

2003 interim results

11 August 2003



Important notice

This presentation is directed at and should be distributed only to the persons of the kind specified in the exemptions contained in articles 19 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. Any person in receipt of this document who does not fall within the exemptions referred to above should return this document to Stephen Purse at Management Consulting Group PLC (“MCG”) immediately and take no other action.

Agenda

- Introduction
 - The market
 - 2003 half year key points
 - Profit and loss account
 - Balance sheet
 - Issues
 - Outlook
-
- Appendix – The Proudfoot and Parson businesses

Proudfoot Consulting – representative clients

New clients



Continuing clients



Parson Consulting – representative clients

New clients



Continuing clients



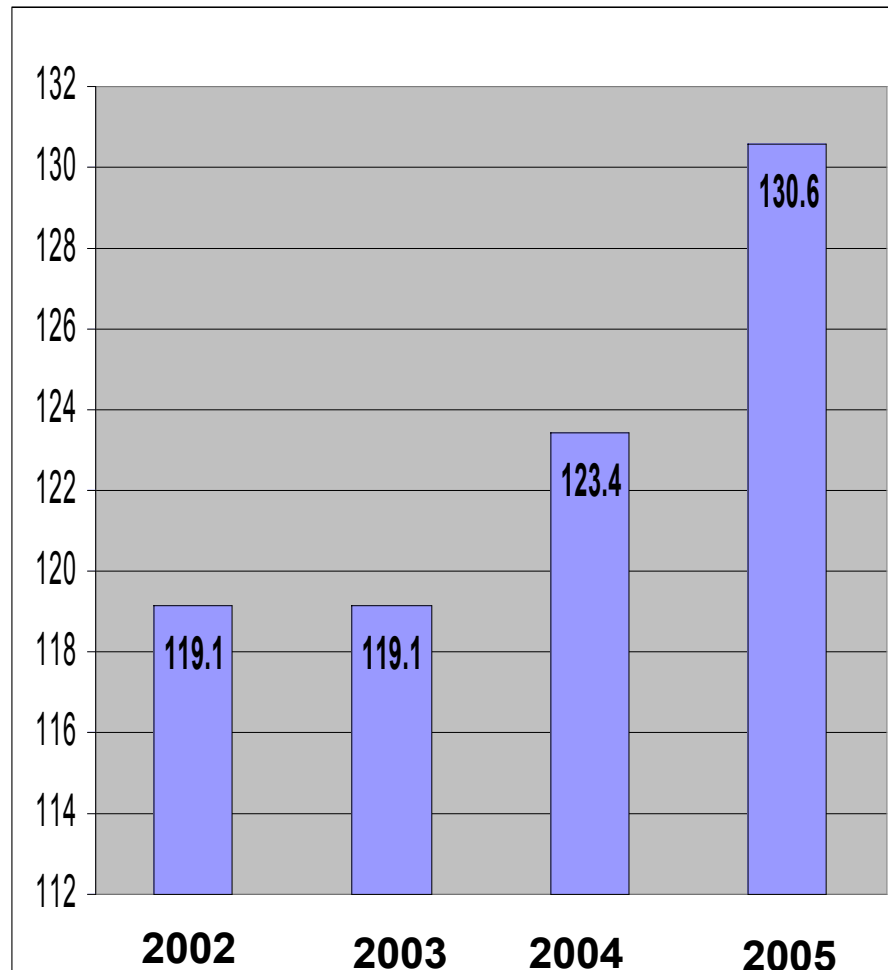
Agenda

- Introduction
- **The market**
- 2003 half year key points
- Profit and loss account
- Balance sheet
- Issues
- Outlook

H1 2003 – the market

- Consulting market place flat in 2003, returning to growth in 2004
- North America small growth in 2003, Europe small decline
- Generally, only the public sector increased spending, rest declined
- Other consulting firms reporting weak results
- Sterling remains strong

Consulting market place (US\$bn)



- Flat in 2003
- 4% growth in 2004
- 6% growth in 2005

Source: Kennedy Information

Sluggishness...

- Slumping economies
 - *US driven since 2000*
- Few big ideas
- Over-capacity in IT
- Accounting scandals in the US

Offset by...

- IT point solutions
- Government spending

Agenda

- Introduction
- The market
- 2003 half year key points
- Profit and loss account
- Balance sheet
- Issues
- Outlook

H1 2003 – Proudfoot

- Opening order book was at a low level
- New work won was satisfactory for Q1
- Rate of new work slowed in Q2 following Iraq war – uncertain market, slow decision making
- Overall rate of input has been sufficient to grow the order book by 40%
- Input 36% higher than preceding six months
- Current prospects list is very strong, although majority of related revenue will be in 2004

H1 2003 – Parson

- Revenue stabilised in autumn 2002, remained stable for first five months of H1
- Growth began to come through in June
- Sarbanes-Oxley opportunities remain strong, full implementation of it delayed but this extends sales window
- Proudfoot project on Parson largely complete, major change to sales process – starting to deliver benefits
- New management team in place
- Monthly loss halved during period to £0.4 million

Agenda

- Introduction
- The market
- 2003 half year key points
- Profit and loss account
- Balance sheet
- Issues
- Outlook

Profit and loss account

	Half			Year
	2003	2002		2002
	£m	£m	Change	£m
Turnover				
Proudfoot	33.8	53.3	-37%	93.2
Parson	9.5	2.4		14.1
	43.3	55.7	-22%	107.3
Cost of sales	(22.3)	(27.5)		(53.7)
Gross profit	21.0	28.2	-26%	53.6
Selling costs	(14.5)	(14.5)	0%	(29.2)
Administrative expenses	(7.5)	(8.5)	-12%	(16.8)
Goodwill	(2.0)	(1.1)	82%	(3.1)
Operating profit/(loss)				
Before goodwill	(1.0)	5.2		7.6
After goodwill	(3.0)	4.1		4.5
Interest (net)	0.2	-		0.4
Profit before tax	(2.8)	4.1		4.9
Tax	(0.7)	(0.4)		(0.6)
Profit/(loss) profit after tax	(3.5)	3.7		4.3
Gross profit margin	48%	51%		50%
Selling costs to turnover	33%	26%		27%
Headline EPS	(0.8)	3.6		4.7

Geographical analysis: turnover

	Half			Year
	2003	2002		2002
	£m	£m	Change	£m
Proudfoot Consulting				
North America	17.4	29.1	-40%	52.1
Europe	12.1	21.3	-43%	34.6
Africa	2.1	1.7	24%	2.2
Asia Pacific	2.2	1.2	83%	4.3
	33.8	53.3	-37%	93.2
Parson Consulting	9.5	2.4		14.1
	43.3	55.7	-22%	107.3

Geographical analysis: operating profit

	H1 2003				H1 2002	
	Operating result £m	Goodwill £m	Depn £m	EBITDA £m	Operating result £m	EBITDA £m
Proudfoot Consulting						
North America	3.2	-	0.3	3.5	4.8	5.1
Europe	(2.1)	1.1	0.2	(0.8)	(0.1)	0.9
Africa	-	-	-	-	-	-
Asia Pacific	0.1	-	-	0.1	(0.3)	(0.3)
	1.2	1.1	0.5	2.8	4.4	5.7
Parson Consulting	(4.2)	0.9	0.2	(3.1)	(0.3)	(0.1)
Total	(3.0)	2.0	0.7	(0.3)	4.1	5.6

Results commentary

- Revenue slightly ahead of July trading update
- Weakness of dollar compared to H1 02 reduced reported revenue by estimated £3 million
- Order book at start of year and slow intake in Q2 had adverse impact on revenue
- Gross margin maintained through flexing of staffing levels
- 'Self-correcting' bonus schemes also cushion impact
- Costs controlled tightly

Agenda

- Introduction
- The market
- 2003 half year key points
- Profit and loss account
- **Balance sheet**
- Issues
- Outlook

Balance sheet

	30-Jun 2003	31-Dec 2002
	£m	£m
Fixed assets		
Intangible assets	73.4	73.6
Tangible assets	1.9	2.4
Investments	1.0	1.0
	<u>76.3</u>	<u>77.0</u>
Current assets		
Debtors	9.8	8.3
Cash and cash equivalents (net)	9.5	21.9
	<u>19.3</u>	<u>30.2</u>
Creditors due within one year	(22.8)	(25.3)
Creditors due after one year	(3.9)	(4.9)
Provisions for liabilities & charges	(2.7)	(2.7)
Retirement benefits liability	(18.5)	(17.3)
Net assets	<u>47.7</u>	<u>57.0</u>

Commentary on balance sheet

- Cash reflects deferred consideration of £5 million
- Pension liability fully reflected on balance sheet – actuarial assumptions more conservative at 30 June 2003

Agenda

- Introduction
- The market
- 2003 half year key points
- Profit and loss account
- Balance sheet
- **Issues**
- Outlook

Issues addressed in first half 2003



- Maintained marketing and sales costs for future growth
- Strengthened sales management
- Close monitoring of market requirements



- Management restructured and strengthened
- Capitalised on Sarbanes-Oxley
- Continued to increase prices
- Close management of sales
- Sales effectiveness installation by Proudfoot complete
- Held training courses
- Improved management information



- Continued cross referral and joint project programme between Parson and Proudfoot
- Continued to build order book for H2 2003

Issues to be addressed in second half 2003



- Continue to strengthen middle management
- Convert strong pipeline into engagements



- Continue to increase prices and engagement size
- Continue to closely manage sales
- Reap benefits of Proudfoot sales effectiveness project



- Continue cross referral and joint project programme between Parson and Proudfoot
- Build order book for 2004

Agenda

- Introduction
- The market
- 2003 half year key points
- Profit and loss account
- Balance sheet
- Issues
- Outlook

Outlook for 2003

- Strong pipeline
- Decision making remains slow
- Economic conditions improving, but slowly and cautiously
- H2 2003 starts with significantly higher order book than H1
- Trend in Parson is improving
- Expect H2 2003 to show significant progress compared to H1

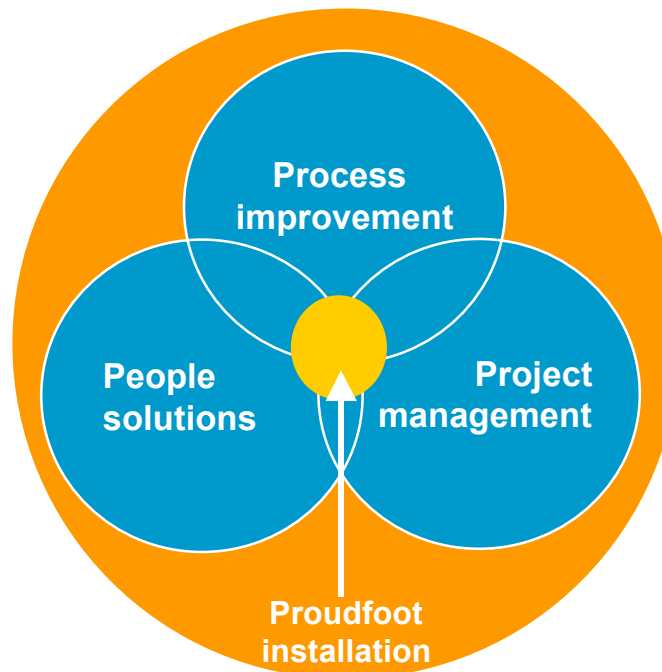
Appendix

- The Proudfoot and Parson businesses

Proudfoot Consulting—core service

The enhancement and design of processes to increase sales and reduce costs, overheads and capital expenditure

Behavioural analysis, training and communications to enhance skills and embrace change



Tight, structured approach with measurable payback in predetermined timescales

Co-venturing

“We are obsessed by measuring improvements and your earnings enhancement”

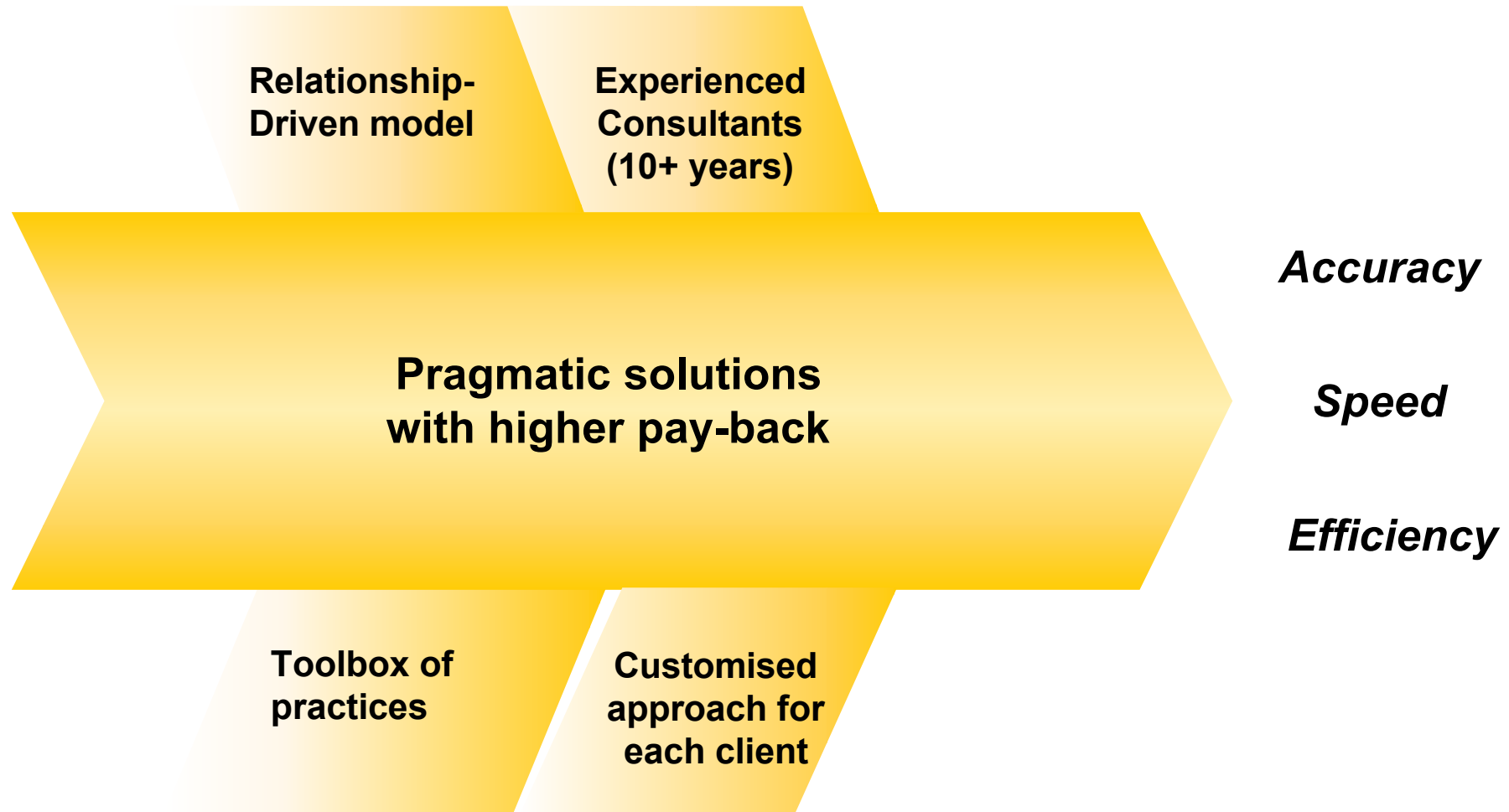
Proudfoot Consulting's no net cash promise

“Your annualised earnings enhancement will exceed our fee”



“Can you afford not to discuss your issues with us?”

Parson Consulting client service



Parson Consulting – core services

