Management Consulting Group PLC

contents

Management Consulting Group PLC is an umbrella organisation for a diverse range of consulting and professional service offerings.

corporate profile

Group consultancies

Management Consulting Group PLC is comprised of six specialist consultancies:

- Ineum Consulting
- Kurt Salmon Associates
- Parson Consulting
- Proudfoot Consulting
- Salzer Consulting
- Viaduct Consulting

Profiles of the consultancies are set out on the following pages.

Heritage

Proudfoot Consulting was founded in 1946 in Chicago. It grew into an international partnership, which in 1987 listed on the London Stock Exchange. In 2000 the parent company changed its name to Management Consulting Group PLC ('MCG'). MCG is listed on the London Stock Exchange All Share index in the 'Support Services' sector. To accelerate Proudfoot's growth in Europe it acquired IMR in 2000 and Czipin in 2001 and has merged these into the European Proudfoot business. Proudfoot remains a global consultancy, with offices on six continents.

Parson Consulting was acquired in 2002. It was based in the United States and has expanded into Europe and the Pacific region. In September 2007, the Group acquired CBH Consulting, operating in North America. This was merged with Parson Consulting in December 2007.

Ineum Consulting was acquired in September 2006. Ineum Consulting was founded in 2003, being the former Deloitte Consulting business in France. It operated primarily in France and has expanded in Europe and North America.

51% of The Salzer Group was acquired in October 2006. The Salzer Group was founded in 1997 and operates in Greater China and throughout the Asia-Pacific region. It was rebranded as Salzer Consulting when it was acquired.

Viaduct Consulting was created in June 2007 and provides commercial due diligence consulting. It operates primarily within the United Kingdom.

Kurt Salmon Associates was acquired in October 2007. It was founded in 1935 by German textile engineer Kurt Salmon and now operates globally. It is headquartered in Atlanta and has a network of offices throughout North America. It also has operations in Europe and Asia.

Management's objectives

To be the leading group that redefines and consolidates the management consulting industry by operating specialist discipline and industry led consulting and professional services firms which in combination deliver substantial shareholder value over the medium term by acquisition and organic revenue and margin growth. Management Consulting Group adds value to the individual consultancies by its contribution to their strategies, providing capital, assessing investment priorities and co-ordinating the cross referral of work between the consultancies to achieve increased revenue and obtain cost synergies.

Strategy

The Group seeks to:

- operate and invest in its consultancies and its people to ensure they deliver profitable, sustainable revenue growth that is ahead of the market rates of growth for the consultancy sector;
- acquire consultancies that either diversify the range of consulting offerings available to clients or deepen the coverage of existing Group offerings. Each consulting offering will go to market through its own brand and be operated separately by its own dedicated management team; and
- communicate clearly, regularly and fairly with its stakeholders.

Participation

It is the aim of the Group that at any time at least 20% of the equity is held by Group employees.

Head office

London +44 (0) 20 7710 5000

consultancy profile

Our uniqueness

Ineum Consulting provides services to both the commercial and public sectors through its deep knowledge of issues relevant to specific industries. Our industry experts have market, strategic, functional and technology expertise. They serve the financial, manufacturing, utilities, telecoms and media, public and transportation sectors. In addition there is a specialist middle market group to meet the needs of dynamic and growing businesses.

Our focus

Ineum Consulting works with clients to resolve issues of strategic importance, organisational design, information system management and project management through the application of functional and industry expertise.

How we work with clients

We work collaboratively with our clients basing our work on an enterprise's values to develop solutions in the best interests of our clients and their people. We ensure:

- objectivity in our recommendations and total freedom of thought for our teams, made possible by our independence;
- relevance through our expertise in industry sectors and in-depth knowledge of key business functions; and
- our teams' skills match the specific client issues drawing on the wide expertise of our people.

Satisfaction

Ineum Consulting is ISO 9001 certified by AFAQ, one of the leading certification bodies. Our quality function ensures a high level of renewal, a constant update of methodologies and tools and standardisation of the practice's processes to provide excellence in our engagements.

Representative clients

We serve clients from a wide range of industrial and international companies as well as the public sector. Over three-quarters of the CAC40 companies in France are our clients, including Société Générale, Total, SFR, EDF and LVMH. Ineum is also highly active in the public sector working for the French Ministry of Finance.

Our people

From graduate entry to experienced industry experts, our people are characterised by a willingness to work as part of a team and by their industry and functional expertise.

What we are not

External or internal auditors, policy consultants, tax advisers, merchant or investment bankers, software or hardware on-sellers, software coders/programmers, or recruitment consultants. All services are provided without conflict of interest because Ineum Consulting does not undertake audits and does not have tied relationships with software vendors, IT integration or outsourcing specialists.

ineum consulting

How we charge

Initial discussions are free and without obligation. We generally charge on a time elapsed or by project phase basis to ensure clients have a clear understanding of a project's progress. Fixed fees can be agreed for tightly defined projects.

Our challenge to clients

Could your enterprise benefit from independent challenge and objective input from industry experts? If so, you need to engage Ineum.

Engagement snapshots

- A world leader in the luxury goods industry based its organic growth on a significant increase of its core handcrafted product portfolio. We were engaged to transform and implement new organisational processes and systems to support the new challenges of its product development value chain, from design to manufacturing.
- An international manufacturing group needed to transform its IT organisation. Ineum helped the group identify and prioritise actions including: establishing a new IT governance process; modifying the internal billing mechanism for IT services; defining service levels and implementing reporting.
- Ineum was engaged by an insurance company to assist in the establishment of a subsidiary to launch direct non-life “low cost” product offerings. Ineum defined the client value proposition, the products main characteristics, the operational processes and the subsidiary organisation, location and sourcing model.
- Ineum is currently engaged to assist a global financial institution in creating a fully-fledged bank in Algeria. The project's ambition is to establish leadership among private sector banks within five years. Ineum's involvement on the project covers numerous aspects including product and service conception, determining appropriate distribution channels and IT infrastructure and the organisation of the central functions.
- Ineum has been engaged to design and implement a global suppliers cost analysis platform, allowing a major European car manufacturer to determine supplier cost structures.

Regional offices

France	+33 1 55 24 30 00	Belgium	+32 2 663 7920
Luxembourg	+352 26 37 74 1	Netherlands	+31 20 312 0400
USA	+1 212 521 0200		

www.ineumconsulting.com

consultancy profile

Our uniqueness

Kurt Salmon Associates (KSA) is the premier global management consulting firm focused exclusively on the retail, consumer products and health care industries.

Our focus

We are comprised of three business groups. Our Consumer Products Division works in all segments of the retail and consumer products industries around the globe. Our Health Services Division provides unparalleled expertise and industry insight to create tailored solutions for strategic, facility development and information technology planning needs. Our KSA Capital Advisors® group is an industry-focused corporate finance practice, delivering a select mix of financial and strategic advisory services to retail and consumer products companies.

How we work with clients

KSA's high ratio of principals to staff consultants allows us to deliver an appropriate level of perspective and judgement to each engagement. We regularly solve client problems requiring the coordination and integration of several disciplines. We also employ a highly collaborative and interactive working style with our clients to ensure support for the implementation of our recommended strategies and plans. We help our clients achieve targeted results on time and on budget.

Our global networks help us understand the keys to success and the transferability of competencies and strategies in different market environments. Through this network, we assemble global project teams with specific and relevant experiences that address each client's unique challenges and opportunities.

Satisfaction

KSA has an impressive track record of helping clients improve their performance consistent with their mission, values, objectives and the market realities of their industries. More than 80 percent of our work every year comes from existing clients.

Representative clients

During the past three years, we have worked with 25 of the top 50 global retailers and a similar number of the leading consumer products suppliers. Representative clients include Carrefour, Dow, Macy's, Metro, Nike, Polo Ralph Lauren, Sainsbury's and VF Corporation.

Our health care client base in the United States includes leading integrated health care organisations, academic medical centres, specialty and community hospitals, children's hospitals, physician practices and non-acute care organisations. Our clients include 18 of the US News & World Report Honor Roll organisations.

Our people

We employ skilled, full-time professionals throughout the Americas, Europe and Asia-Pacific. Our people have typically worked in relevant consulting and management positions for more than 10 years. KSA has been ranked as one of the "Top Ten Firms to Work For" by Consulting Magazine in each of the past five years.

How we charge

We provide an estimate of project fees and expenses as part of our intensive and thorough proposal process.

kurt salmon associates

Our challenges to clients

What steps are you taking to anticipate the fundamentally different and better capabilities demanded by consolidation and globalisation? What are you doing to improve your abilities to track, anticipate and exceed consumer demands?

In the health care arena, what strategies are you developing to improve your information systems and facilities to provide efficient, high-quality health care services in light of shifting demographics and technological advances.

Engagement snapshots

- A luxury department store retailer was significantly underperforming its peers in a booming market sector. KSA reviewed its retail operations and determined merchandising and planning was a key area of opportunity for gross margin expansion. Heeding KSA's recommendations and action plan, the retailer experienced dramatic improvements in 2007, and projects further improvements in 2008 and 2009.
- A leading vertical specialty retailer of fashion apparel with aggressive plans for growth recognised the need to evolve its supply chain. KSA defined and implemented new ways to bring the product to market, new planning and allocation processes and tools, and new distribution capabilities to meet future business growth. The retailer is experiencing top-line growth of more than 10% per year and annual savings of more than $30 million.
- One of the largest non-profit tertiary teaching hospitals in the western United States sought assistance from KSA to develop its long-term strategy in a highly competitive market. KSA also worked with the hospital to develop the supportive facility and information technology infrastructure to advance its missions. KSA provided competitive strategic planning, ambulatory and inpatient campus master planning, and significant clinical information strategy development and support. KSA continues to advise this institution's senior leadership in these areas.
- A multi-hospital delivery system anchored by a major US teaching hospital sought to assess its corporate strategy and clinical delivery network. KSA evaluated its role and value as an integrated delivery system and helped it advance its overall direction, developing strategic business plans for its community hospital members, preparing a master facility plan for its flagship academic medical center, and exploring affiliation options with a prospective new member hospital. This work built upon years of significant information technology strategy development and vendor selection support that has been critical to the system's success.

Regional offices

Atlanta	+1 404 892 0321	Shanghai	+86 21 6141 0988
New York	+1 212 319 9450	Tokyo	+81 3 3586 6840
Los Angeles	+1 310 337 2772	London	+44 20 7710 5000
San Francisco	+1 415 296 9200	Paris	+33 1 4007 1919
Princeton	+1 609 452 8700	Dusseldorf	+ 49 211 7595 0

www.kurtsalmon.com

consultancy profile

Our uniqueness

Parson Consulting develops excellence in finance and operations. To meet today's standards of corporate governance, we do not audit and therefore are free of conflicts of interest. Our financial management consulting services are provided from offices across the United States, Europe and Asia Pacific.

Our focus

Parson Consulting assists Chief Financial Officers to provide valuable financial information and insight to stakeholders through strategic finance, performance management, accounting and finance operations, governance and risk management, and corporate transaction support.

We enhance clients' management decision making through business planning, strategy monitoring, business process improvements, deploying business intelligence and performance management applications, financial systems optimisation and project management.

We assist finance functions and operational support functions whether they adopt a maximum efficiency, maximum value added or balanced service approach.

How we work with clients

We systematically implement agreed upon, practical solutions using the right combination of functional experience and consulting skills in process design and systems applications.

We establish a collaborative approach and participate in the capability development of clients' teams. Our objective advice stems from our independence from auditors and outsourcing companies.

We incorporate and utilise a specific set of deliverables and outputs designed to facilitate communication, collaboration and client involvement. This allows all participants to understand each step, provide input and feedback, review decisions made, see what is accomplished and receive documentation for each phase of the process.

We provide services that auditors are prohibited or discouraged from supplying under the Sarbanes-Oxley Act and other similar regulations and guidance, often with preferred supplier status.

Satisfaction

We have a very high client satisfaction record. Our client satisfaction level of over 90% is more than twice the industry standard.

(Based on independent research conducted by Kenexa, an independent research firm)

Representative clients

We have worked with over 1,000 clients, including over one-third of the Fortune 500. Among them are: Arcelor, Astra Zeneca, Avis, Barclays, Citigroup, Disney, EDF, Ford, Kaiser Permanente, Schneider, Shell, SNCF, Unilever, Visa and Warner Bros.

Our people

Our people typically have extensive professional experience and have worked in financial management and operational roles. Many have advanced technical degrees and/or MBAs. Before being assigned to a project, our consultants complete an extensive training programme and often attend our technology partners' training.

parson consulting

What we are not

External or internal auditors, policy and strategy consultants, tax advisers, merchant or investment bankers, recruitment consultants. We know what we can do well and limit our practice to our expertise.

How we charge

Initial discussions are free and without obligation. We generally charge weekly to ensure clients have a clear understanding of a project's progress. Fixed fees can be agreed for tightly defined projects.

Our challenges to clients

Do you produce accurate, business relevant information on a timely basis as efficiently as possible? Does your business comply with corporate governance standards such as Sarbanes-Oxley? Do you need assistance with modelling and forecasting in relation to a corporate transaction? Do you need advice on finance systems selection or outsourcing scenarios? Are your existing auditors or consultants free from auditing conflicts of interest (whether actual or perceived)? Do they have the breadth and depth of experience as full-time consultants that you require? Parson Consulting can meet all your financial management consulting needs.

Engagement snapshots

Strategic finance

- After a strategic finance review, the reporting lines for a large oil company were restructured to ensure that the financial and non-financial KPIs were reported consistently by each back office function and geographic region.

Accounting and finance operations

- Following the merger of a European defence company, we examined its operating structure, forecasting and overall efficiency. Savings of over £17 million were identified.
- A 60% reduction in the monthly close cycle time was obtained by installing a shared service accounting centre for a Fortune 200 diversified manufacturer.

Governance and risk management

- After completing the Sarbanes-Oxley Section 404 compliance work for a global consumer goods manufacturer, the work was expanded to identify control improvements and other opportunities regarding process efficiency and operational risk.

Consolidation, reporting and BPM

- The design, development and worldwide implementation of an integrated Business Performance Management system was achieved within twelve months for a major international group in the heavy industry sector. The system and process covered the entire reporting cycle from medium term planning to financial, capital expenditure and KPI reporting on a weekly and monthly basis.

Transaction assistance

- An £800 million pan European services business required specialist resource to assist with its secondary fund raising by project managing the internal process, preparing and challenging forecast information and liaising with stakeholders.

Regional offices

Chicago	+1 312 541 4690	France	+33 1 4076 9000
Irvine, California	+1 949 609 0123	UK	+44 20 7710 5200
Australia	+61 2 8913 9600	Belgium	+32 2663 7920
Netherlands	+31 20 312 0400		

www.parsonconsulting.com

consultancy profile

Our uniqueness

Proudfoot Consulting identifies and implements tangible and sustainable operational improvements at no net annualised cost to our clients. We operate globally with offices on six continents.

Our focus

Our consulting approach combines three core disciplines:

- **Process improvements:** The thorough review and re-design of existing business processes for production, supply chain, sales, cost control and capital expenditures to deliver measurable improvements in effectiveness and efficiency;
- **People solutions:** Working with, educating, training, and communicating with client employees at all levels to provide solutions which align thinking and behaviour in support of the re-designed or newly-created processes and facilitate sustainable change;
- **Management operating systems:** The development of specific, focused, easily understood, high-impact indicators to monitor performance and to identify areas which require managerial attention.

Implementation of a solution combining these three disciplines is managed using our proprietary Co-Venture® process, which, through partnership with our clients, accelerates the pace of change and the delivery of client savings.

How we work with clients

A client engagement begins with discussions with senior management to identify opportunities for operational and financial improvement. The second phase of the engagement is a period of fast-paced, in-depth analysis of the identified opportunities using a wide range of proprietary techniques to quantify the potential benefits of change. The final phase of the engagement is lengthier, usually between six and nine months and comprises installation of the new or re-designed process improvements, management systems and people solutions.

Satisfaction

We ensure continuing satisfaction by weekly meetings with our clients which includes approval of work performed and fees incurred. Any issues are therefore promptly addressed and overcome. To demonstrate our committment, clients have the right to terminate the engagement at two weeks' notice without penalty. Over 90% of our clients are prepared to provide references.

(Based on independent research by Franklin Consulting Works, an external research firm)

What makes us different

We don't just identify opportunities to improve or potential paths to improved operating results, we actually implement the changes, working with both management and front-line personnel, side by side, until the client achieves the projected and sustainable financial benefits.

How we charge

Analysis of a client's business to identify and quantify the improvement opportunities is charged on a time-used basis, but the cost is minimised by its short duration. Development and implementation of solutions is charged on a fixed-fee basis at a fraction of the agreed annualised benefit to the client.

Our people

Proudfoot consultants are typically former managers with years of practical industry experience who have become consultants later in their careers.

Representative clients

Representative clients include BHP Billiton, BP, Degussa, Exide, ING, Maytag, Nissan, Sara Lee, Société Générale and Total.

Engagement snapshots

- An insurance company halved the new product development cycle by installing more timely and frequent launches of targeted products resulting in a sales increase of over US$15 million within nine months.
- Increased capacity utilisation while reducing energy consumption and use of overtime labour to deliver US$42 million in benefits for one of the world's lowest cost nickel producers.
- Defined responsibilities, operating processes, management tools, behaviours and communication channels to help a leading oil and gas company increase production by 300%.
- Improved labour productivity, merchandising and inventory control to deliver CDN$33.1 million in benefits for a Canadian grocer operating 100+ retail locations.
- Improved service to personal investment customers and reduced complaints by 48% at a global financial services company operating in over 50 countries.
- Reduced contractor, supply chain, overtime, and warehouse costs by US$44 million while achieving record production levels at an Indonesian metal mine.
- Enhanced work/life balance and reduced turnover of division trainmasters for a large North American railway operator.
- Delivered EUR 53 million in benefits for a German plastics manufacturer via plant relocation, yield improvement and installation of a performance-based culture.
- Improved organisational effectiveness while reducing inventory and contractor costs for a global process controls manufacturer, delivering EUR 28.5 million in benefits.
- Optimised packaging and cost controls, reduced energy and casual labour usage over nine facilities, delivering Rand 22.7 million in benefits for a major Southern African brewer.

Regional offices

North America	+1 212 755 2550	Pacific	+61 2 9957 5027
South America	+55 11 3443 7803	Africa	+27 11 706 8080
Europe	+44 20 7710 5100	China	+852 3102 2938

www.proudfootconsulting.com

consultancy profile

Our uniqueness

Salzer Consulting is the HR partner of choice for leading companies who are expanding rapidly in Asia-Pacific providing HR project management and human effectiveness improvement through proven products and tailor-made solutions. We combine deep commercial knowledge with sound cultural understanding of the different countries throughout the Asia-Pacific region.

Our focus

Salzer Consulting assists clients to achieve exceptional growth through:

- **Organic expansion:** Rapid expansion of workforce and start-up support
- **Inorganic expansion:** M&A support – HR and leadership due diligence, post acquisition support and revitalisation, and organisation transformation
- **Market entry:** Full HR outsourcing and general advisory support for entry into new markets
- **Executive search:** Resourcing of senior executives, leadership teams and rare skills (including remote sites) and successful managing of localisation.

How we work with clients

We develop close collaborative partnerships with our clients and accept project responsibility. We initially scope the challenges resulting in the provision of a proposal containing a detailed plan to address the issues which is accompanied by a week by week schedule of activities and deliverables/milestones.

Our consultancy projects involve small teams of highly skilled consultants who establish project offices on-site working closely with our clients' management and staff always involving them in problem-solving and solutions.

Salzer Consulting executive search techniques differ from our competitors in that we do not accept clients where we could possibly have a conflict of interest; we can then search across all potential employers. Our well qualified researchers find the best candidate for the job using intelligence and sound business thinking combined with significant value-add as to local talent availability, cost management and retention/integration issues.

Satisfaction

Salzer Consulting prides itself on a high degree of repeat business (80%) reflecting a high level of client satisfaction. Most clients use both our consultancy/project management services and our executive search services.

Representative clients

Our clients span a number of industries and geographies within the Asia-Pacific region and include Asian American Coal, Becker Mining, BNP Paribas, Carlyle Group, Danone, Global Mart Supermarkets Fund, Kraft, Lynas Corporation, Rolls-Royce, Sino Gold, Telstra International, Wall Street Institute and Warner Music.

Our people

Our multi-lingual consultants are from business and consultancy backgrounds with solid hands-on experience.

What we are not

Strategy consultants, IT installers, financial management consultants, lawyers or accountants.

How we charge

Initial consultations are free and without obligation. Our engagement terms for consultancy projects are based on a fixed fee which covers a scoping study and thereafter follows detailed schedules and milestones against which fees are charged. For search assignments, our fees are either a percentage of gross remuneration or a fixed fee.

Our challenges to clients

Do you want the world's best business practice in China and other developing Asian economies? Do you want highly productive, motivated workforces in Asia and Australia? Do you want to avoid the problems faced by your competition in building your supply chain in Asia?

Engagement snapshots

- We worked with the world's leading manufacturer of precision engines to put in place their regional succession planning in China, India, Japan, Korea, Singapore and the UAE.
- A major USA based FMCG multinational was committed to a significant new growth programme in Asia-Pacific. All Asian divisions had problems due to non-responsiveness to western practices and lack of transparency. Salzer Consulting led the project to achieve the growth targets, to redesign the organisational structure, re-focus initiatives, initiate cultural change programmes and install a mentoring programme.
- We assisted a US based company in the acquisition and consolidation of over a 1,000 food outlets across China by assessment and evaluation of the senior management team post acquisition, delivering outsourced HR support while building the HR team, salary benchmarking and conducting our specialised behaviour change programme for China – "Xin De Kai Duan".
- Salzer Consulting provided a major US based music company's Japanese division with a senior management mentoring programme following on from our revitalisation initiative – "Ishin".

Regional offices

Hong Kong	+ 852 2167 8726	China	+86 10 852 00235
Japan	+ 81 3 3490 6671	Australia	+61 2 9233 8066
Singapore	+ 65 6322 8554		

www.salzer-consulting.com

consultancy profile

Our uniqueness

Viaduct Consulting is a strategy consultancy which helps clients make superior investment decisions and supports them to deliver value from these decisions for their investors. We combine insight into key commercial and operational issues gained from hands-on sector and functional expertise with unparalleled transaction and investment support experience. Our advanced programme management tools and methods help companies to achieve challenging objectives, particularly in complex mergers, carve-outs, separations and new market entrances. Our insight is based on a thorough understanding of the industry sectors with which we work, on bespoke detailed research and on our team's extensive experience of completed transactions.

As an independent firm we are free from any 'Big 4' conflicts and can go that extra mile. We don't simply document the vision for the merger, we help make it a reality. We don't simply write operational due diligence reports, we support the organisation to deliver the synergies. We don't simply log operational issues in the integration risk register, we help to resolve them.

Our focus

We focus on helping to make transactions and investments successful for our clients. We concentrate on the key issues in specific sectors to provide support to those making investment decisions. We do not seek to be all things to all people, rather experts in our chosen fields. We deploy functional, transactional and operational experts to deliver successful acquisitions and disposals.

How we work with clients

We work alongside clients to help them make investment decisions, whether that investment decision is the acquisition of a business or company, a carve-out of non-core operations, the launch of a new product, or the entrance into a new market or geography. We then support investors and vendors assess the impact of planned operational and commercial developments on future financial performance. We build the bridge between global strategy and the operational actions required to implement it, through a structured and proven programme management methodology. We bring expertise and experience to complement our client's management's understanding of their business.

Satisfaction

Viaduct is a new consultancy and we undertook our first assignments in late 2007. Our early clients have been pleased with what we achieved for them. Our team brings a track record of providing an exemplary service as well as delivering results.

Representative clients

We seek to work with clients who wish to perform commercial or operational due diligence on investment decisions, or who wish to manage their integration, carve-out or separation to deliver their strategic objectives. Our team has supported some of the largest and most complex corporate mergers, carve-outs and separations worldwide. We have also worked across all phases of the deal cycle, from market and target assessment, to synergy case development and review, from integration planning and transition management to strategic transformation and benefits delivery. We have also supported large and medium-sized private equity houses in assessing investment targets and building compelling operational value improvement cases for their investment committees and capital providers.

Our people

Our teams consist of people with a strong track record in transactions complemented by deep expertise in specific disciplines, including transaction support, programme management, strategy, operations, functions and research expertise. We are fortunate, as part of MCG to leverage the experience of our other consultancies as appropriate.

What we are not

We are not finance or policy consultants, tax advisers or investment bankers.

How we charge

Initial discussions are free and without obligation. We generally charge on a time elapsed basis or by project phases.

Our challenge to clients

- What types of acquisitions should you consider?
- What are the synergies from the deal?
- Are you confident that future performance forecasts will be achieved?
- Do the target businesses have the production capacity to achieve the financial plan?
- What are the risks associated with expansion into this market?
- How should the integration programme be structured and managed?

Head office

+44 20 7710 5050

www.viaductconsulting.com

management statement

Group Results

The Group continued to make significant progress in the implementation of its strategic plan during 2007. Two acquisitions were completed during the year, CBH Consulting in September and Kurt Salmon Associates in October, which broadened the service offering and deepened the Group's North American footprint. CBH Consulting was merged with the US operations of Parson Consulting in December.

The performance of the Group's six consultancies is set out below:

	Year ended 31 Dec 2007 £'000	Year ended 31 Dec 2006 £'000
Revenue		
Ineum Consulting••	**79,948**	23,709
Kurt Salmon Associates••	**17,078**	–
Parson Consulting••	**43,846**	34,301
Proudfoot Consulting	**73,603**	88,658
Salzer Consulting••	**1,297**	222
Viaduct Consulting	**15**	–
Total revenue	**215,787**	146,890
Operating profit		
Ineum Consulting	**11,880**	2,780
Kurt Salmon Associates	**2,635**	–
Parson Consulting	**(498)**	(2,108)
Proudfoot Consulting	**12,280**	15,575
Salzer Consulting	**(198)**	(91)
Viaduct Consulting	**(180)**	–
Underlying• operating profit	**25,919**	16,156
Non-recurring items:		
Integration of acquisitions	**(2,480)**	(2,100)
Proudfoot surplus provision	**–**	335
Operating profit before amortisation	**23,439**	14,391
Amortisation of acquired intangibles	**(1,665)**	(943)
Profit from operations	**21,774**	13,448

••Ineum Consulting was acquired on 1 September 2006, 51% of Salzer Consulting on 6 October 2006, CBH Consulting on 6 September 2007 and Kurt Salmon Associates on 12 October 2007. CBH Consulting was merged with Parson Consulting in December 2007. All results in this statement include these effects

•Throughout this statement the term underlying is used to describe profits before non-recurring items and amortisation of acquired intangible assets

Total revenue for the year ended 31 December 2007 was up 47% to £215.8 million (2006: £146.9 million). Compared to the previous year, and as a result of the recent acquisitions, there has been a material shift in the geographical distribution of Group revenue with Europe accounting for 65% (2006: 48%) and the Americas 29% (2006: 44%). The gross profit margin continues to be tightly managed and remains at 50% of revenue.

Overall, underlying administrative expenses have increased by £25.6 million from the previous year due primarily to the full year effect of administrative expenses inherent in the companies acquired in 2006 and the part year effect of the 2007 acquisitions.

Non-recurring costs of £1.7 million were incurred in the completion of the integration of Ineum Consulting and a further £0.8m in the commencement of the integration of CBH Consulting and Kurt Salmon Associates. Additionally, £1.7 million of amortisation has been charged in the income statement arising from these three acquisitions as their brands, customer relationships and order books are accounted for as intangible assets.

The underlying profit from operations rose 60% to £25.9 million (2006: £16.2 million).

The underlying EBITDA margin was 12.9% compared to 12.3% last year. Our target EBITDA margin remains at 15%.

management statement

(continued)

After charging the non-recurring costs of £2.5 million (2006: net £1.8 million) and amortisation of intangible assets of £1.7 million (2006: £0.9 million), the profit from operations was £21.8 million (2006: £13.4 million). Group profit before tax increased by 47% to £19.7 million (2006: £13.3 million). Underlying profit before tax increased by 47% to £23.8 million (2006: £16.2 million).

The acquisitions of CBH Consulting and Kurt Salmon Associates were financed partly by new debt and partly by new equity. The additional debt contributed to an interest expense of £3.2 million (2006: £1.3 million) which was partly offset by investment income of £1.1 million (2006: £1.2 million).

The effective tax charge on profit before tax, as adjusted for the amortisation charge related to the Ineum, CBH and KSA acquisitions, is 31% (2006: 33%) and includes 5% points (2006: 8% points) of non-cash tax items required to be included in the charge by accounting standards benefits by 2% points (2006: charge of 3% points) relating to prior year items. The amount payable, the current year "cash tax" charge is therefore 28% (2006: 22%).

Basic earnings per share were 4.7 pence (2006: 4.1 pence). After adjusting for post tax, non-recurring items, the amortisation of intangibles and non "cash tax" items, the underlying earnings per share were 6.2 pence (2006: 5.4 pence).

The Consultancies

Ineum Consulting

Ineum Consulting has performed ahead of our expectations during 2007. Revenue increased to £79.9 million (2006: £23.7 million), reflecting a full year's revenue (2006: 4 months) and good organic growth. The underlying operating margin increased to 14.9% (2006: 11.7%). The integration plan was successfully executed in line with plan.

Kurt Salmon Associates

Kurt Salmon Associates has performed ahead of our expectations and has contributed £17.1 million of revenue to the 2007 results since its acquisition in October. The underlying operating margin post-acquisition was 15.4%. The consultancy has added a further dimension to the Group's services, particularly in relation to retail and health care consulting. The integration plan which commenced in October is proceeding to timetable and will continue into 2008.

Parson Consulting

Parson Consulting's revenue was up 28% to £43.8 million (2006: £34.3 million). Whilst the business made good progress outside the US, as previously reported trading in the US remained lacklustre. The operating loss for the year was £0.5 million (2006: £2.1 million) comprising a loss of £0.8 million in the first half and a profit of £0.3 million in the second half (2006: losses of £1.9 million and £0.2 million respectively). The US business was merged with CBH Consulting in December 2007 to create a combined financial and performance management consultancy which broadens its offering in the US market.

Proudfoot Consulting

Proudfoot Consulting revenues decreased by 17% compared to last year to £73.6 million (2006: £88.6 million). Its operating margin declined slightly to 16.7% (2006: 17.6%). The consultancy continued to invest in the development of its business outside its traditional markets of the US and Europe and good progress was reported particularly in Brazil and the Pacific region. Trading in the US and Europe was below expectations.

Salzer Consulting

Salzer Consulting's revenues increased by £1.1 million to £1.3 million compared to last year, reflecting a full year's trading (2006: 3 months). Salzer's underlying operating loss increased by £0.1 million compared to 2006, as the business continued to invest for the future.

Viaduct Consulting

Viaduct Consulting is a new business, which commenced trading in the second half of the year. Its revenues of £15 thousand and underlying operating loss of £0.2 million reflect the start up nature of the business.

Balance sheet

Net assets increased by £46.8 million to £159.0 million (2006: £112.2 million). The vast majority of this increase was due to the acquisitions of CBH Consulting and Kurt Salmon Associates.

CBH Consulting was acquired on 6 September 2007 for a total consideration of £4.4 million, satisfied by £2.3 million of cash and shares in MCG worth £2.1 million. Kurt Salmon Associates was acquired on 12 October 2007 for a total consideration of £61.2 million, satisfied by £36.8 million of cash and shares and options in MCG worth £24.4 million.

In accordance with International Financial Reporting Standards, intangible assets arising on the purchases of businesses have been separately identified and quantified from goodwill and amount to £7.5 million before an associated deferred tax liability of £2.6 million, as required by accounting standards. The intangible assets are amortised through the income statement whereas the goodwill is not. The aggregate goodwill and intangible assets before amortisation in respect of 2007 increased by £92 million primarily as a result of the CBH Consulting and Kurt Salmon Associates acquisitions.

The Group's overall net debt as at 31 December 2007 was £60.9 million compared to net debt of £28.8 million at 31 December 2006. The cash outflow relating to the consideration for the acquisitions was £39.9 million.

The net post retirement obligations liability has risen from £5.4 million at 31 December 2006 to £7.8 million at 31 December 2007. The increase in the liability arises from a defined benefit obligation in Germany acquired with Kurt Salmon Associates, offset by payments into the closed US defined benefit scheme of £0.7 million (2006: £2.0 million), an increase in the discount rate from 5.8% to 6.2%, strong investment performance and the weakening of the US dollar by an average of 2% in 2007.

Cash flow

Group trading was particularly cash generative in 2007. Cash generated from operations was £33.8 million compared to £2.3 million in 2006. Of note was the successful working capital management. Despite the organic growth being skewed towards Ineum Consulting, which traditionally offers longer credit terms than the Group's other consultancies, there was an absolute decrease in receivables of £2.5 million (2006: increase of £6.4 million).

Strategic progress

During 2007 the Group made significant progress through broadening its consulting offering in existing and new geographies. The acquisition of Kurt Salmon Associates provided a substantial new consultancy for the Group's portfolio diversifying the service offerings and deepening the Group's North American footprint. The Group also increased its business intelligence and financial performance offering by acquiring CBH Consulting. The diversification of the offerings in 2007 has added to the strength and decreased the risks of the Group from both a service line and a geographical perspective.

Dividend

In the light of the Group's increased size, the underlying profitability of the business and the excellent cash generation during 2007, the Board is recommending that the total dividend in respect of the year be increased by 15% to 1.15 pence per share. An interim dividend of 0.33 pence per share was paid in October and, therefore, subject to shareholders' approval, a final dividend of 0.82 pence per share will be payable on 14 May 2008 to shareholders on the register on 18 April 2008.

People

We were pleased, earlier in the year, to welcome CBH Consulting and Kurt Salmon Associates employees to the Group. The Board is delighted by the contribution that these businesses are already making to the Group.

Craig Smith, Finance Director, joined the Board on 26 April 2007. Jacques Manardo, non-executive director, stood down from the Board on 30 May 2007.

On 19 February 2008 Rolf Stomberg, Chairman, and Kevin Parry, Chief Executive, stood down from the Board. Rolf joined the Board in September 1998 and Kevin in January 2000 and

management statement

(continued)

both have been instrumental in the development of the company from a single, loss making, consultancy to one of the 30 largest consultancies in the world with a global reach and a robust balance sheet. I would like to take this opportunity to thank them for their hard work over the years and wish them well in their future endeavours.

Also on 19 February 2008 Craig Smith tendered his resignation although he will remain in office until 19 August 2008, or earlier if agreed. I would also like to thank Craig for his contribution to the business during his tenure.

On the same date I was appointed Executive Chairman, having previously been a Non-Executive Director of MCG.

On 6 March 2008 it was announced that Mr Luiz Carvalho, CEO of Proudfoot Consulting, Mr Miguel de Fontenay, CEO of Ineum Consulting and Mr Mark Wietecha, Chairman of Kurt Salmon Associates will join the Board as Executive Directors on 19 March 2008.

On the same date it was also announced that the Group has begun the search for two independent Non-Executive Directors who will join the Board of Directors on appointment.

MCG is continuing to assess the composition of the Board and has under way the formal process to appoint a new Chief Executive Director. A further announcement will be made in due course.

Prospects

2008 has started well with work won so far this year ahead of work delivered. The Board expects the Group to show good growth in first half revenue compared to 2007, although it will continue to review whether or not the challenging economic conditions currently prevalent in the United States will adversely affect business during the second half of the year.

Alan Barber

Executive Chairman

17 March 2008

financial review

The business, its objectives and strategy

Information on the Group's business, corporate objectives and strategy are set out in the corporate profile and consultancy profile sections of this annual report.

During 2007 particular attention was directed towards:

- continuing the Group's strategy of growth and diversification by acquiring CBH Consulting and Kurt Salmon Associates, and by establishing Viaduct Consulting;
- building the Parson Consulting and Proudfoot Consulting businesses in their core geographic regions; and
- expanding the Ineum Consulting business geographically by opening new offices in Europe and the US.

Five year summary

	2007 IFRS £m	2006 IFRS £m	2005 IFRS £m	2004 IFRS £m	2004 UK GAAP* £m	2003 UK GAAP* £m
Revenue	**215.8**	146.9	129.6	119.2	119.2	88.6
Underlying profit from operations†	**25.9**	16.2	12.7	11.6	11.5	(1.7)
Profit from operations	**21.8**	13.4	13.6	12.4	12.3	0.2
Net finance (cost)/income	**(2.1)**	(0.1)	0.4	–	–	–
Taxation	**(6.5)**	(4.6)	(4.1)	(3.9)	(3.0)	(1.1)
Profit/(loss) for the year	**13.2**	8.8	9.8	8.5	9.3	(0.9)
Basic earnings/(loss) per share*	**4.7p**	4.1p	5.3p	4.6p	5.0p	(0.5p)
Adjusted basic earnings/(loss) per share†	**6.2p**	5.4p	4.9p	4.2p	4.6p	(1.5p)

* For 2004 and prior, the UK GAAP numbers have been adjusted to remove goodwill amortisation which was the major adjustment to profit from operations arising from the conversion to IFRS

† Adjusted for non-recurring items and the amortisation of intangible assets associated with acquisitions

Business review

The Group operates six management consulting businesses with similar economic drivers.

Our business models

Ineum Consulting generally charges clients on a time and expenses basis where out of pocket expenses are a pass-through cost. Ineum Consulting bills clients throughout the course of a project.

Kurt Salmon Associates generally charges clients on a fixed fee basis, with out of pocket expenses being a pass-through cost.

Parson Consulting also generally charges clients on a time and expenses basis with out of pocket expenses being a pass-through cost. Parson Consulting typically bills clients weekly.

Proudfoot Consulting earns its revenue through charging its clients fixed fees, to assist them to improve their profitability. Clients are generally billed weekly over the period of the assignment and fees are inclusive of out of pocket expenses.

Salzer Consulting generally charges clients on a time and expenses basis where out of pocket expenses are a pass-through cost. Salzer Consulting bills clients during the course of assignments.

Amounts outstanding from clients are reported to management on a weekly basis and appropriate action is taken to obtain payment of any amounts not paid within the contractual terms. Trade debtors at 31 December 2007 represented approximately 48 days' sales (2006: 44 days).

There is no undue dependence on any individual client project. The largest client in 2007 accounted for approximately 3% (2006: 6%) of Group revenue.

Each consultancy actively manages its utilisation through rigorous staff forecasting and scheduling. This, in combination with tight management of travel and accommodation costs, allows us to achieve a consistent 50% gross margin after allowing for investment in training our delivery staff and time off for holidays and sickness. We manage our resource base on a continental and global basis to optimise utilisation. Our

financial review
(continued)

consultants are incentivised to deliver quality, profitable assignments through bonus schemes.

Our sales force and senior employees are also incentivised through a bonus scheme. The sales force is paid a base salary and their bonus begins to accrue once they have sold a multiple of their salary at our target margin levels. They receive bonuses based on the cash collected from fees billed to clients. This results in the sales cost to revenue ratio falling as revenue grows. Senior employees are paid a salary and receive bonuses reflecting achievement of personal objectives and overall business performance.

Administrative expenses represent the costs of the support infrastructure for the consultancies and the head office management function, which provides shared service support for a number of functions including knowledge management, management information systems, human resources, strategy, legal, marketing and some finance services. A number of our facilities are also shared across the world. Our overhead base has the capacity to support a greater level of revenue and activity than we currently generate.

Information on the trading performance of the individual consultancies and geographical units is given in the Management Statement.

Net assets

Net assets increased by £46.8 million to £159.0 million, driven primarily by the acquisition of CBH Consulting, Kurt Salmon Associates, the post tax profits in the year and unrealised foreign currency gains on non-sterling assets.

The profit for the year of £13.2 million (2006: £8.8 million) is arrived at after charging £0.8 million (2006: £0.8 million) for share option charges; £0.2 million (2006: £0.6 million) for deemed tax charges connected to our US pension contributions and £0.9 million (2006: £0.8 million) connected with tax deductions for goodwill; and £1.7 million (2006: £0.9 million) for acquired intangible amortisation, offset by a £0.6 million (2006: £0.3 million) notional tax credit. None of these items results in cash outflows.

During 2007 we paid dividends of £3.6 million. This comprised £2.7 million in respect of the final dividend for 2006 and £0.9 million as interim dividend for 2007 (2006: £1.5 million as final dividend for 2005).

The Board decided to pay the interim dividend to reflect the Group's size and increased diversity of consulting offerings. It is our intention in the future to target an interim dividend of approximately one-third of the total dividend for the year.

The year end net debt balance was £60.9 million (2006: £28.8 million). Gross bank borrowings were £81.8 million (2006: £39.0 million) following the draw downs under multi-currency facilities which were provided to finance the acquisitions of CBH Consulting and Kurt Salmon Associates, refinance existing borrowings and to provide working capital facilities for the enlarged Group.

Whilst average exchange rates were little changed in 2007 compared with 2006, the year end closing exchange rates showed a strengthening of the Euro to Sterling. Consequently, there is an increase of £9.1 million (2006: £4.9 million decrease) in reserves.

Resources of the business 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 regularly reviewing the performance of every engagement, in conjunction with the client, while the engagement is being undertaken. This enables timely resolution of issues arising to ensure that clients are highly satisfied with the results of each assignment. It is our objective that every client becomes a reference for future clients. Post-engagement reviews of client satisfaction are carried out on all significant engagements.

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 which is conditional on continued employment. The performance of every employee is reviewed regularly and actions are agreed to deal with any identified performance issues. In Parson Consulting (outside continental Europe) and Proudfoot Consulting an integrated performance measurement system has been installed to enable the performance of individuals to be measured and compared across the businesses. Ineum Consulting and Kurt Salmon Associates have similar non-integrated systems of evaluation. The training needs of employees are also reviewed and tailored training programmes have been developed for each of the core functions within the six consultancies. The headcount needs of the businesses are reviewed weekly in light of the projected requirements of the business as indicated by the forward order book and order prospects. Standardised employment contracts that take account of local laws and practices are in place.

The Group has developed an intranet-based knowledge management system to document the intellectual property that has been developed through many years of assisting clients. Clients' needs are regularly reviewed and new services developed in accordance with the identified needs. Parson Consulting and Proudfoot Consulting have dedicated Practices groups which turn client needs into concrete offerings that we can deliver to the market. Ineum Consulting has similar procedures; its senior employees undertake a similar role on a part-time basis. Appropriate steps are taken to safeguard the security of the Group's intellectual property and we do not hesitate to take legal or other actions to protect it, if this is necessary.

Investment for the future has continued in staff skill sets, training, management information systems, knowledge management and marketing. Marketing expenditure has continued to focus on building potential clients' awareness of the Group's brands and the services we offer.

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 as a whole.

The major risks the business faces are related to the demand for consultancy services in each of the markets and sectors in which the Group operates; maintaining and extending our client base; attracting and retaining talented employees; and not using our intellectual capital to full advantage.

These risks are managed by anticipating consultancy trends; identifying new markets and sectors in which the Group might operate; maximising staff utilisation; having remuneration policies which reward performance and promote continued employment with the Group; and maintaining a comprehensive knowledge management system. The implications of the changes to the Board composition which occurred in 2008 have been considered and are not believed to have had any significant impact on the Group's risk profile.

Potential contractual liabilities arising from client engagements are managed through careful control of contractual conditions and appropriate insurance arrangements. There is no material outstanding litigation against the Group, of which the directors are aware, which is not covered by insurance, or provided for in the financial statements.

Financial review

Capital structure and treasury policies

The Group refinanced its balance sheet in 2007 and took on additional debt to fund the acquisition of Kurt Salmon Associates. The Group had £60.9 million of net debt at 31 December 2007, comprising £20.9 million cash and £81.8 million borrowings. The Group's capital structure is reviewed regularly to ensure that it remains relevant to the

financial review

(continued)

business and its planned development.

The Group's foreign exchange exposure is primarily a translation risk as the Group's businesses operate mainly in their local currencies and, as a result, the Group's transactional exposure to exchange rate movements is minimal. Translation risk arises primarily from the goodwill arising on acquisitions being denominated in US dollars and Euros. There is a partial hedge against translation movement from the long-term retirement benefits liabilities denominated in US dollars and Euros and the multi-currency bank facility, which is also denominated in US dollars and Euros.

Treasury activities are managed on a day-to-day basis by a treasurer who reports frequently to the executive directors. There are established treasury policies that are reviewed regularly to ensure that they remain relevant to our business. The objective of the Group's treasury policies is to provide liquidity for the Group at minimum risk and minimum cost and to hedge known financial exposures. The main treasury risks faced by the Group are country specific liquidity risks.

Investment of the Group's cash is made within policies that cover counter party 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. The Group's term loan is drawn down in US dollars and Euros to provide a partial hedge against the Group's Dollar and Euro earnings. At the year end, the working capital facilities are drawn down in US dollars and Euros, two of the three major currencies in which the Group operates. 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.

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 the retirement benefit schemes, regularly reviewing performance and making changes where appropriate. Qualified independent actuaries are consulted and they carry out regular reviews of the position. During the year, the retirement benefit obligations increased by £2.3 million to £7.8 million. Cash contributions to the schemes amounted to £0.7 million (2006: £2.0 million). A net actuarial gain of £0.8 million (2006: gain of £3.3 million) arose as a result of the discount rate applicable to future benefits being increased by 0.045% to 6.25% and the investment return being in line with the long term assumed average of 8%. The weakening of the US dollar decreased the net liability by £0.1 million (2006: £1.1 million).

Cash flows

The net debt balance at the year end was £60.9 million compared with net debt of £28.8 million at the prior year end.

The cash generated by operations was £33.8 million compared with £2.3 million in 2006. This represents an operating cash conversion rate of 148% (2006: 17%). The principal cash outflows were payments relating to the acquisitions of CBH Consulting and Kurt Salmon Associates totalling £39.9 million, £12.7 million repayment of borrowings (2006: £nil), tax of £2.6 million (2006: £4.3 million), investments in fixed assets and financial assets of £4.3 million (2006: £2.6 million), payments into the closed pension and medical benefits schemes of £0.7 million (2006: £2.0 million, payment of interest £3.4 million (2006: £nil) and the payment of the 2006 dividend of £3.6 million (2006: £1.5 million). These amounts were offset by £45.1 million drawn down under the Group's multi-currency bank facilities.

Taxation

The Group's total tax charge for 2007 based on reported profit before tax was £6.5 million (2006: £4.6 million). The total tax charge comprises £5.2 million (2006: £5.9 million) in respect of current year corporate tax; £1.6

million charge (2006: £1.8 million credit) of deferred tax; and a £0.3 million credit (2006: £0.5 million charge) relating to prior years. The current year effective tax rate based on reported profit before tax is 33% (2006: 34%).

In accordance with accounting standards, benefit for current year tax deductions for pension contributions and goodwill is not reflected in the current year tax charge. The benefit is £1.1 million (2006: £1.4 million). Offsetting such amounts is £0.2 million (2006: £0.3 million) relating to a notional tax credit on the amortisation charge for acquired intangibles. Excluding adjustments in respect of prior years, the current year effective "cash tax" rate is 28% (2006: 22%) based on profit before tax as adjusted for the amortisation charge related to acquired intangible assets, which is not taxable.

The increase in the "cash tax" rate reflects the prior utilisation of brought forward losses.

We have tax losses in various countries. The ability to utilise these losses is uncertain and dependent on trading profitability. A deferred tax asset of £0.8 million (2006: £2.3 million) is recognised in respect of the part of these losses that are probable to be recovered in the foreseeable future.

Returns to shareholders

The basic earnings per share amounted to 4.7 pence compared with the 4.1 pence in the prior year. The diluted earnings per share amounted to 4.7 pence compared with 4.1 pence in the prior year. Dilution occurs if performance criteria related to share options are met.

When judging earnings per share, analysts normally eliminate intangible amortisation associated with acquisitions and also eliminate non-recurring income and costs associated with acquisitions and disposals of businesses. This gives a view of the underlying trading performance. The earnings per share excluding amortisation and non-recurring expenses increased by 15% to 6.2 pence (2006: 5.4 pence).

Having regard to the trading prospects and the cash balance, a final dividend of 0.82 pence per share is proposed. An interim dividend of 0.33 pence per share was paid in October 2007, making the total dividend in respect of 2007 1.15 pence per share. This represents a 15% increase over the dividend paid in respect of 2006's profits. The dividend is covered 3.7 times (2006: 3.2 times) based on the earnings of 2007 (2006).

Going concern

The directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis has been adopted in preparing the financial statements.

Key performance indicators

The Key Performance Indicators (KPIs) used by the Board to monitor progress are: revenue growth, profit from operations, net debt, earnings per share growth and client satisfaction. We use these KPIs to monitor performance because they indicate our achievements against our stated objective of delivering substantial shareholder value over the medium term by acquisition and by delivering organic revenue and margin growth. Our performance against these KPIs is discussed in the Management Statement, Financial Review and Consultancy Profiles.

Critical accounting policies

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 judgments 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 judgments 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 and represents amounts receivable for services provided to third parties in the normal course of business. 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.

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 remaining 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.

Details of the assumptions used in the Group's goodwill impairment reviews are included in note 10 to the financial statements.

Employee benefits

Accounting for pensions and other post-retirement benefits involves judgment 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 amounts in the statement of recognised income and expense and the liability recorded in the balance sheet. Actuarial valuations are carried out annually 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. Judgment is required in determining the world-wide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain until it has been audited or agreed with the tax authorities. Where the final 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.

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 and note 2 to the financial statements provides additional discussion of the application of these estimates and other accounting policies.

board of directors

Executive Chairman

A J Barber * # **

Alan Barber, aged 60, joined the Board in April 2005. He is a non-executive director of Invesco English & International Investment Trust PLC, JP Morgan Fleming Japanese Investment Trust PLC and Western & Oriental Plc as well as two other private companies. 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 up to 2004. During 2007 he was Chairman of the Audit and Risk Committee. On 19 February 2008, he was appointed Executive Chairman and stood down from the Audit and Risk Committee.

Finance Director

C H Smith

Craig Smith, aged 44, 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 worked as Group Finance Director at Huntleigh Technology PLC from 2003 until he joined the Group. He is a qualified Certified Accountant. On 19 February 2008 Mr Smith tendered his resignation. He will remain Group Finance Director until 19 August 2008, or earlier if agreed.

Executive Director

L H Carvalho

Luiz Carvalho, aged 50, will be 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 Proudfoot in 1982 and following a series of promotions and international assignments was appointed president of Proudfoot's American operations in 1999 and chief executive of Proudfoot Consulting worldwide in 2002. He is a member of the Young Presidents and World Presidents organisations.

Executive Director

M de Fontenay

Miguel de Fontenay, aged 50, will be appointed an Executive Director on 19 March 2008. He joined Ineum Consulting in May 2004 as a managing partner and was appointed chief executive in May 2007. Previously, he had held executive positions at Capgemini, Ernst & Young, where he was Managing Partner and CEO of the French consulting practice, and EDS. He is a member of the French think tank "L'Institut Montaigne" and Board Member of "Le Syntec". He is also member of "L'Institut Esprit Services" of the MEDEF.

Executive Director

M Wietecha

Mark Wietecha, aged 50, will be appointed an Executive Director on 19 March 2008. He is a US citizen and is chairman of Kurt Salmon Associates worldwide. He has been with Kurt Salmon Associates for over 20 years and has served in several leadership roles including Managing Director of the Health Services practice as well as being a prominent consulting practitioner. He has served on the boards of the Institute for Bilingual Children, the Shepherd Spinal Center, and the Medical Heritage Foundation.

Non-executive Director * # **

Baroness Cohen of Pimlico

Baroness Cohen, aged 67, joined the Board in August 2003. She was originally a solicitor, then had 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 of Freshwater UK PLC. She is Chairman of three private companies. She is the Senior Independent Director.

Non-executive Director

J P Bolduc

J P Bolduc, aged 68, joined the Board in September 1996. He is a US citizen and is currently Chairman and Chief Executive Officer of JPB Enterprises, Inc. He was formerly President and Chief Executive Officer of WR Grace & Co. and President and Chief Executive Officer of J.A. Jones Inc. He also serves on the Boards of Unisys Corporation, EnPro Industries, Inc. and Lance, Inc. as well as several other private and not for profit enterprises.

Non-executive Director

S A Ferriss #

Stephen Ferriss, aged 62, 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 CEO 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 was appointed Chairman of the Audit and Risk Committee and appointed to the Remuneration Commitee on 19 February 2008.

Non-executive Director * **

A H Simon OBE

Andrew Simon, aged 62, joined the Board on 3 March 2006. He spent 23 years as the managing director, chief executive and chairman of the Evode Group PLC. Mr Simon holds an MBA from Wharton School of Finance in Philadelphia and has a diversified range of non-executive director and chairman positions. He is the non-executive Chairman of Azelis SA, a pan-European speciality chemicals company. He is a non-executive director of Dalkia 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 was appointed to the Audit and Risk Committee on 19 February 2008.

Committee memberships during 2007

** 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 2007. These will be laid before the shareholders at the Annual General Meeting on 23 April 2008.

Activity

The principal activity of the Group is the provision of management consulting services. Details of the Group's principal subsidiary undertakings, through which it carries out its activities, are set out in note 27 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 2007, 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, pages 21 to 26.

Group results

The Group's profit before taxation for the year ended 31 December 2007 amounted to £19.7 million (2006: £13.3 million).

Dividends

An interim dividend of 0.33 pence per share was paid on 22 October 2007. The directors recommend the payment of a final dividend of 0.82 pence (2006: interim dividend nil pence; final dividend 1.0 pence) per share to be paid on 14 May 2008 to ordinary shareholders on the register on 18 April 2008.

Directors

The names and brief biographical details of the current directors are shown on the preceding two pages. During 2007 Dr Stomberg, Mr Parry, Mr Bolduc, Mr Barber, Baroness Cohen, Mr Ferriss and Mr Simon held office throughout the year. Mr Smith was appointed a director on 26 April 2007. Mr Manardo stood down as non-executive director on 29 May 2007. Dr Stomberg and Mr Parry stood down as directors on 19 February 2008 and on the same date Mr Smith tendered his resignation. Mr Smith will remain Group Finance Director until 19 August 2008, or earlier if agreed. It is anticipated that Mr Carvalho, Mr de Fontenay and Mr Wietecha will be appointed directors on 19 March 2008.

In accordance with the Company's Articles of Association, Mr Carvalho, Mr de Fontenay and Mr Wietecha, conditional on being appointed directors prior to the Annual General Meeting, will offer themselves for re-election at the forthcoming Annual General Meeting. Mr Ferriss will retire from the Board by rotation at the forthcoming Annual General Meeting and will offer himself for re-election. Mr Bolduc, having been on the Board for more than nine years, will also retire and offer himself 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. Related party transactions are disclosed in note 26.

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 2007 represents 46 days of average purchases during the year (2006: 50 days) for the Company and 28 days (2006: 20 days) for the Group.

Substantial share interests

As at 14 March 2008 (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:

	no of ordinary shares	% of issued share capital
Gartmore Investment Limited	66,777,201	20.30
Schroders PLC	26,489,930	8.05

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 are 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 management consulting 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". Last year we noted that we had initiated a programme to measure the amount of electricity being used in our largest offices, to identify where reductions can be made in the future. Progress has been made and the programme is being implemented in the new offices added to the Group during the year.

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. This often involves travelling to different countries; however, because of careful resource planning, 90% (2006: 90%) of flights made by employees are short-haul. 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, including those added during the year as part of the CBH and KSA acquisitions. 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 and over half currently recycle paper or have plans to implement during 2008. The Group has maintained its efforts to reduce waste and increase recycling by:

- encouraging employees to recycle paper and toner cartridges. Recycling facilities are available in the largest offices and is being extended to cover CBH and KSA offices;
- giving furniture and computer equipment which is no longer needed to local schools and charities; and
- stripping obsolete computer equipment for useful parts before being disposed of in accordance with the European Waste Electrical and Electronic Equipment Directive.

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 Group Health and Safety Committee, chaired by the Director of Human Resources and including three 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. During 2006, a review of health and safety policies in each office was undertaken so that necessary improvements could be made.

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 become 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 monthly communications from the Group Chief Executive.

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.

directors' report

(continued)

Charitable and political contributions

No political donations were made in 2007 or 2006. Charitable donations of £36,100 (2006: £31,500) 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 2007 the market value of work carried out for these charities totalled £8,600 (2006:£14,000).

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.

Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that ought to have been taken as a director in order to be 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 234 ZA of the Companies Act 1985.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and, in accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint them as auditors of the Company and to authorise the directors to determine their remuneration is to be proposed at the forthcoming Annual General Meeting.

Performance Share Plan

At the forthcoming Annual General Meeting the Company seeks shareholder approval for a new Performance Share Plan (the "PSP"). The PSP is a long term, share-based, incentive arrangement which will be principally targeted at senior executives. The PSP is of a standard design and reflects market practice whilst taking account of the individual circumstances of the Company.

Under the PSP, executives will be granted, each year, a right to receive shares in the Company. The normal annual award limit under the PSP will be 100% of salary (with an ability to grant awards up to 200% of salary in exceptional circumstances, such as recruitment or retention).

Awards will be subject to challenging performance conditions and may vest no sooner than three years after grant. The initial grant of awards to executive directors and certain other senior managers in the "Group Executive" will be subject to a performance condition based on earnings per share growth ("EPS") over a three year performance period. 20% of the award will vest if average annual adjusted EPS growth is 6% per year, rising on a straight-line basis to full vesting where average annual adjusted EPS growth is 13% per year or more. 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 the initial grant of awards to certain senior executives (below main-board level) with divisional responsibilities, to take account of their divisional focus.

The Remuneration Committee considers that the introduction of the PSP will provide a more balanced suite of incentives for executives and will encourage the delivery of significant returns to shareholders whilst driving substantial underlying earnings growth.

The principal terms of the PSP are summarised in the notes to the notice of the Annual General Meeting. Resolution 11, which is an ordinary resolution to be passed by way of special business, proposes the approval of the PSP.

US Sub-Plan to the Management Consulting Group PLC 1998 Executive Share Option Scheme

The Directors are proposing to adopt a US Sub-Plan to the Management Consulting Group PLC 1998 Executive Share Option Scheme, subject to the approval of shareholders. Under the US Sub-Plan, options over Ordinary Shares may be granted to US resident employees on modified terms that are intended to comply with the requirements for Incentive Stock Options pursuant to Section 422 of the US Internal Revenue Code of 1986, as amended. The adoption of the US Sub-Plan is intended to enable the employees to obtain more beneficial treatment in respect of their options.

The headroom and individual limits contained in the main rules of the Management Consulting Group PLC 1998 Executive Share Option Scheme will continue to apply. In addition, the number of Ordinary Shares that may be subject to options that are Incentive Stock Options granted to a particular individual in any year may not exceed US $100,000. The maximum number of Ordinary Shares which may be issued or issuable pursuant to Incentive Stock Options granted pursuant to the US Sub-Plan is 15 million.

The terms of the Incentive Stock Options are substantially similar to those of the options granted pursuant to the main rules of the Management Consulting Group PLC 1998 Executive Share Option Scheme. The Incentive Stock Options will be subject to the same performance requirements and vesting requirements as those granted under the main rules. It is a requirement of Section 422 of the US Internal Revenue Code of 1986, as amended, that specific shareholder approval be obtained for the US Sub-Plan.

New Articles of Association

The Companies Act 2006 (the "2006 Act") received royal assent on 8 November 2006. The 2006 Act repeals and restates the greater part of companies legislation and introduces new requirements to create a more comprehensive code of company law. Most companies are proposing to amend their articles at their annual general meeting to take account of certain new requirements and authorisations provided for in the 2006 Act. Some provisions of the 2006 Act are already in force (from 1 January 2007, 6 April 2007 and 1 October 2007). Other provisions are being implemented in April 2008, October 2008, February 2009 and October 2009. Given the staggered implementation of the 2006 Act, it is proposed that the articles of association of the Company (the "Articles of Association") be altered at the forthcoming Annual General Meeting, with further amendmends intended to be proposed at the 2009 Annual General Meeting.

Annual General Meeting

The formal Notice of the Annual General Meeting is set out on the last eight pages of this report and accounts.

The Company is seeking your consideration and approval of the matters set out below:

Item 1 proposes the adoption of the annual report and accounts for the year ended 31 December 2007.

Item 2 proposes that shareholders approve the Directors' Remuneration Report, as required by the Directors' Remuneration Report Regulations 2002. In accordance with section 241A of the Companies Act 1985, the vote is advisory only.

Item 3 proposes the declaration of a final dividend of 0.82 pence per share. This dividend is recommended by the Board and requires the approval of shareholders in the Annual General Meeting.

Items 4, 5, 6, 7 and 8 propose individual resolutions for the re-appointment of directors. The Nominations Committee, having reviewed their performance and credentials, recommends their re-election. The Company's Articles of Association require that one third of directors retire annually by rotation. Mr Ferriss and Mr Bolduc are accordingly standing for re-election. Mr Carvalho, Mr de Fontenay and Mr Wietecha having been appointed since the last Annual General Meetinig are, in accordance with the Articles of Association, required to stand for election.

Item 9 relates to the proposed re-appointment of Deloitte & Touche LLP as auditors to the Company and proposes that the directors be authorised to determine the auditors' remuneration. The Company's auditors are required to be appointed at each Annual General Meeting at which accounts are presented.

Item 10 is a special resolution to provide the directors with the flexibility to be able to make market purchases of the Company's own shares. The authority, if granted, would be in respect of up to 32,889,996 ordinary shares (approximately 10% of the Company's issued share capital as at 31 December 2007) and would run until 22 July 2009 or, if earlier, the conclusion of the 2009 Annual General Meeting. The maximum price at which purchases could be made would be the higher of the amount equal to 105 per cent of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days before each purchase and the amount stipulated by Article 5 (1) of the Buy-back and Stabilisation Regulation 2003, and would not be lower than an ordinary share's nominal value. There is no present intention to purchase shares but the directors will keep this matter under review. The directors would only exercise the authority for remuneration schemes or if an improvement in earnings per share is expected to result and if they consider that the purchase would be in the best interests of shareholders generally.

Shares purchased under this authority from distributable profits will become treasury shares which the Company can cancel or hold for sale for cash or transfer for the purposes of or pursuant to an employee share scheme. In considering any proposed transfer of treasury shares for the purposes of or pursuant to an employee share scheme, the Company will have regard to the limits relating to such schemes on the use of unissued shares as if the proposed transfer of treasury shares was an issue of unissued shares.

As at the date of this document, there were commitments, subject to certain conditions, to issue up to approximately 9.0 million new ordinary shares, representing, in aggregate, 3.3% of the Company's currently issued share capital (excluding treasury shares). If the authority sought under item 10 were to be exercised in full, commitments, subject to certain conditions, to issue shares would represent 3.7% of the Company's remaining outstanding share capital (excluding treasury shares). Other than the options shown in Note 19(b), the Company has no warrants or options to subscribe for equity shares that are outstanding at the date of this document. The Company currently has no treasury shares.

Item 11 proposes the approval of the new Management Consulting Group 2008 Performance Share Plan, the principal terms of which are set out in the notes to the notice of the Annual General Meeting.

Item 12 proposes the approval of the US Sub-Plan to the Management Consulting Group PLC 1998 Executive Share Option Scheme.

Items 13 and 14 are special resolutions to amend the Articles of Association following the phased introduction of the 2006 Act. The amended Articles of Association will, if approved, come into effect in two stages. The first group of amendments will come into effect immediately to reflect changes in legislation which have been or will be made by May 2008. The second group of amendments, reflecting directors' interests, will become effective on 1 October 2008. Further details of the proposed amendments to the Articles of Association are set out in the notes to the notice of the Annual General Meeting.

Your directors consider that the above proposals are in the best interests of the Company and its shareholders and recommend that you vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

By order of the Board,

Charles Ansley
Company Secretary

10 Fleet Place
London EC4M 7RB

17 March 2008

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 as explained below.

Board of directors

From 1 January 2007 to 25 April 2007 the Board comprised the non-executive Chairman, one executive director and six non-executive directors. On 26 April 2007 Mr Smith was appointed executive director and from that date there were two executive directors. Mr Manardo stood down as non–executive director on 30 May 2007 and from that date there were five non-executive directors.

Under the terms of the Code, the Chairman is not regarded as independent by virtue of his position. Mr Bolduc is not considered to be independent by reason of the commission arrangements described in the Directors' Remuneration Report. For the period of his directorship Mr Manardo was not regarded as independent by virtue of his position in an agreement dated 1 September 2006 which determined the strategy of the Group. Baroness Cohen, Mr Barber, Mr Ferriss and Mr Simon are considered to be independent non-executive directors.

The roles of the Board and the management are clearly defined. During 2007, the roles of Chairman, Chief Executive 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.

On 19 February 2008, the roles of Chairman and Chief Executive were combined when Dr Stomberg and Mr Parry stood down from the Board and Mr Barber was appointed Executive Chairman. This combining of the roles of Chairman and Chief Executive constitutes a breach of the Code.

The Board is satisfied that the Chairman and each of the non-executive directors committed sufficient time during 2007 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	9	5	4	2
J P Bolduc	8	–	–	–
Baroness Cohen	8	4	4	1
S A Ferriss	9	5	–	–
J A Manardo	2	–	–	–
K A H Parry	9	–	–	2
A H Simon	8	–	4	2
C H Smith	8	–	–	–
R W H Stomberg	9	–	3	2
Total meetings held	**9**	**5**	**4**	**2**

corporate governance

(continued)

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 Chairman or Chief Executive. The results of the evaluation were approved by the Chairman and are specifically taken into account when considering the re-appointment of directors.

Operation of the Board

The Board meets regularly. Nine meetings were held during 2007. All members of the Board are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. The Chairman of the Board met with non-executive directors throughout the course of the year in the absence of 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 and 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. During 2007, the Committee comprised three independent non-executive directors.

Nominations Committee

The membership of the Committee during 2007 was:

- Dr Rolf Stomberg *(Chairman of Nominations Committee, member since 1998)*
- Mr Alan Barber *(member since 2005)*
- Baroness Cohen *(member since 2003)*
- Mr Kevin Parry *(member since 2000)*
- Mr Andrew Simon *(member since 2006)*

Dr Stomberg and Mr Parry stood down from the Committee on 19 February 2008. 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 2007.

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. Dr Stomberg was not regarded as independent by virtue of his position as the Chairman of the Board. The Code allows a Chairman to be a member of a Remuneration Committee if he was considered independent on his appointment as Chairman of the Company. Dr Stomberg was considered independent on his appointment as Chairman.

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.

Relations with investors and the AGM

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.

corporate governance

(continued)

During the year, the executive directors hold discussions with major shareholders. The 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 interim report. The Group's website www.mcgplc.com also contains information relevant to investors.

The Chief Executive and the Finance Director met with key shareholders throughout the year and in particular around the time of the full year results, the half year results and the acquisition of Kurt Salmon Associates. The Board as a whole did not meet with investors during the year.

The notice convening the Annual General Meeting to be held on 23 April 2008 is contained on the final 8 pages of this annual report and accounts.

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.
- 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 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.*

- Internal audits are performed by Group's internal audit function.

report of the audit and risk committee

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

Membership

During 2007 the membership of the Committee was:

- Mr Alan Barber *(Chairman of Audit and Risk Committee, member since 2005)*
- Baroness Cohen *(member since 2003)*
- Mr Stephen Ferriss *(Member since 2006)*

The Chairman of the Committee during 2007, Mr Barber, is a Chartered Accountant and during his Chairmanship was considered to have recent and relevant financial experience. On 19 February 2008, Mr Barber stood down from this Committee and Mr Ferriss became its Chairman. On the same date Mr Simon was appointed to the Committee. Mr Ferriss is considered to have recent and relevant financial experience. The Committee met five times during the year. The external auditors attended all the meetings and the Committee met privately with them on five occasions.

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 judgmental 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 has considered the independence of the external auditors and is satisfied that independence has been maintained. 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. In 2007 the non-audit fees paid to Deloitte and Touche LLP were considerably higher than the average in recent years due to work arising from the acquisition of Kurt Salmon Associates. Such work was of an assurance nature and accordingly the Audit and Risk Committee does not consider that it was at an inappropriate level.
- **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 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 7a to the Companies Act 1985; it describes how the Board has applied the Principles of Good Governance relating to directors' remuneration set out in the Directors' Remuneration Report Regulations 2002 and the Combined Code. As required by the Regulations, 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 Regulations require the auditors to report to the Company's members on the "auditable part" 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 Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

The Remuneration Committee

During 2007 the membership of the Committee was:

- Mr Andrew Simon *(Chairman of Remuneration Committee, member since 2006)*
- Baroness Cohen *(Member since 2003)*
- Mr Alan Barber *(Member since 2005)*
- Dr Rolf Stomberg *(Member since 2006)*

On 19 February 2008, Dr Stomberg stood down from the Committee and Mr Ferriss was appointed to it.

The Committee reviews and determines, on behalf of the Board, the salary, benefits and pension packages of the 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 Chairman and other 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 Mr Parry (Chief Executive) about its proposals save in relation to Mr Parry's own remuneration. The Committee makes use of published reports on directors' remuneration packages and advice from independent external advisers is obtained when required. New Bridge Street Consultants LLP 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. New Bridge Street Consultants LLP may also advise the Committee on other matters within the Committee's terms of reference, which were last reviewed on 2 March 2007. New Bridge Street Consultants LLP 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.

directors' remuneration report

(continued)

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. Executive directors' salaries were last increased with effect from 1 January 2007. Having considered market surveys and the highly competitive nature of the international professional services market the Committee concluded that, with effect from 1 January 2008, the salary of Mr Parry should be increased by 6% to £610,000 per annum and the salary of Mr Smith should be increased by 4% to £285,000.

Annual bonus scheme

Each executive director is entitled to an annual bonus that comprises two elements. The Group's budgeted profit from operations (adjusted for subsequent acquisitions or disposals) is used as the benchmark for the financial performance in relation to both elements of the scheme. The budget is set at a level in excess of market expectations at the time. Under the first 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 the achievement of detailed individual short and medium term performance criteria pre-agreed with the Remuneration Committee. Any sums payable in relation to this first element are payable in cash within three months of the end of the relevant financial year.

Under the second 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.

The market expectation at the end of 2006, when the budget for 2007 was set, was that the profit from operations of the Group for 2007 would amount to £23.0 million before acquisitions. The budget was set at a higher level than the market expectation. The actual profit from operations of the Group for 2007 amounted to £21.8 million after non-recurring items and amortisation of intangibles assets, an increase of £8.4 million compared with the prior year. The financial performance criteria were fully met in relation to the first element of the scheme and partly met in relation to the second element. As a result, 62.5% of salary entitlement arises to a current cash bonus in respect of financial performance. The balance of the current cash bonus amounts to 54% of salary in the case of Mr Parry and 25% of salary in the case of Mr Smith and reflects the Committee's assessment of the achievement of personal performance objectives. The current cash bonuses payable are £667,000 for Mr Parry and £188,417 for Mr Smith. The bonuses due within the second element, which are deferred for three years, are a cash bonus of £103,500 and shares bonus of £51,750 for Mr Parry and a cash bonus of £34,964 and shares bonus of £17,222 for Mr Smith.

Share incentives

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

- the Management Consulting Group PLC 1998 Executive Share Option Scheme (the 1998 Scheme) formerly known as the Proudfoot Plc Executive Share Option scheme; and
- the Management Investment Plan (the Management Incentive Plan).

At the Annual General Meeting approval is being sought for a new 2008 Performance Share Plan, which will become the primary share plan for executive directors. The principal terms of this new plan is given in the notes to the Notice of the Annual Genearal Meeting. The 1998 Scheme will be retained for other employees in the Group.

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 re-test 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 optionholder's consent.

At 31 December 2007 there were 15.7 million options outstanding over new shares under share option schemes that count to dilution limits, comprising 4.8% of the issued share capital. In addition, there were outstanding options over 2.6 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 1 March 2007, 3.3 million options over unissued shares and 675,862 options over issued shares lapsed, because the performance criteria were not met.

directors' remuneration report

(continued)

In 2007 the only remaining participant in the Management Incentive Plan was Mr Parry. Mr Parry was entitled to 185,027 shares before tax on 18 March 2007. The Management Incentive Plan required him to invest £300,000 in the Company over the three year period ended 31 December 2002. The investment had to be retained until the vesting date of any awards. No further awards will be made under this plan and no further entitlements arise after 18 March 2007. 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 each executive director's choice. Bonuses and other payments to directors are not pensionable. As a result of the tax legislation changes that took effect in April 2006, individual directors may request an equivalent cash alternative. No director has, to date, made such a request.

Shareholders have approved that the aggregate options outstanding are limited to 12.8% of the fully diluted share capital. In addition there are 11,351,028 funded options that can be issued that are not dilutive which were put in place as part of the IMR and Kurt Salmon Associates acquisitions.

Other benefits

Benefits comprise a car (or car allowance) and insurances for life, personal accident, disability, permanent health and family medical cover.

Service contracts

Until 19 February 2008, Mr Parry had a contract with a Group company continuing until age 65. Either party was able to terminate the contract by giving 12 months' notice. Mr Smith has a contract with a Group company continuing until age 65. Either party is able to terminate the contract by giving six months' notice.

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.

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

Director	Date of contract
K A H Parry	29 November 1999
C H Smith	6 March 2007

Mr Barber has a contract with a Group company dated 27 February 2008 for a fixed period of three months for a fee of the pro rata equivalent of £585,000 per annum. Thereafter, Mr Barber will be compensated at a daily rate of £2,250 for days dedicated to Company business.

External appointments

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. Executive directors may hold no more than two non-executive directorships and the related fees may be retained by the director. During 2007 Mr Parry earned fees of £82,500 (2006: £80,000) as a non-executive director of Schroders plc and fees of £40,000 (2006: £30,000) as a non-executive advisor to Knight Frank LLP. During 2007, Mr Smith held no non-executive directorships.

Non-executive directors – summary of entitlements

In relation to 2007, the Chairman received total fees of £100,000. Each of the other 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.

The fees payable to the Chairman and the other non-executive directors were last reviewed with effect from 1 January 2007. Having reviewed market survey information, the Board concluded that there should be an increase in the fees payable to the Chairman of £10,000 and £5,000 to other non-executive directors. The additional fees payable to the Chairman of the Audit and Risk Committee, the Chairman of the Remuneration Committee and the Senior Independent Director remain at £5,000.

Mr Bolduc is entitled to a retainer of US$35,000 per annum for his services as an introducer of business to the Group. Until stepping down from the Board, Mr Manardo was entitled to an annual retainer of €25,000 for additional advisory services provided to the Group. In addition, Mr Bolduc may earn commission of 2.5% of the value of any work introduced. No commission was payable in relation to 2007. In light of the level of commissions potentially payable to Mr Bolduc and Mr Manardo's previous position with Ineum Consulting, they are not considered to be independent non-executive directors. The independent non-executive directors consider that these arrangements are appropriate for the business. 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 three year fixed terms. Consequently, 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:

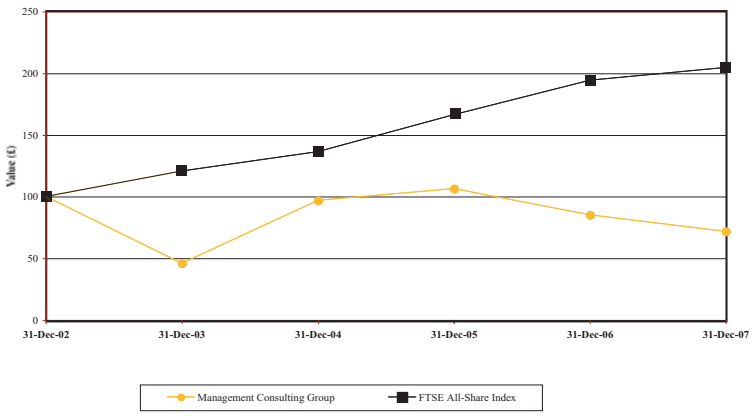
Director	Date of letter of appointment
J P Bolduc	12 May 2006
Baroness Cohen	12 May 2006
S A Ferriss	3 March 2006
A H Simon	3 March 2006

directors' remuneration report

(continued)

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 Total Shareholder return (share price growth plus dividends paid).



This graph looks at the value, by the end of 2007, of £100 invested in Management Consulting Group PLC on 31 December 2002 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 2007 was as follows:

	Salaries and fees as directors £	Bonus and other[1] £	Deferred bonus[2] £	Benefits £	Pension contributions £	Loss of office £	Other £	**Total emoluments 2007 £**
Executive								
C H Smith[4]	193,285	169,124	–	18,256	33,825	–	–	**414,490**
K A H Parry	575,000	667,000	334,969	30,058	173,695	–	–	**1,780,722**
Non-executive								
R W H Stomberg	100,000	–	–	–	–	–	–	**100,000**
A J Barber	40,000	–	–	–	–	–	–	**40,000**
J P Bolduc	35,000	17,403	–	–	–	–	–	**52,403**
Baroness Cohen	40,000	–	–	–	–	–	–	**40,000**
S A Ferriss	35,000	–	–	–	–	–	–	**35,000**
J A Manardo[5]	20,417	10,566	–	–	–	–	–	**30,983**
A H Simon	40,000	–	–	–	–	–	–	**40,000**
	1,078,702	**864,093**	**334,969**	**48,314**	**207,520**	**–**	**–**	**2,533,598**

[1] *Comprises current cash bonuses payable to Mr Parry and Mr Smith, and the retainers payable to Mr Bolduc and Mr Manardo*
[2] *Comprises vested shares received under the Management Incentive Plan* [3] *Comprises payments in respect of post employment obligations*
[4] *Appointed 26 April 2007, resigned 19 February 2008* [5] *Stood down 29 May 2007*

The remuneration of the directors who served in the year ended 31 December 2006 was as follows:

	Salaries and fees as directors £	Bonus and other[1] £	Deferred bonus[2] £	Benefits £	Pension contributions £	Loss of office £	Other £	Total emoluments 2006 £
Executive								
M A Currie[3]	216,044	–	–	22,113	37,808	91,202	10,000	377,167
K A H Parry	550,000	343,750	–	23,058	96,250	–	–	1,013,058
Non-executive								
R W H Stomberg	90,000	–	–	–	–	–	–	90,000
A J Barber	35,000	–	–	–	–	–	–	35,000
J P Bolduc	30,000	18,971	–	–	–	–	–	48,971
Baroness Cohen	35,000	–	–	–	–	–	–	35,000
S A Ferriss[4]	25,000	–	–	–	–	–	–	25,000
J A Manardo[5]	10,000	5,614	–	–	–	–	–	15,614
A H Simon[4]	27,917	–	–	–	–	–	–	27,917
	1,018,961	368,335	–	45,171	134,058	91,202	10,000	1,667,727

[1] *Comprises current cash bonuses payable to Mr Parry and the retainer payable to Mr Bolduc and Mr Manardo*
[2] *Comprises vested shares received under the Management Incentive Plan* [3] *Stood down on 13 October 2006*
[4] *Appointed 3 March 2006* [5] *Appointed 1 September 2006*

Interest in shares

The beneficial interests of the directors in office at 31 December 2007 in the ordinary share capital of the Company were as follows:

	17 March 2008	31 December 2007	*31 December 2006*
Executive			
C H Smith	50,000	50,000	–
K A H Parry	1,509,915	1,284,915	*1,087,876*
Non-executive			
R W H Stomberg	604,970	604,970	*600,000*
A J Barber	500,000	500,000	*208,000*
J P Bolduc	800,000	800,000	*800,000*
Baroness Cohen	61,800	61,800	*61,800*
S A Ferriss	201,656	201,656	*200,000*
A H Simon	12,100	12,100	*12,100*

In addition, at 31 December 2007, Mr Parry is deemed to be interested in 4,197,374 shares held by the employee share trust, although there is no intention to grant him any rights over these shares.

directors' remuneration report

(continued)

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

Director	At 1 Jan 2007	Granted in year	Exercised in year	Lapsed in year	At 31 Dec 2007	Exercise price (in pence)	Date from which exercisable	Expiry date
K A H Parry	1,777,090	–	–	–	1,777,090	29.85	23 Mar 2003	22 Mar 2010
	675,862	–	–	(675,862)	–	–		
	439,331	–	–	–	439,331	59.75	7 Mar 2008	6 Mar 2015
	476,190		–	–	476,190	57.75	6 Mar 2009	5 Mar 2016
	–	589,744	–	–	589,744	48.75	12 Mar 2010	11 Mar 2017
	3,368,473	589,744	–	(675,862)	3,282,355			
C H Smith	–	276,382	–	–	276,382	49.75	26 Apr 2010	25 Apr 2017

All directors' options are under the 1998 Scheme and no consideration was payable for the grant of the options. The options granted to Mr Parry and exercisable with effect from 23 March 2003 met the related performance conditions for vesting in full. All other options held by directors are subject to the relevant TSR performance condition described earlier in this report. Except for Mr Parry and Mr Smith no other director held share options at 31 December 2007.

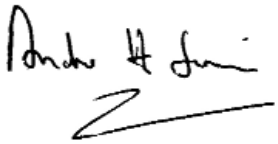
The interests of Mr Parry in shares pursuant to his participation in the closed Management Incentive Plan are set out below:

Director	Interest as at 1 Jan 2007	Vested in year	Lapsed in year	Interest as at 31 Dec 2007
K A H Parry	185,027	(185,027)	–	–

The market price at 31 December 2007 was 34.0 pence and the range during 2007 was 28.25 pence to 55.5 pence.

Approval

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



Andrew Simon
Chairman of the Remuneration Committee

17 March 2008

independent auditors' report

To the members of Management Consulting Group PLC

We have audited the group and parent company financial statements (the "financial statements") of Management Consulting Group PLC for the year ended 31 December 2007 which comprise the group income statement, the group statement of recognised income and expense, the group balance sheet, the group cash flow statement, the parent company balance sheet, the parent company cash flow statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes the specific information in the Financial Review that is cross-referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

independent auditors' report

(continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, UK 17 March 2008

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 following statement, which should be read in conjunction with the report of the independent auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and auditors in relation to the financial statements.

The directors are responsible for preparing the annual report and financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. United Kingdom company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

The Group financial statements are required to present fairly the financial position and performance of the Group. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They have responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates have been used in the preparation of these financial statements and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the auditors.

The directors having prepared the financial statements, have requested the auditors to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and have requested the auditors to take whatever steps and to undertake whatever inspections they consider appropriate for the purpose of giving their report.

The Management Statement on pages 17 to 20 and the Financial Review on pages 21 to 26 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 17 March 2008. 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.

group income statement

for the year ended 31 December 2007

	note	**2007** **£'000**	*2006* *£'000*
Continuing operations			
Revenue	3	**215,787**	*146,890*
Cost of sales		**(106,920)**	*(73,415)*
Gross profit		**108,867**	*73,475*
Administrative expenses – underlying		**(82,948)**	*(57,319)*
Profit from operations before non-recurring expenses and amortisation of acquired intangibles		**25,919**	*16,156*
Administrative expenses – non-recurring		**(2,480)**	*(1,765)*
Profit from operations before amortisation of acquired intangibles		**23,439**	*14,391*
Administrative expenses – amortisation of acquired intangibles		**(1,665)**	*(943)*
Total administrative expenses		**(87,093)**	*(60,027)*
Profit from operations	3	**21,774**	*13,448*
Investment income	6a	**1,105**	*1,176*
Finance costs	6b	**(3,224)**	*(1,276)*
Profit before tax	4	**19,655**	*13,348*
Tax expense	7	**(6,474)**	*(4,598)*
Profit for the year attributable to equity holders of the parent		**13,181**	*8,750*
Earnings per share – pence			
From continuing operations			
Basic	9	**4.7**	4.1
Diluted	9	**4.7**	4.1
Basic – excluding non-recurring items and amortisation of acquired intangibles	9	**6.2**	5.4

group statement of recognised income and expense

for the year ended 31 December 2007

	note	**2007** **£'000**	*2006* *£'000*
Exchange differences on translation of foreign operations	20	**9,057**	*(4,904)*
Actuarial gains on defined benefit pension fund and medical schemes	17	**734**	*3,284*
Loss on available for sale investments		**(26)**	*–*
Tax on items taken directly to equity		**167**	*600*
Net income/(expense) recognised directly in equity		**9,932**	*(1,020)*
Profit for the year		**13,181**	*8,750*
Total recognised income and expense for the period attributable to equity holders of the parent		**23,113**	*7,730*

group balance sheet

as at 31 December 2007

	note	**2007** £'000	2006 £'000
Non-current assets			
Intangible assets	10	**256,107**	*162,647*
Property, plant and equipment	11	**3,572**	*1,849*
Financial assets	12	**6,650**	–
Deferred income tax assets	15	**15,014**	*3,412*
Total non-current assets		**281,343**	*167,908*
Current assets			
Trade and other receivables	13	**74,075**	*47,327*
Cash and cash equivalents		**20,895**	*10,278*
Total current assets		**94,970**	*57,605*
Total assets		**376,313**	*225,513*
Current liabilities			
Financial liabilities	16	**(29,205)**	*(14,792)*
Trade and other payables	14	**(100,842)**	*(54,101)*
Current tax liabilities	15	**(7,670)**	*(5,728)*
Total current liabilities		**(137,717)**	*(74,621)*
Net current liabilities		**(42,747)**	*(17,016)*
Non-current liabilities			
Financial liabilities	16	**(52,619)**	*(24,255)*
Retirement benefit obligation	17	**(7,752)**	*(5,411)*
Non-current tax liabilities	15	**(11,748)**	*(7,711)*
Long-term provisions	18	**(7,465)**	*(1,326)*
Total non-current liabilities		**(79,584)**	*(38,703)*
Total liabilities		**(217,301)**	*(113,324)*
Net assets		**159,012**	*112,189*
Equity			
Share capital	19	**82,225**	*67,735*
Share premium account	20	**48,894**	*38,163*
Merger reserve	20	**32,513**	*32,513*
Shares to be issued	20	**–**	*46*
Share compensation reserve	20	**2,952**	*1,492*
Own shares held by employee share trust	20	**(1,296)**	*(1,270)*
Translation reserve	20	**3,896**	*(5,161)*
Other reserves	20	**7,038**	*7,064*
Retained earnings	21	**(17,210)**	*(28,393)*
Total equity attributable to equity holders of the parent	22	**159,012**	*112,189*

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2008. They were signed on its behalf by:

C H Smith
Director

group cash flow statement

for the year ended 31 December 2007

	note	**2007** £'000	*2006* £'000
Net cash inflow/(outflow) from operating activities	23	**31,197**	*(1,954)*
Investing activities			
Interest received		**784**	*1,013*
Acquisitions of subsidiaries, net of cash and overdrafts acquired		**(39,895)**	*(44,932)*
Purchases of property, plant and equipment		**(2,111)**	*(1,202)*
Purchases of intangible assets		**(994)**	*(1,363)*
Purchase of financial assets		**(1,152)**	*–*
Net cash used in investing activities		**(43,368)**	*(46,484)*
Financing activities			
Interest paid		**(3,420)**	*–*
Dividends paid	8	**(3,561)**	*(1,486)*
Proceeds from borrowings		**45,069**	*39,009*
Refinancing of acquired borrowings by term debt		**(2,587)**	*(419)*
Repayment of borrowings		**(12,657)**	*–*
Proceeds from issue of shares		**13**	*282*
Net cash raised by financing activities		**22,857**	*37,386*
Net increase/(decrease) in cash and cash equivalents		**10,686**	*(11,052)*
Cash and cash equivalents at beginning of year		**10,278**	*21,555*
Effect of foreign exchange rate changes		**(69)**	*(225)*
Cash and cash equivalents at end of year	23	**20,895**	*10,278*

company balance sheet

as at 31 December 2007

	note	**2007 £'000**	*2006 £'000*
Non-current assets			
Intangible assets	10	**1,152**	*891*
Property, plant and equipment	11	**1,147**	*439*
Financial assets	12	**193,453**	*154,309*
Deferred income tax assets	15	**162**	*162*
Total non-current assets		**195,914**	*155,801*
Current assets			
Trade and other receivables	13	**61,485**	*73,774*
Cash and cash equivalents	23	**973**	*729*
Total current assets		**62,458**	*74,503*
Total assets		**258,372**	*230,304*
Current liabilities			
Financial liabilities	16	**(6,067)**	*(6,000)*
Trade and other payables	14	**(27,520)**	*(21,018)*
Current tax liabilities	15	**–**	*(1,000)*
Total current liabilities		**(33,587)**	*(28,018)*
Net current assets		**28,871**	*46,485*
Net assets		**224,785**	*202,286*
Equity			
Share capital	19	**82,225**	*67,735*
Share premium account	20	**48,894**	*38,163*
Merger reserve	20	**26,830**	*26,830*
Shares to be issued	20	**–**	*46*
Share compensation reserve	20	**2,952**	*1,492*
Own shares held by employee share trust	20	**(1,296)**	*(1,270)*
Capital redemption reserve	20	**1,186**	*1,186*
Retained earnings	21	**63,994**	*68,104*
Total equity attributable to equity holders of the parent	22	**224,785**	*202,286*

These financial statements were approved by the Board of Directors and authorised for issue on 17 March 2008. They were signed on its behalf by:

C H Smith
Director

company cash flow statement

for the year ended 31 December 2007

	note	**2007** £'000	*2006* £'000
Net cash inflow/(outflow) from operating activities	23	**17,984**	*(1,019)*
Investing activities			
Interest received		**70**	*1,119*
Investments in subsidiaries		**(28,315)**	*–*
Acquisition of subsidiaries		**–**	*(39,327)*
Purchases of property, plant and equipment		**(942)**	*(278)*
Purchases of intangible assets		**(655)**	*(1,100)*
Cash advances to subsidiaries		**–**	*(6,767)*
Repayment of advances by subsidiaries		**12,767**	*–*
Dividends received		**3,852**	*8,265*
Net cash used in investing activities		**(13,223)**	*(38,088)*
Financing activities			
Interest paid		**(1,136)**	*–*
Dividends paid	8	**(3,561)**	*(1,486)*
Proceeds from borrowings		**67**	*39,009*
Proceeds from issue of shares		**13**	*282*
Net cash (used by)/raised from financing activities		**(4,617)**	*37,805*
Net increase/(decrease) in cash and cash equivalents		**144**	*(1,302)*
Cash and cash equivalents at beginning of year		**729**	*1,171*
Effect of foreign exchange rate changes		**100**	*860*
Cash and cash equivalents at end of year	23	**973**	*729*

notes to the financial statements

for the year ended 31 December 2007

1. General information

Management Consulting Group PLC (the Company) is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 108. The nature of the Group's operations and its principal activity are set out in note 3 and in the Financial Review on pages 21 to 26.

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 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 1985. 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.

Standards, amendments and interpretations effective in 2007

The following standard is mandatory for the Group's accounting period beginning on 1 January 2007. It is relevant to the Group's operations, but has had no significant impact on the Group or Company's results and balance sheets.

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendments to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 7 introduces new disclosures relating to financial instruments.

The following standards, amendments and interpretations are mandatory for the Group's accounting period beginning on 1 January 2007 but are not relevant to the Group's operations:

IFRIC 7, Apply the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies. IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations.

IFRIC 9, Reassessment of Embedded Derivatives. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies

2. Significant accounting policies (continued)

the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities has changed the terms of its contracts, IFRIC 9 is not relevant to the Group's operations.

IFRIC 8, Scope of IFRS 2. IFRIC 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued, to establish whether or not they fall within the scope of IFRS2. IFRIC 8 did not have any impact on the Group's financial statements.

IFRIC 10, Interim Financial Reporting and Impairment. IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. IFRIC 10 did not have any impact on the Group's financial statements.

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

The following 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.

IFRIC 14, IAS 19, The limit on a defined benefit asset, minimum funding requirements and their interaction, which is applicable for the accounting period beginning 1 January 2008, clarifies that an employer only needs to have an unconditional right to use a surplus in a retirement benefit plan during the life of the plan or on its winding up in order for that surplus to be recognised. This is not expected to have a significant impact on the Group.

IFRS 8, Operating Segments, which is applicable for the accounting period beginning 1 January 2009, requires an entity to report financial and descriptive information about reportable segments, which are defined as those components of the entity which are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This is not expected to have a significant impact on 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 periods beginning on 1 January 2008 but are not relevant for the Group's operations.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions requires a shared based payment arrangement in which an entity receives goods or services as consideration for its own shares to be accounted for as an equity settled share-based payment transaction.

IFRIC 12, Service Concession Arrangements addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements.

IFRIC 13, Customer Loyalty Programmes, addresses how companies, that grant their customers loyalty award credits, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the award credits.

These interpretations are not expected to have any impact on the Group's financial statements.

2. Significant accounting policies (continued)

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 judgments 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.

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.

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 judgments 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.

2. Significant accounting policies (continued)

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Judgment 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.

(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). 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.

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(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.

2. Significant accounting policies (continued)

(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.

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 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 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 programs are recognised as an expense as incurred.

(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.

(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

2. Significant accounting policies (continued)

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 geographic region of operation by each consultancy.

(i) Dividend distribution

Dividends to holders of common shares are recognised as a liability in the Group's and Company's financial statements in the period in which the entity has an obligation to pay.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

(k) Borrowings

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 12 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.

2. Significant accounting policies (continued)

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 owned by the employee share trust established in respect of certain share based awards are presented as a reduction of equity.

(o) Investment securities

Investment securities consist of investments in corporate and government securities. Investments are reported at fair value and classified as non-current assets. The Group's investments are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(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.

2. Significant accounting policies (continued)

Actuarial gains and losses are recognised immediately in the statement of recognised 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 pounds Sterling, which is the Company's functional and presentation currency. In preparing the financial statements, transactions in currencies other than pounds 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 pounds 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.

3. Business and geographic segments

The Group has one business reporting segment: management consultancy, consisting of six consultancies: Ineum Consulting, Kurt Salmon Associates, Parson Consulting, Proudfoot Consulting, Salzer Consulting and Viaduct Consulting.

Primary reporting format – geographic segments

The Group operates in three geographic areas – the Americas, Europe and the Rest of the World. The Group reports segment information on the basis of geographic area, as follows:

(a) Income statement

Year ended 31 December 2007

	Americas £'000	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Revenue				
External sales	**62,442**	**139,904**	**13,441**	**215,787**
Profit from operations before acquisition integration costs, depreciation and amortisation of acquired intangibles	**8,948**	**18,710**	**126**	**27,784**
Amortisation of acquired intangibles	**(441)**	**(1,224)**	**–**	**(1,665)**
Depreciation and other amortisation	**(447)**	**(1,332)**	**(86)**	**(1,865)**
Profit from operations before non-recurring items	**8,060**	**16,154**	**40**	**24,254**
Acquisition integration costs	**(799)**	**(1,681)**	**–**	**(2,480)**
Profit from operations	**7,261**	**14,473**	**40**	**21,774**
Finance cost (net)				**(2,119)**
Profit before tax				**19,655**
Income tax expense				**(6,474)**
Profit for the year				**13,181**

Year ended 31 December 2006

	Americas £'000	*Europe £'000*	*Rest of World £'000*	*Group £'000*
Revenue				
External sales	*63,981*	*70,251*	*12,658*	*146,890*
Profit/(loss) from operations before release of indemnity provision, acquisition integration costs, depreciation and amortisation of acquired intangibles	*10,708*	*7,656*	*(361)*	*18,003*
Amortisation of acquired intangibles	*–*	*(943)*	*–*	*(943)*
Depreciation and other amortisation	*(860)*	*(926)*	*(61)*	*(1,847)*
Profit/(loss) from operations before non-recurring items	*9,848*	*5,787*	*(422)*	*15,213*
Acquisition integration costs	*–*	*(2,100)*	*–*	*(2,100)*
Release of indemnity provision	*–*	*–*	*335*	*335*
Profit/(loss) from operations	*9,848*	*3,687*	*(87)*	*13,448*
Finance cost (net)				*(100)*
Profit before tax				*13,348*
Income tax expense				*(4,598)*
Profit for the year				*8,750*

3. Business and geographic segments (continued)

(b) Net assets

at 31 December 2007

	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	**148,927**	**106,507**	**673**	**256,107**
Other segment assets	**40,432**	**55,148**	**1,840**	**97,420**
	189,359	**161,655**	**2,513**	**353,527**
Unallocated corporate assets				**22,786**
Consolidated total assets				**376,313**
Liabilities				
Segment liabilities	**(55,282)**	**(56,508)**	**(3,428)**	**(115,218)**
Unallocated corporate liabilities				**(102,083)**
Consolidated total liabilities				**(217,301)**
Net assets				**159,012**

at 31 December 2006

	Americas £'000	*Europe £'000*	Rest of *World £'000*	*Group £'000*
Assets				
Intangibles, including goodwill	*27,112*	*134,842*	*693*	*162,647*
Other segment assets	*3,374*	*42,089*	*1,085*	*46,548*
	30,486	*176,931*	*1,778*	*209,195*
Unallocated corporate assets				*16,318*
Consolidated total assets				*225,513*
Liabilities				
Segment liabilities	*(12,422)*	*(46,099)*	*(2,275)*	*(60,796)*
Unallocated corporate liabilities				*(52,528)*
Consolidated total liabilities				*(113,324)*
Net assets				*112,189*

3. Business and geographic segments (continued)

(c) Capital additions, depreciation and amortisation

year ended 31 December 2007

	Americas £'000	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Acquisitions	**11,769**	**3,728**	**–**	**15,497**
Capital additions	**1,158**	**1,354**	**420**	**2,932**
Unallocated corporate additions	**–**	**–**	**–**	**1,325**
Total capital additions	**12,927**	**5,082**	**420**	**19,754**
Depreciation and amortisation	**889**	**2,555**	**86**	**3,530**

year ended 31 December 2006

	Americas £'000	*Europe £'000*	*Rest of World £'000*	*Group £'000*
Acquisitions	*–*	*10,536*	*–*	*10,536*
Capital additions	*393*	*709*	*64*	*1,166*
Unallocated corporate additions	*–*	*–*	*–*	*1,399*
Total capital additions	*393*	*11,245*	*64*	*13,101*
Depreciation and amortisation	*860*	*1,869*	*61*	*2,790*

4. Profit before tax

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

	2007 £'000	*2006 £'000*
Foreign exchange (gains)/losses	**(196)**	*317*
Amortisation of intangible assets	**2,271**	*1,790*
Depreciation of property, plant and equipment	**1,259**	*1,000*
Loss on disposal of fixed assets	**7**	*79*
Non-recurring integration costs	**2,480**	*2,100*
Staff costs (note 5)	**123,832**	*80,723*
Release of indemnity provision	**–**	*(335)*
Auditors' remuneration for audit services	**420**	*375*

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

Auditors' remuneration	**2007 £'000**	**2007 %**	*2006 £'000*	*2006 %*
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**40**	**4**	*32*	*4*
Fees payable to the Company's auditors and their associates for other services to the Group – audit of the Company's subsidaries pursuant to legislation	**380**	**34**	*343*	*40*
Total audit fees	**420**	**38**	*375*	*44*
Other services pursuant to legislation	**–**	**–**	*–*	*–*
Tax services	**311**	**27**	*205*	*24*
Other assurance services	**401**	**35**	*281*	*32*
Total non-audit fees	**712**	**62**	*486*	*56*
Total auditors' remuneration	**1,132**	**100**	*861*	*100*

4. Profit before tax (continued)

Fees for other assurance services comprise £401,000 relating to acquisitions (2006: £276,000) and £nil for reporting on compliance with bank covenants (2006: £5,000). Fees for services relating to acquisitions totalling £435,000 have been capitalised as part of the cost of investment in CBH Consulting and Kurt Salmon Associates (2006: £276,000 in respect of Ineum Conseil et Associés SA and The Salzer Group Asia Pacific Pte Limited). A description of the work of the Audit and Risk Committee is set out in the Report of the Audit and Risk Committee on page 42 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:

	2007	*2006*
Sales and marketing	**360**	*248*
Consultants	**1,066**	*555*
Support staff	**272**	*167*
	1,698	*970*

The number of Group employees at the year end was 2,176 (2006: 1,448). The increase is largely attributable to the acquisition of Kurt Salmon Associates.

The aggregate payroll costs of these persons were as follows:

	2007	*2006*
	£'000	*£'000*
Wages and salaries	**97,191**	*67,571*
Social security costs	**24,843**	*11,934*
Other pension costs	**1,798**	*1,218*
	123,832	*80,723*

A charge of £42,000 (2006: £5,000) is included in the operating results in respect of the current cost of the retirement benefit obligations (see note 17). Wages and salaries includes £779,000 (2006: £804,000) relating to charges in respect of share options.

The average number of Company employees for the year was 64 (2006: 52) The payroll costs of the Company are £5,395,000 (2006: £3,074,000) for wages and salaries, £763,000 (2006: £492,000) for social security costs and £186,000 (2006: £169,000) for pension costs.

6a. Investment income

	2007	*2006*
	£'000	*£'000*
Interest receivable on bank deposits and similar income	**784**	*1,013*
Net finance income on retirement benefits plans (see note 17)	**321**	*163*
	1,105	*1,176*

6b. Finance costs

	2007	*2006*
	£'000	*£'000*
Interest payable on bank overdrafts and loans and similar charges	**(3,171)**	*(1,276)*
Finance costs on retirement benefit plans	**(53)**	*–*
	(3,224)	*(1,276)*

7. Tax expense

	2007 £'000	2006 £'000
Tax in respect of current year		
UK corporation tax	**20**	*326*
Foreign tax	**5,223**	*5,540*
Deferred tax – acquired intangible assets	**(155)**	*(316)*
Deferred tax – temporary differences and other	**(718)**	*97*
Deferred tax – tax losses	**1,561**	*(2,347)*
Deferred tax – US goodwill	**875**	*813*
Total deferred tax	**1,563**	*(1,753)*
Total current year tax	**6,806**	*4,113*
Prior year taxation	**(332)**	*485*
	6,474	*4,598*

The deferred tax charge for US goodwill arises from tax deductions in the US for goodwill which is not amortised in the income statement. A deferred tax liability is required to be held for this item in accordance with accounting standards. UK corporation tax is calculated at 30% (2006: 30%) of the estimated assessable profit for the 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 profit per the income statement as follows:

	2007 £'000	2006 £'000
Profit before tax	**19,655**	*13,348*
Tax at the average tax rate applicable across the group of 34% (2006: 35%)	**6,683**	*4,672*
Net tax effect of unrelieved losses	**(1,759)**	*(1,279)*
Net tax effect of permanent differences and other	**1,882**	*720*
Relating to prior years	**(332)**	*485*
Tax expense for the year	**6,474**	*4,598*
Effective tax rate for the year	**33%**	*34%*

8. Dividends

	2007 £'000	2006 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2006 of 1.0 p (2005 final dividend: 0.8p) per share	**2,667**	*1,486*
Interim dividend for the year ended 31 December 2007 of 0.33p (2006: nil) per share	**894**	*–*
	3,561	*1,486*

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 2007 (in respect of the final dividend for the year ended 31 December 2006 and the interim dividend for the year ended 31 December 2007) was £56,000 (2006: £34,000).

The interim dividend was paid on 22 October 2007. The directors recommend the payment of a final dividend in respect of 2007 of 0.82 pence per share be paid on 14 May 2008 to ordinary shareholders on the register on 18 April 2008. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

9. Earnings per share

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

	2007 £'000	*2006 £'000*
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to equity holders of the parent	**13,181**	*8,750*
Non-recurring items	**2,480**	*1,765*
Amortisation of acquired intangibles	**1,665**	*943*
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**17,326**	*11,458*

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	**281.5**	*212.5*
Effect of dilutive potential ordinary shares:		
– Share options	**0.7**	*1.3*
– Long term incentive plan	**–**	*0.2*
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**282.2**	*214.0*
	Pence	*Pence*
Basic earnings per share	**4.7**	*4.1*
Diluted earnings per share	**4.7**	*4.1*
Basic – excluding non-recurring items and amortisation of acquired intangibles	**6.2**	*5.4*

The average share price for the year ended 31 December 2007 was 45.2 pence (2006: 54.3 pence).

10. Intangible assets

Group

Cost	Goodwill £'000	Brand and customer relationships £'000	Customer orders £'000	Other intangibles £'000	Total intangibles £'000
At 1 January 2007, as reported	152,797	8,431	541	4,850	166,619
Adjustments to Ineum fair values	238	–	–	(137)	101
At 1 January 2007 – restated	153,035	8,431	541	4,713	166,720
Additions	–	–	–	994	994
Acquisitions (Note 29)	72,556	8,245	215	356	81,372
Exchange differences	13,007	636	–	153	13,796
At 31 December 2007	**238,598**	**17,312**	**756**	**6,216**	**262,882**
Amortisation					
At 1 January 2007	–	402	541	3,130	4,073
Charge for the year	–	1,450	215	606	2,271
Exchange differences	–	–	–	431	431
At 31 December 2007	**–**	**1,852**	**756**	**4,167**	**6,775**
Carrying amount					
At 31 December 2007	**238,598**	**15,460**	**–**	**2,049**	**256,107**
At 31 December 2006	153,035	8,029	–	1,583	162,647

Company

Cost	Software Costs £'000
At 1 January 2007	**1,304**
Additions	**655**
At 31 December 2007	**1,959**
Amortisation	
At 1 January 2007	**413**
Charge for the year	**394**
At 31 December 2007	**807**
Carrying amount	
At 31 December 2007	**1,152**
At 31 December 2006	**891**

Group intangible assets consist of goodwill, acquired customer related intangibles such as order books and customer relationships and software costs. Intangible assets relating to customer orders acquired during the year have been fully amortised by 31 December 2007 in line with the period over which the Group derived benefit from those assets. Intangible assets relating to brand and customer relationships are amortised on a straight line basis between four and ten years. The amortisation periods reflect the periods during which the Group expects to derive benefit from these assets. Capitalised software costs are amortised on a straight line basis over three years or the life of the software contract if shorter. All other intangible assets are amortised from three years to a maximum of fifteen years depending on useful economic life.

10. Intangible assets (continued)

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

Cost	2007 £'000	2006 £'000
CBH Consulting	**5,348**	–
Ineum Consulting	**73,882**	*67,319*
Kurt Salmon Associates	**68,630**	–
Parson Consulting	**49,963**	*48,385*
Proudfoot Consulting Europe	**40,102**	*36,638*
Salzer Consulting	**673**	*693*
	238,598	*153,035*

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. 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.

The Group prepares cash flow forecasts based on the most recent financial budgets and forecasts approved by management. The cash flows are extrapolated based on long-term industry wide revenue growth assumptions of 5% 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 8.9% (2006: 8%).

11. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2007, as reported	**3,831**	**775**
Adjustment to Ineum fair values	**(445)**	**–**
At 1 January 2007 – restated	**3,386**	**775**
Acquisitions	**914**	**–**
Additions	**2,111**	**942**
Exchange differences	**(467)**	**–**
Eliminated on disposal	**(54)**	**(183)**
At 31 December 2007	**5,890**	**1,534**
Accumulated depreciation		
At 1 January 2007	**1,537**	**336**
Charge for the year	**1,259**	**234**
Exchange differences	**(431)**	**–**
Eliminated on disposal	**(47)**	**(183)**
At 31 December 2007	**2,318**	**387**
Carrying amount		
At 31 December 2007	**3,572**	**1,147**
At 31 December 2006	1,849	439

12. Financial assets

Cost	Group £'000
At 1 January 2007	**–**
Acquisition	**5,767**
Additions	**1,152**
Exchange differences	**(243)**
Revaluation	**(26)**
At 31 December 2007	**6,650**

No provisions against the carrying value of financial assets were held. The financial assets were designated as available for sale.

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.

12. Financial assets (continued)

Company

Investment in Group companies	Shares £'000	Loans £'000	Total £'000
At 1 January 2007	141,414	12,895	154,309
Additions	54,795	–	54,795
Increase in provisions	(2,884)	–	(2,884)
Repayment of loan	–	(12,767)	(12,767)
At 31 December 2007	**193,325**	**128**	**193,453**

Shares are stated net of provisions of £9,540,000 (2006: £6,656,000) against impairment in value. Additions in the year reflect the acquisitions of CBH Consulting and Kurt Salmon Associates and increased investments in intermediate holding companies. Details of the Company's principal subsidiary undertakings are set out in note 27.

13. Trade and other receivables

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
Trade receivables – gross	**51,129**	*32,075*	**–**	–
Provisions, as reported	**(5,194)**	*(3,676)*	**–**	–
Adjustment to Ineum fair values	**–**	*527*	–	–
Provisions – restated	**(5,194)**	*(3,149)*	–	–
Trade receivables – net	**45,935**	*28,926*	**–**	–
Amounts owed by Group undertakings	**–**	–	**59,770**	*73,336*
Other receivables	**6,366**	*3,015*	**380**	*117*
Taxation recoverable	**2,107**	*373*	**–**	–
Prepayments and accrued income	**19,667**	*15,013*	**1,335**	*321*
	74,075	*47,327*	**61,485**	*73,774*

Debtor days at the year end were 48 days (2006: 44 days). No interest was charged on receivables. The provision against doubtful receivables amounts to £5,194,000 (2006: £3,676,000). The directors consider that the carrying value of trade and other receivables approximates to their fair value.

14. Trade and other payables

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
Trade payables, as reported	**9,976**	*11,470*	**2,063**	*104*
Adjustment to Ineum fair values	–	*(2)*	–	–
Trade payables – restated	**9,976**	*11,468*	**2,063**	*104*
Amounts owed by Group undertakings	**–**	–	**19,640**	*17,615*
Other taxes and social security	**19,582**	*10,535*	**70**	*34*
Other payables	**328**	*215*	**6**	*6*
Deferred income	**6,461**	*5,958*	**–**	–
Accruals	**64,495**	*25,925*	**5,741**	*3,259*
	100,842	*54,101*	**27,520**	*21,018*

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 28 days (2006: 20 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

15. Tax assets and liabilities

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
Current tax				
Current tax receivable (note 13)	**2,107**	*373*	–	–
Current tax liabilities	**(7,670)**	*(5,728)*	**–**	*(1,000)*
Non-current tax				
Deferred tax asset	**15,014**	*3,412*	**162**	*162*
Tax liabilities	**(2,411)**	*(1,859)*	**–**	–
Deferred tax liabilities	**(9,337)**	*(5,852)*	**–**	–

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 2007, as reported	128	–	2,348	1,121	3,597
Adjustment to Ineum fair values	–	–	–	(185)	(185)
At 1 January 2007 – restated	128	–	2,348	936	3,412
Acquisition of subsidaries	–	833	–	11,888	12,721
Credit/(charge) to income	–	203	(1,563)	241	(1,119)
At 31 December 2007	**128**	**1,036**	**785**	**13,065**	**15,014**

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 2007	2,686	2,531	550	85	5,852
Acquisition of subsidiaries	2,802	383	–	–	3,185
Foreign exchange	–	–	–	(144)	(144)
Charge to income	–	–	70	880	950
Credit to income	(156)	–	(350)	–	(506)
At 31 December 2007	**5,332**	**2,914**	**270**	**821**	**9,337**

Additionally the Group has potential unrealised deferred tax assets at the year end of approximately £22 million (2006: £24 million) in respect of tax losses. The tax losses are partly not yet agreed with tax authorities and/or may be subject to adjustment on tax audits. Consequently, they are subject to uncertain and unquantifiable adjustments. Due to these uncertainties, and uncertainty as to the likely jurisdictions of future profits against which the losses can be offset, the deferred tax asset recognised is limited to the amount stated above.

Company

Deferred tax asset	**Other £'000**
At 1 January 2007	**162**
Credit to income	**–**
At 31 December 2007	**162**

16. Financial liabilities

Group

	2007	*2006*
	£'000	*£'000*
Current: Bank borrowings	**29,205**	*14,792*
Non-current: Bank borrowings	**52,619**	*24,255*
Total borrowings	**81,824**	*39,047*

Bank borrowings

Borrowings denominated in US dollars bear interest of US LIBOR plus 1.5% annually. Borrowings denominated in Euros bear interest of EURIBOR plus 1.5%. Bank borrowings mature at different dates until 18 September 2012 (2006: until 1 April 2009) as shown below.

	2007	*2006*
	£'000	*£'000*
On demand or within one year	**29,205**	*14,792*
In the second year	**2,630**	*6,064*
In the third to fifth year	**49,989**	*18,191*
Total	**81,824**	*39,047*

The facilities have been arranged to help finance the expansion of the Group's activities in North America and Europe.

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

	2007	*2006*
	£'000	*£'000*
Six months or less	**81,824**	*39,047*

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

	Carrying amount 2007 £'000	*Carrying amount 2006 £'000*	**Fair value 2007 £'000**	*Fair value 2006 £'000*
Bank borrowings	**52,619**	*24,255*	**46,760**	*22,265*

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 6.3% (2006: 5.6%). The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2007	*2006*
Currency	**£'000**	*£'000*
Euro	**30,088**	*33,047*
US Dollar	**45,669**	*–*
Sterling	**6,067**	*6,000*
	81,824	*39,047*

16. Financial liabilities (continued)

The Group has the following undrawn borrowing facilities:

	2007	2006
	£'000	£'000
Floating rate	32,955	11,000

Company

	2007	2006
Current	£'000	£'000
Bank borrowings	6,067	6,000

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. Borrowings denominated in Euros and US dollars bear respectively interest of Euribor plus 1.5% annually and US LIBOR plus 1.5% annually.

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

	2007	2006
	£'000	£'000
Six months or less	6,067	6,000

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

	2007	2006
Currency	£'000	£'000
Sterling	6,067	6,000

The Company has the following undrawn borrowing facilities:

	2007	2006
	£'000	£'000
Floating rate	32,955	11,000

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

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 £1,798,000 (2006: £1,218,000), 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:

	2007	*2006*
	£000	*£000*
US defined benefit pension scheme	**2,243**	*4,437*
US post retirement medical plan	**756**	*852*
French statutory obligation	**509**	*122*
German obligation	**4,344**	*–*
UK asset	**(100)**	*–*
	7,752	*5,411*

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:

	2007	*2006*
	%	*%*
Rate of increase in salaries	**not applicable**	*not applicable*
Expected long term return on scheme assets	**8.00**	*8.00*
Discount rate	**6.25**	*5.80*
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.

17. Retirement benefit obligations (continued)

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

	2007	*2006*
	£'000	*£'000*
US defined benefit pension scheme		
Expected return on pension scheme assets	**2,309**	*2,232*
Interest on pension scheme liabilities	**(1,942)**	*(2,020)*
	367	*212*
US medical benefits plan		
Interest on plan liabilities	**(46)**	*(49)*
Net finance income	**321**	*163*

Actuarial gains and losses have been reported in the statement of recognised income and expense. The actual return on scheme assets was £2,208,250 (2006: £3,610,000).

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:

	2007	*2006*
	£'000	*£'000*
Present value of defined benefit obligations	**(33,847)**	*(35,434)*
Fair value of scheme assets	**30,848**	*30,145*
Liability recognised in the balance sheet	**(2,999)**	*(5,289)*
Defined benefit pension scheme (note (17) (e) (i))	**(2,243)**	*(4,437)*
Medical benefit plan (note (17) (e) (ii))	**(756)**	*(852)*
	(2,999)	*(5,289)*

c) Movements in balance sheet amounts:

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

	2007	*2006*
	£'000	*£'000*
Opening defined benefit obligation	**(35,434)**	*(41,915)*
Interest cost	**(1,988)**	*(2,069)*
Actuarial gains	**1,214**	*1,905*
Exchange differences	**698**	*5,000*
Benefits paid	**1,663**	*1,645*
Closing defined benefit obligation	**(33,847)**	*(35,434)*

17. Retirement benefit obligations (continued)

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

	2007	*2006*
	£'000	*£'000*
Opening fair value of plan assets	**30,145**	*30,046*
Expected return	**2,309**	*2,232*
Actuarial (loss)/gain	**(102)**	*1,379*
Contributions by employer	**691**	*2,008*
Exchange differences	**(589)**	*(3,875)*
Benefits paid	**(1,606)**	*(1,645)*
Closing fair value of plan assets	**30,848**	*30,145*
Net retirement benefit obligation	**(2,999)**	*(5,289)*

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

	Expected return	**2007**	Expected return	*2006*
	%	**£'000**	%	*£'000*
Equities	**9.0**	**20,738**	*9.0*	*19,947*
Bonds	**5.5**	**9,966**	*5.5*	*10,056*
Cash	**5.5**	**144**	*5.5*	*142*
	8.0	**30,848**	*8.0*	*30,145*

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:

	2007	*2006*	*2005*	*2004*	*2003*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Present value of defined benefit obligations	**(33,091)**	*(34,582)*	*(40,909)*	*(34,649)*	*(34,232)*
Fair value of scheme assets	**30,848**	*30,145*	*30,046*	*24,387*	*22,374*
Deficit in the scheme	**(2,243)**	*(4,437)*	*(10,863)*	*(10,262)*	*(11,858)*
Experience adjustments on scheme liabilities					
Amount	**(470)**	*626*	*86*	*(123)*	*(136)*
Percentage of scheme liabilities	**1.4%**	*1.8%*	*0.2%*	*(0.4%)*	*(0.4%)*
Experience adjustments on scheme assets					
Amount	**102**	*1,379*	*(277)*	*567*	*2,973*
Percentage of scheme assets	**0.3%**	*4.6%*	*(0.9%)*	*2.3%*	*13.3%*

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £1.6 million (2006: £1.6 million).

17. Retirement benefit obligations (continued)

(ii) Unfunded US medical benefit plan

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

	2007	*2006*	*2005*	*2004*	*2003*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Present value of plan liabilities	**(756)**	*(852)*	*(1,006)*	*(1,121)*	*(1,355)*
Experience adjustments of plan liabilities	**–**	*(42)*	*210*	*123*	*302*
Percentage of the plan liabilities	**–**	*(4.9%)*	*20.9%*	*11.0%*	*22.3%*

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

f) Unfunded French retirement obligation

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

	2007	*2006*
Rate of increase in salaries	**3 - 5%**	*5.8%*
Discount rate	**5.2%**	*4.5%*

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

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

	2007	*2006*
	£'000	*£'000*
Interest on liabilities	**8**	*3*

At 31 December 2007, there is £387,000 actuarial loss reported in the statement of recognised income and expense relating to the French scheme (2006: £nil).

(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:

	2007	*2006*
	£'000	*£'000*
Present value of defined benefit obligations	**(509)**	*(122)*
Fair value of scheme assets	**–**	*–*
Liability recognised in the balance sheet	**(509)**	*(122)*

17. Retirement benefit obligations (continued)

(iii) Movements in balance sheet amounts:

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

	2007	*2006*
	£'000	*£'000*
At start of year/date of acquisition	**(122)**	*(114)*
Service cost	**(17)**	*(5)*
Interest cost	**(8)**	*(3)*
Actuarial loss	**(387)**	–
Benefit paid	**25**	–
Closing defined benefit obligation	**(509)**	*(122)*

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

(iv) History of experience gains and losses:

No experience adjustments in relation to the French post-retirement scheme arise in the post-acquisition period.

g) Unfunded German retirement obligation

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

	2007
Rate of increase in salaries	4%
Mortality table	Heubeck 2005 G
Discount rate	5.5%

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:

	2007
	£'000
Interest on liabilities	**45**

At 31 December 2007, there are no actuarial gains and losses reported in the statement of recognised income and expense relating to the German scheme.

(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:

	2007
	£'000
Present value of defined benefit obligations	**(4,344)**
Fair value of scheme assets	–
Liability recognised in the balance sheet	**(4,344)**

17. Retirement benefit obligations (continued)

(iii) Movements in balance sheet amounts:

Changes in the present value of the German defined benefit obligation from the date of the acquisition of KSA are as follows:

	2007 £'000
At acquisition	(3,958)
Service cost	(25)
Interest cost	(45)
Actuarial gain	8
Benefit paid	37
Foreign exchange	(361)
Closing defined benefit obligation	(4,344)

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

(iv) History of experience gains and losses:

No experience adjustments in relation to the German post-retirement scheme arise in the post-acquisition period.

h) UK retirement obligation

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

	2007
Expected long term return on scheme assets	5.8%
Discount rate	5.8%

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:

	2007 £'000
Interest on liabilities	45

At 31 December 2007, there are no actuarial gains and losses reported in the statement of recognised income and expense relating to the UK scheme.

(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:

	2007 £'000
Present value of defined benefit obligations	(5,200)
Fair value of scheme assets	5,300
Asset recognised in the balance sheet	100

17. Retirement benefit obligations (continued)

(iii) Movements in balance sheet amounts:

Changes in the present value of the UK defined benefit obligation from the date of the acquisition of KSA are as follows:

	2007
	£'000
At acquisition	**100**
Service cost	**–**
Interest cost	**–**
Closing defined benefit asset	**100**

18. Long-term provisions

	£'000
At 1 January 2007	1,326
Acquired	5,102
Utilised	(451)
Charge	2,033
Released	(540)
Foreign exchange movement	(5)
At 31 December 2007	**7,465**

The provisions primarily relate to property and obligations to former employees of the Group. The most significant element relates to the property provisions acquired with Kurt Salmon Associates (see note 28). These are expected to be utilised over the period to 2015. The release relates to the release of an empty property provision which is no longer required. There are no provisions held by the Company.

19. Share capital

(a) Called up share capital

	2007	*2006*
	£'000	*£'000*
Authorised: 700 million (2006: 500 million) shares of 25p each	**175,000**	*125,000*
Issued and fully paid: 328,899,961 (2006: 270,940,137) shares of 25p each	**82,225**	*67,735*

Shares issued in the year were:

	Number	Nominal value £'000	Consideration in year £'000
At 1 January 2007	270,940,137	67,735	47,209
Acquisition of CBH Consulting and Kurt Salmon Associates	57,799,157	14,450	25,155
Issued to the employee share trust	109,166	27	53
Employee share options exercised (note 19 (b))	51,501	13	13
At 31 December 2007	**328,899,961**	**82,225**	**72,430**

19. Share capital (continued)

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

Options were exercised during the year with an exercise price of 25 pence (2006: ranging from 25.00 pence to 29.85 pence).

(b) Share options

At 31 December 2007, there were options outstanding to subscribe for new ordinary shares of 25 pence each as set out below.

Option grant date	Number of shares under option	Exercise price (pence)	Weighted average price (pence)	Exercisable not earlier than
The 1998 Scheme				
September 1999	257,506	25.00	25.00	September 2002
March 2000	1,777,090	29.85	29.85	March 2003
March 2005	2,277,781	59.75	59.75	March 2008
March 2006	3,331,590	57.75	57.75	March 2009
March 2007	4,611,953	48.75	48.75	March 2010
April 2007	1,550,000	48.75	48.75	April 2010
April 2007	276,382	49.75	49.75	April 2010
October 2007	7,471,444	25.00	25.00	April 2008
December 2007	1,666,667	33.75	33.75	December 2010
Total	23,220,413		40.70	

The number of options outstanding at the previous year end over new ordinary shares was 12,335,330 with a weighted average price of 47.50 pence.

The total shareholder return performance conditions, relating to the share options exercisable on 1 March 2007 were not achieved so the options did not vest.

In March 2007 5,857,704 options over new ordinary shares were granted at a price of 48.75 pence per share. In April 2007 1,602,500 options over new ordinary shares were granted at a price of 48.75 pence per share and a further 276,382 options at 49.75 pence per share. In October 2007 7,471,444 options over new ordinary shares were granted at an exercise price of 25.00 pence per share. In December 2007 1,666,667 options over new ordinary shares were granted at a price of 33.75 pence per share. The following options over new ordinary shares were exercised during the year:

Granted	Number	Nominal Value £	Weighted average price p	Consideration £
September 1999	51,501	12,875	25.00	12,875

During the year, options, with a weighted average price of 42.83 pence, over 5,193,163 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 £9,451,681 (2006: £5,859,000).

The above amounts exclude options over 2,616,450 shares (2006: 2,842,000 shares) which are already in issue and are owned by an employee trust.

19. Share capital (continued)

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 £779,000 (2006: £804,000) has been recognised in the period in respect of the share options granted. The cumulative share compensation reserve at 31 December 2007 is £2,952,000 (2006: £1,492,000).

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	16.77 pence	19.01 pence
Exercise price and share price on date of grant	48.75 pence	48.75 pence
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	15.4 pence	16.6 pence
Exercise price	48.75 pence	48.75 pence
Share price on date of grant	47.5 pence	47.5 pence
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%

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	16.57 pence	17.8 pence
Exercise price	49.75 pence	49.75 pence
Share price on date of grant	49.25 pence	49.25 pence
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%

19. Share capital (continued)

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	17.3 pence	11.5 pence	17.4 pence	17 pence	19.1 pence	18.7 pence
Exercise price on date of grant	27 pence	33 pence	29 pence	29 pence	28 pence	31 pence
Share price on date of grant	43 pence	43 pence	43 pence	43 pence	43 pence	43 pence
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	10.4 pence	11.2 pence
Exercise price and share price on date of grant	33.75 pence	33.75 pence
Share price on date of grant	33 pence	33 pence
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%

The inputs into the stochastic valuation model for the 2006 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	21 pence	26 pence
Exercise price and share price on date of grant	57.75 pence	57.75 pence
Share price on date of grant	33 pence	33 pence
Expected life	5 years	7 years
Expected volatility	47.2%	58.6%
Performance condition discount	11%	15.6%
Risk free rate	4.35%	4.31%
Expected dividend yield	1.39%	1.39%

19. Share capital (continued)

The inputs into the stochastic valuation model for the 2005 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	26 pence	31 pence
Exercise price and share price on date of grant	59.75 pence	59.75 pence
Expected life	5 years	7 years
Expected volatility	54.9%	62.7%
Performance condition discount	9.5%	13.8%
Risk free rate	4.79%	4.79%
Expected dividend yield	1.12%	1.12%

The inputs into the stochastic valuation model for the 2004 options are as follows:

	3 year vesting	5 year vesting
Fair value of option	18 pence	19 pence
Exercise price and share price on date of grant	36.25 pence	36.25 pence
Expected life	5 years	7 years
Expected volatility	66.0%	67.0%
Performance condition discount	9.4%	14.6%
Risk free rate	4.66%	4.71%
Expected dividend yield	1.38%	1.38%

20. Equity

Group

	Share premium account **£'000**	Merger reserve **£'000**	Shares to be issued **£'000**	Share compensation reserve **£'000**	Own shares held by employee share trust **£'000**	Currency translation reserve **£'000**
At 1 January 2006	38,146	5,683	46	1,256	(1,270)	(257)
Currency translation differences	–	–	–	–	–	(4,904)
Arising on acquisition of Ineum	–	26,830	–	–	–	–
Share compensation expense	–	–	–	804	–	–
Reclassification to retained earnings	–	–	–	(568)	–	–
Share option schemes	17	–	–	–	–	–
At 31 December 2006	38,163	32,513	46	1,492	(1,270)	(5,161)
At 1 January 2007	38,163	32,513	46	1,492	(1,270)	(5,161)
Currency translation differences	–	–	–	–	–	9,057
Arising on acquisitions of CBH Consulting						–
and Kurt Salmon Associates	10,705	–	–	–	–	–
Share compensation expense	–	–	–	779	–	–
Reclassification to retained earnings	–	–	(19)	(643)	–	–
Issued to the employee share trust	26	–	–	–	(53)	–
Share option schemes	–	–	–	1,324	–	–
LTIP shares awarded	–	–	(27)	–	27	–
At 31 December 2007	**48,894**	**32,513**	**–**	**2,952**	**(1,296)**	**3,896**

20. Equity (continued)

	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	**Total other reserves £'000**
At 1 January 2006 and 1 January 2007	5,878	1,186	–	7,064
Loss on available for sale investments	–	–	(26)	(26)
At 31 December 2007	**5,878**	**1,186**	**(26)**	**(7,038)**

Company

	Share premium account £'000	Merger reserve £'000	Shares to be issued £'000	Share compensation reserve £'000	Own shares held by employee share trust £'000	Capital redemption reserve £'000
At 1 January 2006	38,146	–	46	1,256	(1,270)	1,186
Arising on acquisition of Ineum	–	26,830	–	–	–	–
Share compensation expense	–	–	–	804	–	–
Reclassification to retained earnings	–	–	–	(568)	–	–
Share option schemes	17	–	–	–	–	–
At 31 December 2006	38,163	26,830	46	1,492	(1,270)	1,186
At 1 January 2007	38,163	26,830	46	1,492	(1,270)	1,186
Arising on acquisition of CBH Consulting and Kurt Salmon Associates	10,705	–	–	–	–	–
Share options	–	–	–	2,103	–	–
Reclassification to retained earnings	–	–	(19)	(643)	–	–
Issued to the employee share trust	26	–	–	–	(53)	–
LTIP shares awarded	–	–	(27)	–	27	–
At 31 December 2007	**48,894**	**26,830**	**–**	**2,952**	**(1,296)**	**1,186**

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. Own shares held by the employee share trust represents 4,197,374 shares (2006: 4,197,374 shares) issued at a value of £1,296,000 (2006: £1,270,000).

21. Retained earnings

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
At 1 January	**(28,393)**	*(40,109)*	**68,104**	*57,731*
Net profit/(loss) for the year	**13,181**	*8,750*	**(1,211)**	*11,291*
Dividends paid	**(3,561)**	*(1,486)*	**(3,561)**	*(1,486)*
Actuarial gain related to retirement benefit schemes	**734**	*3,284*	**–**	*–*
Tax on items taken directly to equity	**167**	*600*	**–**	*–*
Reclassification from share compensation reserve (note 20)	**643**	*568*	**643**	*568*
Reclassification from shares to be issued	**19**	*–*	**19**	*–*
At 31 December	**(17,210)**	*(28,393)*	**63,994**	*68,104*

In accordance with Section 230 of the Companies Act 1985, the Company has not presented its own income statement. The movement in the group income statement for the financial year includes a loss of £1,211,000 (2006: £11,291,000) dealt with in the financial statements of the Company.

22. Statement of changes in equity

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
At 1 January	**112,189**	*57,932*	**202,286**	*144,468*
Dividends paid	**(3,561)**	*(1,486)*	**(3,561)**	*(1,486)*
Profit/(loss) for the period	**13,181**	*8,750*	**(1,211)**	*11,291*
Issue of share capital				
On acquisition of subsidiary undertakings	**25,155**	*46,927*	**25,155**	*46,927*
Exercise of share options	**13**	*282*	**13**	*282*
Share options	**2,103**	*804*	**2,103**	*804*
Other recognised income and expense	**9,958**	*(1,020)*	**–**	*–*
Revaluation reserve	**(26)**	*–*	**–**	*–*
At 31 December	**159,012**	*112,189*	**224,785**	*202,286*

23. Notes to the cash flow statement

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
Profit/(loss) from operations	**21,774**	*13,448*	**(7,709)**	*1,627*
Adjustments for:				
Depreciation of property, plant and equipment	**1,259**	*1,000*	**234**	*174*
Amortisation of intangible assets	**2,271**	*1,790*	**394**	*282*
Loss on disposal of plant and equipment	**7**	*79*	**–**	*20*
Adjustment for pension funding	**(692)**	*(2,008)*	**–**	*–*
Adjustment for share options charge	**779**	*804*	**779**	*804*
(Decrease)/increase in provisions	**(540)**	*(493)*	**2,884**	*–*
Operating cash flows before movements in working capital	**24,858**	*14,620*	**(3,418)**	*2,907*
Decrease/(increase) in receivables	**2,521**	*(6,447)*	**14,900**	*(7,391)*
Increase/(decrease) in payables	**6,450**	*(5,858)*	**6,502**	*3,465*
Cash generated by operations	**33,829**	*2,315*	**17,984**	*(1,019)*
Income taxes paid	**(2,632)**	*(4,269)*	**–**	*–*
Net cash from operating activities	**31,197**	*(1,954)*	**17,984**	*(1,019)*

Cash and cash equivalents

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

	Group		Company	
	2007	*2006*	**2007**	*2006*
	£'000	*£'000*	**£'000**	*£'000*
Cash at bank and in hand	**20,895**	*10,278*	**973**	*729*

24. Financial instruments

Capital structure and treasury policies

The Group is financed by shareholders' equity and debt. The Group's capital structure is reviewed regularly to ensure that it 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 our business. The objective of the Group's treasury policies is to provide liquidity for the Group at minimum risk and minimum cost and to hedge known financial exposures. The main treasury risks faced by the Group are country specific liquidity risks. The Group'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 only deals with creditworthy customers; and to ensure that the Group has sufficient resources available to meet its liabilities as they fall due. Investment of the Group's cash is made within policies that cover counter party 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. The Group's term loan is drawn down in US dollars and Euros to provide a natural hedge against the Group's Dollar and Euro earnings. The working capital facilities are drawn down in Euros and US dollars, two of the three major currencies in which the Groups operates. 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.

24. Financial instruments (continued)

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

		2007		2006
	Average	**Closing**	*Average*	*Closing*
£1 = US$	**2.00**	**2.00**	*1.84*	*1.96*
£1 = Euro	**1.46**	**1.36**	*1.47*	*1.48*

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

Financial assets	**2007**	*2006*
	Floating rate	*Floating rate*
Currency	**£'000**	*£'000*
Sterling	**1,632**	*1,237*
US Dollar	**7,279**	*2,827*
Euro	**10,177**	*4,993*
Other	**1,807**	*1,221*
Cash	**20,895**	*10,278*
Sterling	**2,391**	*2,855*
US Dollar	**21,887**	*2,947*
Euro	**47,999**	*40,546*
Other	**1,798**	*979*
Trade and other receivables	**74,075**	*47,327*
Financial liabilities		
Sterling	**(19,413)**	*(6,349)*
US Dollar	**(37,803)**	*(6,544)*
Euro	**(39,695)**	*(38,579)*
Other	**(3,931)**	*(2,629)*
Trade and other payables	**(100,842)**	*(54,101)*

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

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	
	2007	*2006*
	£'000	*£'000*
Available-for-sale financial assets	**6,650**	–
Financial asset at fair value through profit or loss	**56**	–
Cash and cash equivalents	**20,895**	*10,278*
	27,601	*10,278*

24. Financial instruments (continued)

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

	Carrying amount	
	2007	*2006*
	£'000	*£'000*
Europe	**31,357**	*26,347*
United States	**13,507**	*2,336*
Rest of world	**1,071**	*243*
	45,935	*28,926*

The Group's most significant customer, accounts for 0% of the trade receivables carrying amount at 31 December 2007 (2006: 0.5%).

The ageing of trade receivables at the reporting date was:

	2007	*2006*
	£'000	*£'000*
Not past due	**30,376**	*21,884*
Past due 0-30 days	**10,574**	*6,163*
Past due 31-120 days	**4,985**	*879*
	45,935	*28,926*

Liquidity risk

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

31 December 2007	Carrying amount	Contractual cash flows	6 months or less	6–12months	1–2 years	2–5 years	More than 5 years
Non–derivative financial liabilites	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Secured bank loans	**81,824**	**107,644**	**1,189**	**34,388**	**7,814**	**64,253**	**–**
Trade and other payables	**100,842**	**100,842**	**100,842**	**–**	**–**	**–**	**–**
	182,666	**208,486**	**102,031**	**34,388**	**7,814**	**64,253**	**–**

31 December 2006	Carrying amount	Contractual cash flows	6 months or less	6–12months	1–2 years	2–5 years	More than 5 years
Non–derivative financial liabilites	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Secured bank loans	*39,047*	*40,699*	*1,652*	*14,792*	*6,064*	*18,191*	*–*
Trade and other payables	*54,101*	*54,101*	*54,101*	*–*	*–*	*–*	*–*
	93,148	*94,800*	*55,753*	*14,792*	*6,064*	*18,191*	*–*

24. Financial instruments (continued)

Currency risk

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

	31 December 2007		31 December 2006	
	€'000	**$'000**	*€'000*	*$'000*
Trade receivables	**44,214**	**28,501**	*38,589*	*4,996*
Secured bank loans	**(41,492)**	**(92,572)**	*(51,452)*	*–*
Trade payables	**(7,432)**	**(3,722)**	*(15,255)*	*(1,455)*
Gross balance sheet exposure	**(4,710)**	**(67,793)**	*(28,118)*	*3,541*
Estimated forecast sales	**114,487**	**125,072**	*73,186*	*78,815*
Estimated forecast purchases	**(98,784)**	**(92,441)**	*(63,712)*	*(62,533)*
Gross exposure	**15,703**	**32,631**	*9,474*	*16,282*
Forward exchange contracts	**–**	**–**	*–*	*–*
Net exposure	**15,703**	**32,631**	*9,474*	*16,282*

Sensitivity analysis

A 10 per cent strengthening of Sterling against the following currencies at 31 December 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 2006.

	Equity	Profit or loss
	£'000	£'000
2007		
US Dollar	**3,974**	**166**
Euro	**5,649**	**183**
2006		
US Dollar	1,420	1,134
Euro	4,442	116

A 10 per cent weakening of Sterling against the above currencies at 31 December 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	
	2007	2006
Fixed rate instruments	**%**	%
Financial liabilities less than 6 months	**6.6**	5.6
Financial liabilities 1-2 years	**6.3**	5.6
Financial liabilities 2-5 years	**6.3**	5.6

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

24. Financial instruments (continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss. The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Fair values versus carrying amounts

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

	31 December 2007		31 December 2006	
	Carrying amount £'000	**Fair value £'000**	Carrying amount *£'000*	Fair value *£'000*
Available for sale financial assets	**6,650**	**6,650**	–	–
Financial assets designated at fair value through profit or loss	**56**	**56**	–	–
Cash and cash equivalents	**20,895**	**20,895**	*10,278*	*10,278*
Secured bank loans	**81,824**	**75,965**	*39,047*	*37,057*
Trade and other payables	**100,842**	**100,842**	*54,101*	*54,101*

The value of the financial asset designated at fair value through profit or loss (a call option) has been estimated by assessing the expected financial performance of the business to which it relates to over the life of the option, and the exercise price of the option.

The basis for determining the other fair values is disclosed in note 16.

25. Operating lease arrangements

Group	2007 £'000	2006 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**5,297**	*2,026*

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:

Group	2007		2006	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	**5,697**	**438**	*180*	*6*
In the second to fifth years inclusive	**19,958**	**377**	*2,856*	*25*
After five years	**11,457**	**–**	*18,746*	*–*
	37,112	**815**	*21,782*	*31*

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.

26. 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 are bought from entities controlled by key management personnel on normal commercial terms and conditions. The entities controlled by key management personnel are companies belonging to JP Bolduc, a director of the Company, and a company belonging to Mr Manardo, which provides concierge services to Ineum Consulting, and which rents space from Ineum Consulting.

Year-end balances arising from purchases of services	2007 £'000	2006 £'000
Payables to related party entities controlled by key management personnel	**–**	*–*

The payables to related parties arise mainly from purchase transactions and bear no interest. During the year, the Group entered into the following transactions with related parties:

Parson Consulting LLC paid £1,252 (2006: £8,131) to JP Enterprises, Inc for rental of office space. Mr Bolduc, a director of the Company, is the majority shareholder and director of JP Enterprises, Inc. In the period 1 January – 30 May 2007 Ineum Consulting SAS earned £111,011 from the rental of office space to GEM SAS and paid £3,892 for concierge services provided by TO DO TODAY SAS (2006: £60,000 and £61,000 respectively for the period 1 September – 31 December). Mr Manardo, a director of the Company until 30 May 2007, is the majority shareholder and director of GEM SAS and TO DO TODAY SAS. Mr Parry, a director of the Company, was a non-executive director of Knight Frank LLP during 2007. In that period the Group paid Knight Frank LLP £98,322 for professional services related to property matters.

26. Related party transactions (continued)

Remuneration of key management personnel

The aggregate remuneration of the key management personnel of the Group, is set out below. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report on pages 43 to 50.

	2007	*2006*
	£'000	*£'000*
Short-term employee benefits	**3,426**	*2,640*
Post-employment benefits	**329**	*150*
Other long-term benefits	**–**	*3*
	3,755	*2,793*

27. Principal subsidiary undertakings

At 31 December 2007, 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 otherwise indicated. Each of the subsidaries is included in the consolidation.

	Countries of incorporation/operation
CBH Consulting, Inc.	USA
Ineum Conseil et Associés S.A.	France
Ineum Consulting SAS	France
Kurt Salmon Associates Inc.	USA
Kurt Salmon Associates Limited	United Kingdom
Kurt Salmon Associates AG	Switzerland
Kurt Salmon Associates GmbH	Germany
Kurt Salmon Associates SA	France
Kurt Salmon Associates BV	The Netherlands
Kurt Salmon Associates Canada Limited	Canada
KSA Americas Limited	Bermuda
Kurt Salmon Associates Capital Advisors, Inc.	United States
Kurt Salmon Management Consulting (Shanghai) Limited	China
Parson Consulting Limited*	Great Britain
Parson Consulting LLC	USA
Parson Consulting Pty Limited	Australia
Parson Consulting S.A.S.	France
Proudfoot Company Management Services GmbH (trading as Proudfoot Consulting)	Switzerland/Australia, New Zealand, Hong Kong
Proudfoot Consulting Company	USA
Proudfoot Consulting (Europe) Limited*	Great Britain
Proudfoot Consulting GmbH	Austria
Proudfoot Consulting GmbH	Germany
Proudfoot Consulting Inc	Canada
Proudfoot Consulting S.A.	Spain
Proudfoot Consulting S.A.S.	France
Proudfoot South Africa (Pty) Ltd	South Africa/Africa
The Salzer Group Asia Pacific Pte Limited (trading as Salzer Consulting)**	Singapore

* Held directly

** 51% interest

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.

28. Post balance sheet events

On 10 January 2008 it was announced that certain shareholders had requisitioned an Extraordinary General Meeting with the intention of removing the Group Chief Executive as a director. On 19 February 2008 the Chairman, Group Chief Executive, and Finance Director resigned. The Finance Director will stay in post until 19 August 2008, or earlier if agreed. Also on 19 February 2008, Mr Barber, previously a non-executive director, was appointed Executive Chairman. On 5 March 2008, the Company reached agreement with Mr Parry, the former Group Chief Executive, that £1,490,250 would be paid as compensation for loss of office. On 6 March 2008 it was announced that Mr Carvalho, Mr de Fontenay and Mr Wietecha would join the Board on 19 March 2008. None of these events has had any significance on the financial position of the Group.

29. Acquisitions

During the year, the company made the following acquisitions: CBH Consulting, Inc. and Kurt Salmon Associates, Inc.

At the dates of acquisition the provisional goodwill arising is:

	2007
Provisional goodwill	**£'000**
CBH Consulting	**5,292**
Kurt Salmon Associates	**67,264**
	72,556

CBH Consulting

On 6 September 2007 the Group acquired 100% of the issued share capital of CBH Consulting, Inc. a company involved in the provision of management consultancy services. The following table sets out the values of the identifiable assets and liabilities acquired and their provisional fair values to the Group.

	Acquisition (IFRS) £'000	Fair value adjustments £'000	Provisional fair value to Group £'000
Intangible assets	90	455(i)	545
Property, plant and equipment	58		58
Current assets	1,522	(20)(ii)	1,502
Total assets	1,670		2,105
Current liabilities	(2,150)		(2,150)
Deferred tax liability	–	(159)(iii)	(159)
Total liabilities	(2,150)		(2,309)
Net liabilities	(480)		(204)
Consideration given			4,393
Acquisition costs			695
Goodwill arising			5,292
The fair value of the consideration given was:			
Cash			2,305
Shares issued			2,088
			4,393

Shares issued comprised 4,156,054 shares, with a nominal value of 25 pence each, and a fair value 50.25 pence each. The fair value of each share reflects the market price of a share in the Company on 6 September 2007.

Goodwill arises because the value of the CBH Consulting business resides in its assembled workforce which is not required to be separately valued under IFRS. The fair value adjustments are provisional at the year end due to the recentness of the acquisition.

Provisional fair value adjustments comprise:

(i) Recognition of customer relationship intangible asset of £387,000 and customer orders intangible asset of £68,000

(ii) Adjustment to trade receivables

(iii) Deferred tax liability arising on fair value adjustments

Net cash (outflows)/inflows in respect of CBH comprised:	2007 £'000
Cash consideration including share issues and acquisition costs	(3,000)
Cash at bank and in hand acquired	241
Net cash outflow	(2,759)

The post-acquisition contribution of CBH Consulting to the Group was £1.9 million to revenue, £0.1 million to profit from operations and £0.1 million to earnings before interest and tax. Had the acquisition been made at 1 January 2007 the Group's revenue for the period would have been £219.3 million, profit from operations before amortisation of acquired intangibles and reorganisation costs would have decreased to £24.6 million, and earnings before interest and tax would have been £21.6 million.

Kurt Salmon Associates

On 12 October 2007 the Company acquired 100% of the issued share capital of Kurt Salmon Associates, Inc. Kurt Salmon Associates, Inc. is the parent company in a group of companies involved in the provision of management consultancy services. The following table sets out the values of the identifiable assets and liabilities acquired and their provisional fair values to the Group.

	Acquisition (IFRS) £'000	Fair value adjustments £'000	Provisional fair value to Group £'000
Intangible assets	272	7,742(i)	8,014
Property, plant and equipment	1,580	(425)(ii)	1,155
Financial assets	5,492	275(iii)	5,767
Deferred tax asset	5,670	3,863(iv)	9,533
Current assets	31,699	(1,065)(v)	30,634
Total assets	44,713		55,103
Bank overdraft	(2,587)		(2,587)
Current liabilities	(34,507)	(5,333)(vi)	(39,840)
Retirement benefit obligation	(3,946)	(12)(vii)	(3,958)
Provisions	(249)	(4,853)(viii)	(5,102)
Deferred tax liability	–	(2,933)(ix)	(2,933)
Total liabilities	(41,289)		(54,420)
Net assets	3,424		683
Consideration given			61,186
Acquisition costs			6,761
Goodwill arising			67,264
The fair value of the consideration given was:			
Cash			36,795
Shares issued			23,067
Share options issued			1,324
			61,186

Shares issued comprised 53,643,103 shares, with a nominal value of 25 pence each, and a fair value of 43 pence each. The fair value of each share reflects the market price of a share in the Company on 12 October 2007.

Share options issued comprised 7,471,444 options with a range of exercise prices to replace existing Kurt Salmon Associates, Inc. share options (see note 19).

Goodwill arises because the value of the Kurt Salmon Associates business resides in its assembled workforce which is not required to be separately valued under IFRS. The fair value adjustments are provisional at the year end due to the recentness of the acquisition.

Provisional fair value adjustments comprise:
(i) Recognition of £7,858,000 brand and customer relationship intangible asset and £147,000 order backlog intangible asset offset by £263,000 provision against goodwill relating to a previous KSA acquisition.
(ii) Impairment of capitalised software costs
(iii) Revaluation of investment securities
(iv) Deferred tax asset arising on fair value adjustments
(v) Provisions against potentially irrecoverable trade receivables and work in progress
(vi) Recognition of potential tax exposures and contract related exposures
(vii) Additional retirement benefit obligation
(viii) Property related provisions
(ix) Deferred tax liability arising on fair value adjustments

Net cash (outflows)/inflows in respect of KSA comprised:	2007 £'000
Cash consideration including share issues and acquisition costs	(43,749)
Cash at bank and in hand acquired	3,833
Overdraft acquired	(2,587)
	(42,503)

The post-acquisition contribution of Kurt Salmon Associates to the Group was £17.1 million to revenue, £3.1 million to profit from operations and £3.1 million to earnings before interest and tax. Had the acquisition been made at 1 January 2007 the Group's revenue for the period would have been £273.4 million, profit from operations before amortisation of acquired intangibles and reorganisation costs would have decreased to £25.7 million, and earnings before interest and tax would have been £18.2 million.

Ineum

The table below shows the final fair value of the assets and liabilities acquired with Ineum on 1 September 2006.

	Acquisition (IFRS) £'000	Provisional fair value adjustments £'000	Amendments to provisional fair value adjustments £'000	Final fair value to Group £'000
Intangible assets	1,017	(i) 8,769	(a) (137)	9,649
Property, plant and equipment	750		(a) (445)	305
Deferred tax asset	198	(ii) 891	(b) (185)	904
Current assets	37,297	(iii) (857)	(c) 527	36,967
Total assets	39,262	8,803	(240)	47,825
Current liabilities	(29,874)	(iv) (673)	2	(30,545)
Bank loans	(15,211)	(v) (392)	–	(15,603)
Provisions	(60)	–	–	(60)
Deferred tax liability	–	(vi)(3,005)	–	(3,005)
Total liabilities	(45,145)	(4,070)	2	(49,213)
Net liabilities	(5,883)	4,733	(238)	(1,388)
Consideration given				82,325
Acquisition costs				4,865
Final Goodwill arising				**88,578**
Allocated to Parson				21,259
Allocated to Ineum				67,319
Final Goodwill				**88,578**

Provisional fair value adjustments comprise:
(i) Recognition of customer relationship intangible asset of £8,430,000 and customer order intangible asset of £541,000 offset by £202,000 impairment of capitalised software costs
(ii) Deferred tax asset arising on fair value adjustments
(iii) £1,210,000 additional provisions for potentially irrecoverable trade receivables and recognition of £353,000 accrued income
(iv) Additional accruals for employee related matters
(v) Provision for surplus space
(vi) Deferred tax liability arising on fair value adjustments.

Amendments to provisional fair value adjustments comprise:
a) Additional provisions against the carrying value of IT software and hardware
b) Impact on deferred tax asset of amendments to provisional fair values
c) Reduction in fair value provision for potentially doubtful debtors

Of the total Final Goodwill arising £21.3 million has been allocated to Parson to reflect the merger of the Ineum financial management unit with Parson.

contacts for investors and clients

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Company secretary

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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:

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Craig Smith, *Finance Director*
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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	23 April 2008
Ex-dividend date	16 April 2008
Record date	18 April 2008
Final dividend payment	14 May 2008

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

On-line 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).

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notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Management Consulting Group PLC will be held at 2.30pm on 23 April 2008 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London, EC4V 6JA for the undermentioned purposes:

Ordinary business

1. To receive and adopt the Directors' report and annual accounts of the Company for the year ended 31 December 2007 together with the auditors' report on those accounts and on the auditable parts of the Directors' Remuneration Report.
2. To receive and approve the Directors' Remuneration Report as set out in the report and accounts of the Company for the year ended 31 December 2007.
3. To declare the final dividend for the year ended 31 December 2007 of 0.82 pence per share.
4. To re-appoint Mr S A Ferriss as a director of the Company, who is retiring by rotation.
5. To re-appoint Mr J P Bolduc as a director of the Company, who is retiring by rotation.
6. To re-appoint Mr L H Carvalho as a director of the Company who, having been appointed since the last Annual General Meeting, is required to stand down and offer himself for re-appointment.
7. To re-appoint Mr M de Fontenay as a director of the Company who, having been appointed since the last Annual General Meeting, is required to stand down and offer himself for re-appointment.
8. To re-appoint Mr M Wietecha as a director of the Company who, having been appointed since the last Annual General Meeting, is required to stand down and offer himself for re-appointment.
9. To re-appoint Deloitte & Touche LLP as auditors to the Company, to hold office from the conclusion of the meeting until the conclusion of the next Annual General Meeting and to authorise the directors to determine the auditors' remuneration.

Special business

To consider and, if thought fit, pass the following resolutions. Resolutions 10, 13 and 14 will each be proposed as a special resolution, Resolutions 11 and 12 will each be proposed as an ordinary resolution:

10. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 25 pence each in the capital of the Company ('ordinary shares') on such terms and in such manner as the Directors may from time to time determine, and where such shares are held as treasury shares, the company may use them for the purposes set out in section 162D of the Companies Act 1985, including for the purpose of its employee share schemes provided that:
    - (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 32,889,996;
    - (ii) the minimum price which may be paid for an ordinary share shall be an amount equal to the nominal value of an ordinary share from time to time (exclusive of expenses);
    - (iii) the maximum price which may be paid for an ordinary share is the higher of the amount equal to 105 per cent of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses); and

(iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 22 July 2009, whichever is earlier, unless such authority is renewed or revoked prior to such time, save that the Company may enter into contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contracts will or may be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares pursuant to any such contracts.

11. That the rules of the Management Consulting Group 2008 Performance Share Plan (the "PSP") referred to in the Directors' Report, and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be and are hereby approved and the Directors be authorised to:

    (i) make such modifications to the PSP as they may consider appropriate to take account of the requirements of best practice and for the implementation of the PSP and to adopt the PSP as so modified and to do all such other acts and things as they may consider appropriate to implement the PSP; and

    (ii) establish further plans based on the PSP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the PSP.

12. That the US Sub-Plan to the Management Consulting Group PLC 1998 Executive Share Option Scheme, in the form produced to the meeting and initialled for the purposes of identification, be and is hereby approved and adopted and the directors of the Company be authorised to make such amendments as the directors consider appropriate to allow the options granted pursuant to the US Sub-Plan to meet or maintain the requirements for statutory options as set forth in section 422 of the Internal Revenue Code of 1986 (as amended);

13. That the amended Articles of Association of the Company produced to the Meeting and initialled by the Chairman for the purpose of identification as New Articles 'A' be adopted as the articles of association of the Company, in substitution for, and to the exclusion of, the Company's existing articles of association with immediate effect.

14. That with effect from 00.01 a.m. on 1 October 2008, the new Articles of Association of the Company adopted pursuant to Resolution 12 be amended by the deletion of article 111 and the insertion of new articles 121, 122 and 123, such amendments being produced to the Meeting and initialled by the Chairman for the purpose of identification as New Articles 'B', and all necessary and consequential numbering amendments be made to the Articles of Assocation.

By order of the Board

Charles Ansley
Company Secretary

17 March 2008

notice of Annual General Meeting

(continued)

Notes

(i) An explanation of the business of the Annual General Meeting is given in the Directors' Report.

(ii) A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the Annual General Meeting convened by this notice. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not also be a member of the Company.

(iii) A form of proxy is enclosed and to be valid it must be received at the offices of the Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent BR3 4BR by not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of a form of proxy will not prevent a member from attending and voting at the Annual General Meeting in person if he/she so wishes.

(iv) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting services provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5)(a) of the Uncertificated Securities Regulations 2001.

(v) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the register of members at 6pm on 21 April 2008 (or, in the event of any adjournment, 6pm on the date which is two days before the time of the adjourned meeting) shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after the relevant time shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

(vi) Copies of each director's service contract or letter of appointment will be available for inspection at the registered office of the Company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting and at the place of the meeting for 15 minutes prior to and during the Annual General Meeting.

(vii) A copy of the draft rules of the Management Consulting Group 2008 Performance Share Plan will be available for inspection at New Bridge Street Consultants LLP at 20 Little Britain, London EC1A 7DH during normal business hours on any weekday (Saturdays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least fifteen minutes prior to and during the Annual General Meeting.

(viii) A copy of the rules of the US sub-plan to the Management Consulting Group PLC 1998 Executive Share Option Scheme will be available for inspection at the registered office of the Company from the date of this notice until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least fifteen minutes prior to and during the Annual General Meeting.

(ix) A copy of the articles of association of the Company marked to show the changes proposed by resolution 13 together with a copy of the revised articles of association and a copy of the revised articles of association marked to show the changes proposed by resolution 14 will be available for inspection at the registered office of the Company from the date of this notice until the conclusion of the Annual General Meeting and at the place of the meeting for fifteen minutes prior to and during the Annual General Meeting.

(x) As at 6pm on 14 March (being the last business day prior to publication of this notice), the Company's issued share capital comprised 328,899,961 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 14 March 2008 is 328,899,961.

(xi) Members should note that it is possible that, pursuant to requests made by members of the Company under s527 Companies Act 2006 ("CA 2006"), the Company may be required to publish on a website a statement setting out any matter relating to:

(a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or

(b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the annual accounts and reports were laid in accordance with s437 CA 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with ss527 or 528 CA 2006. Where the Company is required to place a statement on a website under s527 CA 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required to publish on a website under s527 CA 2006.

SUMMARY OF THE PRINCIPAL TERMS OF THE MANAGEMENT CONSULTING GROUP 2008 PERFORMANCE SHARE PLAN (the "Plan")

Operation

The remuneration committee of the board of directors of the Company (the "Committee") will supervise the operation of the Plan.

Eligibility

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

Grant of awards

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. The Committee may also grant awards 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. It is intended that the first awards will be made shortly following the adoption of the Plan.

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, although it does not currently intend to do so.

An award may not be granted more than 10 years after shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual limit

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

Performance conditions

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

The initial grant of awards to executive directors and certain other senior executives will be 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.

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These initial 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% p.a.	0%
EPS growth equal to 6% p.a.	20%
EPS growth equal to or more than 13 % p.a.	100%
EPS growth of between 6% - 13% p.a.	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.

Vesting of awards

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.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of his death, injury, disability, retirement, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee, then his award will vest on the date when it would have vested if he had not ceased such employment or office, subject to: (i) the performance conditions measured at that time and (ii) the pro-rating of the award by reference to the time of cessation (rounded up to the next whole year), although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above, the Committee can decide that his award will vest when he leaves, subject to: (i) the extent to which the performance conditions have been satisfied by reference to the date of cessation (or, in the reasonable opinion of the Committee, would have been likely to have been met had the performance period run its full course); and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and vesting (rounded up to the next whole year), although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions have been satisfied at that time (or, in the reasonable opinion of the Committee, would have been likely to have been met had the performance period run its full course); and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting (rounded up to the nearest whole year), although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Participants' rights

Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares. Holders of awards of forfeitable Shares will have shareholder rights from when the awards are made except they may be required to waive their rights to receive dividends.

The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest. This amount may assume reinvestment of dividends.

Rights attaching to Shares

Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

Overall Plan limits

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 12.8 per cent of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

This dilution limit reflects the fact that the Company's key assets are its people whose continued incentivisation and retention are critical to the Company's success. This limit also reflects the 12.8% limit in the existing 1998 Option Scheme which was previously agreed with shareholders.

Alterations to the Plan

The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

Overseas Plans

The shareholder resolution to approve the Plan will allow the Board to establish further plans for overseas territories, any such plan to be similar to the Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Plan.

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The Plan includes a schedule which provides for the grant of tax-qualified conditional awards to participants in France, if awards are granted under the schedule. As indicated above, any Shares made available under this French schedule will count against the limits on individual and overall participation in the Plan.

Although the principal terms of the Plan will apply to any awards granted under the French schedule, certain modifications are required to comply with the requirements of French tax and social security contributions legislation. The main modifications are summarised below:

- participants will be required to hold their Shares for a further two years after the vesting date of their conditional awards, except in case of death and Disability as defined under French law;
- participants will not be permitted to sell their Shares during certain Closed Periods, as defined in French law;
- there may be no acceleration of vesting for “good leavers” (as defined above) where that would infringe the requirement for a two-year vesting period, other than in the case of death or Disability as defined under French law;
- certain employees who are “managing directors” under French law may be required to retain their Shares whilst they hold their managing positions; and
- dividend equivalents described in the paragraph headed “Participants’ rights” above may not accrue on awards under the French schedule.

Normally, the Shares acquired by a participant on the vesting of an Award under the French schedule will be held in a nomination account in the name of the participant until their sale.

It is intended that awards granted under the French schedule would qualify for tax and social security contributions approved treatment under the French tax social security contributions legislations.

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

i). Articles that Duplicate Statutory Provisions

Provisions in the current articles of association (the "Current Articles") which duplicate provisions contained in the Companies Act 2006 are, in the main, to be amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include regulations as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

ii). Form of Resolution

The Current Articles contain provisions that specifically require extraordinary resolutions. These provisions are removed/amended in the new articles of association (the "New Articles") as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

iii). Variation of Class Rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended accordingly in the New Articles.

iv). Convening General Meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

v). Votes of Members

Under the Companies Act 2006, proxies are entitled to vote on a show of hands whereas, under the Current Articles, proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed. The New Articles reflect these provisions.

vi). Age of Directors on Appointment

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now contravene of the Employment Equality (Age) Regulations 2006, and so has been removed from the New Articles.

vii). Conflicts of Interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

viii). Notice of Board Meetings

Under the New Articles, a director absent or intending to be absent from the United Kingdom may request that notices of board meetings during his absence be sent to him in hard copy form or by electronic means to an address or electronic address given by him to the Company for that purpose. If no request is made (and/or if no such non-United Kingdom address is given) it is not necessary to give notice of a board meeting to a director who is absent from the United Kingdom.

ix). Electronic and Web Communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

x). Directors' Indemnities and Loans to Fund Expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

xi). General

Generally the opportunity has been taken to clarify certain provisions of the New Articles.