are country specific liquidity risks. The Group and Company's objectives regarding interest rate risk, exchange rate risk, credit risk and liquidity risk are, respectively, to minimise interest charges; minimise realised exchange losses on foreign currency transactions; ensure that the Group and Company only deal with creditworthy customers; and to ensure that the Group and Company have sufficient resources available to meet their liabilities as they fall due. Investment of the Group and Company's cash is made within policies that cover counterparty risk and liquidity. Surplus cash is invested generally on maturities of three months or less commensurate with the maturity of loan drawdowns. Drawdowns under the multi-currency facilities allow for interest maturities of up to six months in US Dollars and Euros and other major currencies. The Group's term loan is drawn down in US Dollars and Euros to provide a natural hedge against the Group's US Dollar and Euro earnings. The Group's working capital facilities are drawn down in Euros, US Dollars and Sterling, the three major currencies in which the Group operates. The Company's working capital facility is drawn down in Sterling. The bank facilities have two financial covenants, Group net debt and Group interest cover, with which the Group has complied throughout the year. The Group's net debt position is closely monitored and there are effective cash forecasting procedures in place. These procedures involve careful review of future billing levels and new business prospects with operational management. Information on borrowings is shown in note 16.

The most important foreign currencies for the Group and the Company are the US Dollar and the Euro. The relevant exchange rates to Sterling were:

	2009		2008	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1.57**	**1.60**	1.85	1.47
£1 = Euro	**1.12**	**1.11**	1.26	1.05

Interest rate and currency profile of financial assets and financial liabilities at the year end

Currency	**2009 Floating rate £'000**	2008 Floating rate £'000
Financial assets		
Sterling	**1,151**	6,297
US Dollar	**2,432**	4,688
Euro	**16,372**	14,834
Other	**4,010**	9,942
Cash and cash equivalents	**23,965**	35,761
Investments		
Euro	**2,977**	—
Sterling	**4,182**	2,517
US Dollar	**15,543**	20,203
Euro	**50,704**	64,827
Other	**5,902**	2,718
Trade and other receivables	**76,331**	90,265
Financial liabilities		
Sterling	**(20,993)**	(23,935)
US Dollar	**(18,810)**	(42,612)
Euro	**(52,820)**	(69,232)
Other	**(7,456)**	(9,859)
Trade and other payables	**(100,079)**	(145,638)

The cash and cash equivalents, including short-term deposits attract interest rates based on LIBOR, US Dollar LIBOR and EURIBOR for periods of up to three months. The carrying value of these assets approximates their fair value.

Notes to the financial statements continued

for the year ended 31 December 2009

23. Financial instruments continued

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 2009 £'000	Carrying amount 2008 £'000
Available-for-sale financial assets	**2,977**	7,076
Cash and cash equivalents	**23,965**	35,761
	26,942	42,837

Exposure to credit risk

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount 2009 £'000	Carrying amount 2008 £'000
Europe	**35,894**	43,131
United States	**8,312**	14,897
Rest of World	**773**	711
	44,979	58,739

The Group's most significant customer accounts for 3% of the trade receivables carrying amount at 31 December 2009 (2008: 2%).

The ageing of trade receivables at the reporting date was:

	2009 £'000	2008 £'000
Not past due	**34,493**	33,951
Past due 0–30 days	**5,689**	15,590
Past due 31–120 days	**4,797**	9,198
	44,979	58,739

The credit quality of trade receivable not past due is believed to be AA.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2009 Non-derivative financial liabilities	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6–12months £'000**	**1–2 years £'000**	**2–5 years £'000**
Bank loans	**(107,513)**	**(111,584)**	**(47,117)**	**(7,837)**	**(14,195)**	**(42,435)**
Trade and other payables	**(100,079)**	**(100,079)**	**(100,079)**	**—**	**—**	**—**
	(207,592)	**(211,663)**	**(147,196)**	**(7,837)**	**(14,195)**	**(42,435)**

31 December 2008 Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12months £'000	1–2 years £'000	2–5 years £'000
Bank loans	(97,892)	(129,886)	(35,751)	(7,234)	(10,587)	(76,315)
Trade and other payables	(145,638)	(145,638)	(145,638)	—	—	—
	(243,530)	(275,524)	(181,389)	(7,234)	(10,587)	(76,315)

23. Financial instruments continued

Currency risk

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2009		31 December 2008	
	€'000	$'000	€'000	$'000
Trade receivables	**37,804**	**13,883**	45,576	19,135
Bank loans	**(43,150)**	**(79,280)**	(39,746)	(38,768)
Trade payables	**(6,240)**	**(2,020)**	(7,939)	(3,169)
Gross balance sheet exposure	**(11,586)**	**(67,417)**	(2,109)	(22,802)
Notional current year sales	**171,794**	**146,279**	197,847	188,507
Notional current year purchases	**(119,000)**	**91,760**	(129,818)	(109,290)
Gross and net exposure	**52,794**	**54,419**	68,029	79,217

Sensitivity analysis

A 10% strengthening of Sterling against the following currencies at 31 December 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Equity £'000	Profit or loss £'000
2009		
US Dollar	**(4,472)**	**(224)**
Euro	**(11,976)**	**(466)**
2008		
US Dollar	(2,088)	(260)
Euro	(11,698)	(676)

A 10% weakening of Sterling against the above currencies at 31 December 2009 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
Fixed rate instruments	**2009 %**	2008 %
Financial liabilities less than 6 months	**2.3**	5.5
Financial liabilities 1–2 years	**2.2**	6.6
Financial liabilities 2–5 years	**2.2**	6.6

The Group has no variable rate financial assets or financial liabilities and no fixed rate financial assets.

Fair value sensitivity analysis for fixed rate instruments

The Group does not hold any fixed rate financial assets or financial liabilities at fair value through profit or loss. The Group does not hold derivatives (interest rate swaps) which have been designated as hedging instruments under a fair value hedge accounting model.

An increase in interest rates of 1% would reduce profit for the year by £1,100,000 and reduce equity by the same amount.

Notes to the financial statements continued
for the year ended 31 December 2009

23. Financial instruments continued
Fair values versus carrying amounts – Group

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2009		31 December 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Available-for-sale financial assets	**2,977**	**2,977**	7,076	7,076
Financial assets designated at fair value through profit or loss	**—**	**—**	—	—
Cash and cash equivalents	**23,965**	**23,965**	35,761	35,761
Bank loans	**(107,513)**	**(104,759)**	(97,892)	(82,980)
Trade and other payables	**(100,079)**	**(100,079)**	(145,638)	(145,638)

The basis for determining fair values for bank loans is disclosed in note 16.

Interest rate and currency profile of financial assets and financial liabilities at the year end – Company

Currency	2009 Floating rate £'000	2008 Floating rate £'000
Financial assets		
Sterling	**218**	3,041
US Dollar	**870**	2,276
Euro	**2,544**	98
Cash and cash equivalents	**3,632**	5,415
Sterling	**21,475**	37,318
US Dollar	**54,569**	18,709
Euro	**3,790**	44,590
Other	**3,315**	—
Trade and other receivables	**83,149**	100,617
Financial liabilities		
Sterling	**(14,724)**	(10,582)
US Dollar	**(49,403)**	(43,620)
Euro	**(31,235)**	(21,217)
Other	**(98)**	(3,000)
Trade and other payables	**(95,460)**	(78,419)

The cash and cash equivalents, including short-term deposits attract interest rates based on LIBOR, US Dollar LIBOR and EURIBOR for periods of up to three months. The carrying value of these assets approximates their fair value.

23. Financial instruments continued

Exposure to credit risk – Company

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2009 £'000	2008 £'000
Cash and cash equivalents	**3,632**	5,415

The Company has no exposure to credit risk for trade receivables:

Liquidity risk – Company

The following are the contractual maturities of financial liabilities, including estimated interest payments

31 December 2009 Non-derivative financial liabilities	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**
Bank loans	**(19,000)**	**(19,512)**	**(19,512)**
Trade and other payables	**(95,460)**	**(95,460)**	**(95,460)**
	(114,460)	**(114,972)**	**(114,972)**

31 December 2008 Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000
Bank loans	(7,435)	(7,881)	(7,881)
Trade and other payables	(78,419)	(78,419)	(78,419)
	(85,854)	(86,300)	(86,300)

Currency risk – Company

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2009		31 December 2008	
	€'000	**$'000**	€'000	$'000
Intercompany receivables	**4,206**	**87,513**	46,800	27,578
Intercompany payables	**(34,678)**	**(78,902)**	(25,938)	(69,030)
Gross balance sheet exposure	**(30,472)**	**8,611**	(20,862)	(41,452)

The Company's exposure to foreign currency risk relates to intercompany balances with other companies within the Group.

Sensitivity analysis – Company

A 10% strengthening of Sterling against the following currencies at 31 December 2009 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Equity £'000	Profit or loss £'000
2009		
US Dollar	**(470)**	**—**
Euro	**2,495**	**—**
2008		
US Dollar	856	—
Euro	(1,806)	—

A 10% weakening of Sterling against the above currencies at 31 December 2009 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Notes to the financial statements continued
for the year ended 31 December 2009

23. Financial instruments continued
Sensitivity analysis – Company continued

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Fixed rate instruments	Carrying amount 2009 %	Carrying amount 2008 %
Financial liabilities less than 6 months	**2.2**	5.5

The Company has no variable rate financial assets or financial liabilities and no fixed rate financial assets.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. The Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model.

An increase in interest rates of 1% would reduce profit for the year by £249,000 and reduce equity by the same amount.

Fair values versus carrying amounts – Company

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2009		31 December 2008	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**3,632**	**3,632**	5,415	5,415
Bank loans	**(19,000)**	**(19,000)**	(7,435)	(7,435)
Trade and other payables	**(95,460)**	**(95,460)**	(78,419)	(78,419)

The basis for determining the bank loan fair value is disclosed in note 16.

24. Operating lease arrangements

Group	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**9,138**	9,703

At the balance sheet date, the Group has aggregate outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009		2008	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	**7,531**	**165**	7,608	300
In the second to fifth years inclusive	**21,302**	**422**	26,017	740
After five years	**12,375**	**—**	12,065	10
	41,208	**587**	45,690	1,050

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of four years.

25. Related party transactions
Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Except as disclosed below, no Group company entered into a transaction with a related party that is not a member of the Group. Goods and services purchased from related parties are on normal commercial terms and conditions.

During the year, the Group entered into the following transactions with related parties:

Mr Julian Waldron, a Director of the Company, is the Chief Financial Officer of Technip SA. During 2009 Ineum Consulting SAS provided consultancy services to Technip SA valued at £649,755 (2008: £89,885) and at year end there was a receivable from Technip SA of £191,456 (2008: £nil).

25. Related party transactions continued

Remuneration of key management personnel

The aggregate remuneration of the key management personnel of the Group, is set out below. Key management personnel are the heads of the consultancies. Information about the remuneration of individual directors is provided in the audited part of the Directors' remuneration report.

	2009 £'000	2008 £'000
Short term employee benefits	**1,428**	2,579
Post-employment benefits	**—**	—
	1,428	2,579

26. Principal subsidiary undertakings

At 31 December 2009, the Company had the following principal subsidiary undertakings engaged in the provision of management consultancy services. The shareholdings were 100% of the subsidiary undertakings' ordinary shares and were held indirectly except where indicated. Each of the subsidiaries is included in the consolidation.

	Countries of incorporation/operation
Ineum Conseil et Associés SA	France
Ineum Consulting SAS	France
Ineum Consulting Limited*	United Kingdom
Ineum Consulting LLC	United States
Ineum Consulting Pty Limited	Australia
Ineum Consulting Sarl	Switzerland
Kurt Salmon Associates Inc	United States
Kurt Salmon Associates Limited	United Kingdom
Kurt Salmon Associates AG	Switzerland
Kurt Salmon Associates GmbH	Germany
Kurt Salmon Associates SA	France
Kurt Salmon Associates Canada Limited	Canada
Kurt Salmon Associates Capital Advisors, Inc	United States
Alexander Proudfoot Company	United States
Alexander Proudfoot (Europe) Limited*	United Kingdom
Alexander Proudfoot GmbH	Germany
Alexander Proudfoot Inc	Canada
Alexander Proudfoot South Africa (Pty) Limited	South Africa/Africa

* Held directly

A full list of subsidiary and other related companies will be annexed to the next annual return of Management Consulting Group PLC to be filed with the Registrar of Companies.

Notes to the financial statements continued

for the year ended 31 December 2009

27. Disposals and discontinued operations

During 2009, the Group made no acquisitions or disposals.

The Salzer Group Asia Pacific Pte Limited

Following the Group's strategic review and its decision to withdraw from non-core markets and businesses, on 15 December 2008 the Group sold The Salzer Group Asia Pacific Pte Limited ("Salzer") for one dollar. Salzer's results for the period 1 January 2008 to 15 December 2008 are shown below:

	£'000
Revenue	1,988
Operating costs	(2,260)
Finance costs	(63)
Loss before tax	(335)
Tax on ordinary operating activities	(38)
Loss after tax	(373)

The loss on disposal was £1,099,000, which is included within discontinued activities in the Group Income Statement, reduced the Group tax charge by £nil.

The net assets of Salzer at the date of disposal were as follows:

	2008 £'000
Property, plant and equipment	57
Trade and other receivables	307
Bank balances and cash	196
Trade and other payables	(455)
Deferred tax liability	(90)
Attributable goodwill	714
	729
Costs of disposal	115
Transfer of accumulated foreign exchange difference from translation reserve	255
Total consideration received	—
Total loss on disposal	1,099
Net cash outflow arising on disposal:	
Cash consideration	—
Cash and cash equivalents disposed of	(196)
Net cash outflow	(196)

27. Disposals and discontinued operations continued

The Salzer Group Asia Pacific Pte Limited continued

The cash flows of the discontinued operation are shown below:

	2008 £'000
Loss from operations	(272)
Adjustments for:	
Depreciation	25
Operating cash flows before movements in working capital	(247)
Decrease in receivables	103
Decrease in payables	(106)
Cash used by operations	(250)
Income taxes paid	—
Net cash outflow from operating activities	(250)
Investing activities	
Interest received	1
Purchase of property plant equipment	—
Cash advances from fellow subsidiaries	335
Net cash raised by investing activities	336
Financing activities	
Interest paid	(52)
Net cash used in financing activities	(52)
Increase in cash	34
Cash at beginning of year	130
Foreign exchange	32
Cash at end of year	196

Contacts for investors and clients

www.mcgplc.com

Registered office
10 Fleet Place
London EC4M 7RB
United Kingdom
Tel: +44 20 7710 5000
Fax: +44 20 7710 5001

Company number
1000608

Registrar
Capita Registrars
The Registry
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Company Secretary
Charles Ansley
cansley@mcgplc.com

London office: +44 20 7710 5000

Additionally, we encourage shareholders to register for copies of corporate communications on our investor relations website at www.mcgplc.com

The Company's corporate governance report, corporate governance guidelines and terms of reference of the Board's Committees can also be found at www.mcgplc.com

Investor relations
The Group welcomes contact with its shareholders.

Enquiries should be directed to:

Alan Barber, Executive Chairman
abarber@mcgplc.com, or

Craig Smith, Finance Director
chsmith@mcgplc.com

London office: +44 20 7710 5000

Enquiries and notification concerning dividends, share certificates or transfers and address changes should be sent to the Registrar at the address shown.

Financial calendar

Annual General Meeting	20 April 2010

Operational contacts
We welcome clients introduced by shareholders. Shareholders wishing to provide introductions to potential clients should contact Craig Smith (see contact details above).

Share price information
The Company's share price information can be found at www.mcgplc.com or through your broker. The share symbol is MMC.L. The Financial Times City line service also provides this information on 0906 843 4677 (calls charged at 60p per minute).

Shareholder services
Online services are available to private shareholders. To use these facilities visit www.capitaregistrars.com

"Account Enquiry" allows shareholders to access their shareholding on the register including transaction history, dividend payment history and up to date share valuation. "Amendment of Standing Data" allows shareholders to change their registered postal address and add, change or delete dividend mandate instructions. Certain forms can be downloaded, such as dividend mandate forms and Stock transfer forms.

Should you have any queries please contact Capita Registrars helpline on 0870 162 3100, overseas +44 20 8639 2157 or email ssd@capitaregistrars.com

Share dealings
A quick and easy share dealing service is provided by Capita Share Dealing Services for UK registered certificated holders to either buy or sell shares. For further information on this service, or to buy and sell shares, please contact www.capitadeal.com (on line dealing) or 0870 458 4577 (telephone dealing).

Company advisers

Stockbrokers
Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR
United Kingdom

Oriel Securities Limited
125 Wood Street
London EC2V 7AN
United Kingdom

Financial advisers
N M Rothschild & Sons
New Court
St Swithins Lane
London EC4P 4DU
United Kingdom

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

Financial PR advisers
Financial Dynamics
Holborn Gate
26 Southampton Buildings
London WC2A 1PB
United Kingdom

Commercial bankers
Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

HSBC Bank Plc
Altius House
1 North Fourth Street
Milton Keynes MK9 1NE
United Kingdom

Lloyds TSB Bank Plc
25 Gresham Street
London EC2V 7HN
United Kingdom

Legal advisers
Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-0620
© 1996 Forest Stewardship Council
FSC

MCG's commitment to environmental issues is reflected in this annual report which has been printed on Splendorgel Extra White, an FSC Mixed Source Certified paper, which ensures that all virgin pulp is derived from well managed forests. It is elemental chlorine free bleached.

This annual report was printed by Beacon Press using *pure*print®, their environmental print technology which minimises the impact of printing on the environment.

All energy used comes from renewable sources, vegetable based inks have been used and 99% of all dry waste associated with this production has been diverted from landfill. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.

designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

Management Consulting Group PLC

Management Consulting Group PLC
10 Fleet Place, London EC4M 7RB
United Kingdom
Tel: +44 20 7710 5000
Fax: +44 20 7710 5001
www.mcgplc.com