Management Consulting Group PLC
Annual report and accounts 2008

Management Consulting Group PLC

Corporate profile

Management Consulting Group PLC is an umbrella organisation for a range of professional service offerings. It comprises three independently managed practices – Ineum Consulting, Kurt Salmon Associates and Proudfoot.

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

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

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

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

Our year in brief

Highlights

Revenue from continuing operations up 60.0% to £343.1m (2007: £214.5m)

Underlying profit from operations up 33.3% to £34.7m (2007: £26.1m)

Loss from operations £15.9m (2007: £21.9m profit)

Underlying earnings per share up 4.9% to 6.2p (2007: 5.9p)

Basic earnings per share –6.4p (2007: 4.7p)

Total dividend up 13.0% to 1.30p per share (2007: 1.15p per share)

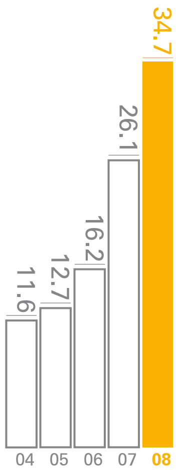
Net debt up 2.0% to £62.1m (2007: £60.9m) but down 30.5% to £42.3m at constant exchange rates

Revenue

£343.1m

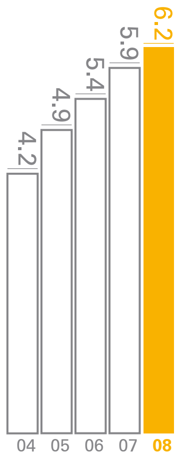
Underlying operating profit

£34.7m



Underlying earnings per share

6.2p



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

MCG has faced challenging economic conditions during 2008 and has performed extremely well throughout the year, ending it with both revenue and underlying operating profit figures significantly higher than those of 2007.

Our structure

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

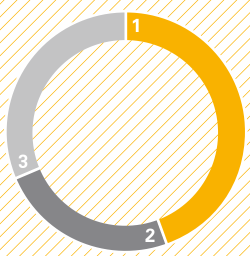
It comprises three independently managed practices – Ineum Consulting, Kurt Salmon Associates and Proudfoot.

Revenue by practice

1 Ineum Consulting
£153.1m – 44.6% of total
(2007: £123.8m – 57.7% of total)

2 Kurt Salmon Associates
£83.0m – 24.2% of total
(2007: £17.1m – 8.0% of total)

3 Proudfoot
£107.0m – 31.2% of total
(2007: £73.6m – 34.3% of total)



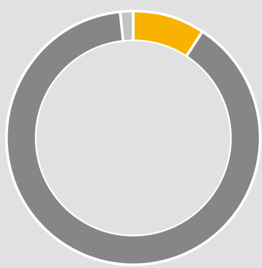
Note: continuing operations only. Parson Consulting and Viaduct Consulting results now incorporated into Ineum Consulting figures.

ineum consulting

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

- **Established:** 2003
- **Acquired:** September 2006
- **Head office:** Paris, France
- **Operates:** globally with offices across Europe, the US and Australia
- **Sectors:** operates in both public and private sectors, including banking and financial services, utilities, telecommunications, media and transportation
- **Typical project size:** around £300k
- **Major competitors include:** Accenture, Oliver Wyman, AT Kearney
- **2008 revenue:** £153.1m
- **2008 operating margin:** 6.5%
- **Number of employees:** around 1,150

2008 revenue



Americas
9.4%

Europe
89.0%

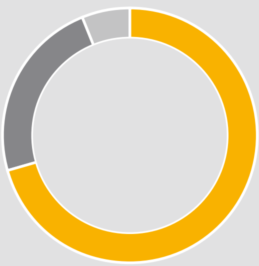
Rest of World
1.6%

KURT SALMON ASSOCIATES

Management consultancy services to the retail and consumer products sector and to the health care provider sector.

- **Established:** 1935
- **Acquired:** October 2007
- **Head office:** Atlanta, US
- **Operates:** globally to the retail and consumer products and sector and to the US heath care provider sector
- **Typical project size:** around £300k
- **Major competitors include:** McKinsey, Bain, Booz Allen
- **2008 revenue:** £83.0m
- **2008 operating margin:** 8.1%
- **Number of employees:** around 500

2008 revenue



Americas
70.7%

Europe
23.2%

Rest of World
6.1%

proudfoot

Operational improvement services to its clients to increase productivity and reduce costs.

- **Established:** 1946
- **Listed on London Stock Exchange:** 1987
- **Head office:** Atlanta, US
- **Operates:** globally with offices across the Americas, Europe and the Pacific Basin
- **Typical project size:** around £2m
- **Major competitors include:** AT Kearney, Celerant
- **2008 revenue:** £107.0m
- **2008 operating margin:** 16.9%
- **Number of employees:** around 500

2008 revenue

Americas
49.8%

Europe
26.4%

Rest of World
23.8%

Chairman's statement

2008 was a challenging but ultimately very successful year for MCG. Record underlying results and strong cash generation were achieved despite the gathering economic recession.

Alan Barber
Executive Chairman

Summary of the Chairman's statement

2008 was a challenging but successful year for MCG

Record underlying results and strong cash generation despite the gathering economic recession

Business now structured as three resilient and client-focused divisions

MCG benefits from the current weakness in Sterling

We hope that the 2009 share price will reflect MCG's progress

Shareholder returns remain uppermost in our priorities

Overview

2008 was a challenging but ultimately very successful year for MCG. Record underlying results and strong cash generation were achieved despite the gathering economic recession and the need to carry out a painful restructuring of the Group. By the end of the year we had created a more balanced and broad-based business that is far less reliant on any one industrial sector or geography for its success.

The business is now structured as three resilient and client-focused practices: Ineum Consulting, Kurt Salmon Associates and Proudfoot. These continue to enjoy Group synergies while benefiting from independent management driving their growth. Although our share price has fallen by 36% during 2008 this compares favourably with a significant number of other small-cap companies. I hope that our share price during 2009 will reflect the broad base of our profit stream, the strong cash generation capability of our business and the benefits of the cost reduction exercise completed late in 2008.

Proudfoot and Ineum Consulting, in particular, performed very well in 2008. Proudfoot recorded its highest revenue and profit figures since the early 1990s and Ineum Consulting continued its very successful growth, reaching almost double its revenue in 2006, the year of its acquisition. Kurt Salmon Associates experienced more difficult trading towards the end of the year, particularly due to the slowdown in its core retail market. However it responded well by actively managing its cost base in advance of the downturn and is in good shape to face its future challenges.

The Group generates well over 90% of its business outside the UK and so the current weakness of Sterling is beneficial to its reported revenue and profits. Unless Sterling strengthens significantly against major currencies, this trend will continue during 2009.

The Group again generated cash strongly during 2008, with excellent working capital management across the divisions. Although the reported year-end net debt figure is inflated by the weakness of Sterling and a cash outflow relating to over £10m of non-recurring costs, at constant exchange rates debt decreased by £18.6m during the year. We remained comfortably within our debt facility and covenant limits throughout the year.

Shareholder returns remain uppermost in our priorities and, having restructured the Group during 2008, we regularly review and consider all the strategic options open to us as we look to maximise these returns.

Summary of trading performance

MCG reached record levels of revenue and underlying profit in 2008. Total revenue for the year ended 31 December 2008 from continuing businesses was up 60.0% to £343.1m (2007: £214.5m). The Group benefited from full year trading of the two 2007 acquisitions and the strength of the Euro and the US Dollar, the Group's major trading currencies. Underlying profit from operations was up 33.3% to £34.7m (2007: £26.1m). The weakness of Sterling compared to the Euro and the US Dollar had a positive effect on the Group's results. If translated at 2007 exchange rates revenue would have been £34.4m lower and underlying profit from operations £2.7m lower.

Non-recurring costs of £21.5m (2007: £2.5m) were incurred in respect of the many restructuring programmes undertaken during 2008. There was a charge of £26.7m (2007: zero) relating to the impairment of the goodwill in respect of Parson Consulting. Consequently there was an overall loss from operations of £15.9m (2007: £21.9m profit). The full year effect of the additional debt taken on during 2007 to finance acquisitions has increased interest expense, net of investment income to £4.2m (2007: £2.1m). The loss before tax was £20.0m (£19.8m profit).

Following an underlying effective tax rate of 33% (2007: 31%), the underlying earnings per share from continuing operations were up 4.9% to 6.2p (2007: 5.9p). Basic earnings per share were –6.4p (2007: 4.7p). An interim dividend of 0.40p per share (2007: 0.33p per share) was paid on 21 October 2008. The directors recommend a final dividend of 0.90p per share (2007: 0.82p per share) to be paid on 2 July 2009 to ordinary shareholders on the register at 5 June 2009.

Cash generation was strong throughout the year and net debt at year end was £62.1m (2007: £60.9m). The vast majority of the Group's debt is in Euros and US Dollars and so was adversely affected by exchange movements during the year. At 2007 exchange rates, year-end net debt would have been £42.3m.

Group structure and strategy

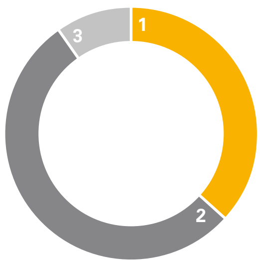
Ineum Consulting and Kurt Salmon Associates are industry-led consultancies offering strategic and business management consultancy services. Proudfoot is an operational improvement business. To maintain the appropriate focus on these three practices I have revamped the organisational structure of the Group so that each reports directly to me. As a consequence their results will be shown separately in this report. During 2008 Parson Consulting and Viaduct Consulting were integrated into Ineum Consulting and their names discontinued. In December 2008 the

Total dividend

+13%

2008: 1.30p per share, up from 1.15p per share in 2007

Revenue by geographic segment



1 Americas
36.8% of total
(2007: £60.8m
– 28.4% of total)

2 Europe
53.5% of total
(2007: £139.9m
– 65.2% of total)

3 Rest of World
9.7% of total
(2007: £13.8m
– 6.4% of total)

Chairman's statement continued

The business is now structured as three resilient and client-focused practices: Ineum Consulting, Kurt Salmon Associates and Proudfoot. These continue to enjoy Group synergies while benefiting from independent management driving their growth.

Group structure and strategy continued

stake in Salzer Consulting was sold back to the original owner.

In parallel to these organisational changes a strategic review was undertaken to develop a blueprint for the future direction of the Group. This too was completed just as the credit squeeze began to take hold and the global economy headed towards recession. Growth opportunities for the Group were identified during the process and the Group intends to invest cautiously in the resource required to exploit these as external economic conditions allow. Likewise many cost saving opportunities became evident and the Group has embraced these quickly and expediently in order to refocus the business to its three key brands and its appropriate geographical footprint.

Non-client facing costs, particularly central costs, have been minimised during 2008. Around a dozen properties have been withdrawn from during the year and a further five downsized. The Group has restructured its old Parson Consulting and Viaduct Consulting businesses, integrating these into Ineum Consulting, sold its stake in Salzer Consulting and downsized its operations in China to reduce substantially the losses in the region.

The strategy of MCG remains to maximise shareholder value through organic growth and selected small acquisitions whilst reducing the net debt of the business, with a view to becoming debt free before the expiry of the current committed banking facility in 2012.

People

On 19 February 2008, Rolf Stomberg, Chairman and Kevin Parry, Chief Executive, stood down from the Board. On the same day I was appointed Executive Chairman and continue to have overall executive responsibility for the Group. On 19 March 2008, Luiz Carvalho, Miguel de Fontenay and Mark Wietecha joined the Board as Executive Directors. On 23 April 2008, Mark Wietecha was appointed Deputy Chairman and Luiz Carvalho and Miguel de Fontenay appointed Managing Directors of MCG. On 19 February 2008, Craig Smith, Finance Director, announced his resignation but on 23 April 2008 agreed to withdraw this and continue in that role. On 8 October 2008, Julian Waldron was appointed to the Board as Non-executive Director. At the 2009 Annual General Meeting Mark Wietecha will relinquish his position as Deputy Chairman and become a Managing Director of MCG with executive responsibility for Kurt Salmon Associates. The Board currently has five Non-executive Directors and is seeking to appoint one more to reflect the geographical diversity of MCG. I would like to take this opportunity to thank all the Directors who worked with MCG during 2008, and indeed all the employees, for their sterling efforts during this turbulent year in the Group's history.

Prospects

Life is as challenging for MCG as it is for many other businesses in today's economic climate. However, during 2008 we have created a balanced portfolio of practices and maintained a secure financial position and good cash generation while continuing to develop a team of highly professional partners and staff. Currently our order book and revenue are at a similar level to last year and we remain very focused on meeting the significant economic challenge of today's trading environment.

Alan Barber
Executive Chairman
9 March 2009

A brief history of MCG

1946
Business founded by Alexander Proudfoot in Chicago

1987
Alexander Proudfoot PLC listed on London Stock Exchange

2000
Name changed to Management Consulting Group PLC

2006
Ineum Consulting acquired

2007
Kurt Salmon Associates acquired

2008
Group refocused and restructured to emerge as a more client-focused business

Business review: Ineum Consulting

Ineum Consulting is strong in Continental Europe, particularly France and Benelux, whose economies have so far withstood the economic downturn better than many others.

Miguel de Fontenay
Chief Executive, Ineum Consulting

Ineum Consulting

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

Ineum Consulting recorded robust results throughout 2008, benefiting from the broad range of industries serviced including its sizeable French public sector business, the enlarged geographical spread of the business, the long standing relationships with high-quality clients, including around 80% of the CAC40, and the range of services that are constantly developed to remain in line with client requirements at each stage of the economic cycle. Moreover, Ineum Consulting is strong in Continental Europe, particularly France and Benelux, whose economies have so far withstood the economic downturn better than many others.

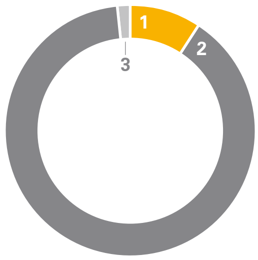
During 2008 Parson Consulting was restructured following losses in the first half of the year, integrated into Ineum Consulting and the brand name discontinued. This has given Ineum Consulting an immediate presence in the UK and Australia and has complemented the American offering of the New York office which opened in 2007. This integration was important in the development of Ineum Consulting as a global brand as it allows the industry knowledge, created and enhanced in France to be leveraged across new and important markets, as well as broadening the product offering. Also in 2008 Viaduct Consulting was absorbed into Ineum Consulting, reinforcing its position in transactional support and post-merger integration and allowing the business to offer its clients the full range of management consultancy services.

The heartland of Ineum Consulting remains in France but there was good progress in each of the international subsidiaries during 2008. A new office was opened in Geneva to complement the Zurich office and the performance of the Belgium and Luxembourg businesses, in particular, surpassed expectations.

During 2008 the management of Ineum Consulting was reinforced following the appointment of its Chief Executive, Miguel de Fontenay onto the Board of Directors of MCG. Florence Lafforgue was promoted to Managing Partner responsible for the French business of Ineum Consulting and Chiheb Mahjoub was promoted to Managing Partner for the international business.

The cost base of Ineum Consulting was downsized during 2008, predominantly through the restructuring of the old Parson Consulting prior to the half year and the closure of several redundant or duplicate offices. Revenue growth across the majority of the business has led to careful client facing resource enhancement and allocation while non-client facing costs have been minimised and integrated where possible.

2008 revenue
1 Americas: 9.4%
2 Europe: 89.0%
3 Rest of World: 1.6%



Revenue
£153.1m
(2007: £123.8m)

Operating profit
£9.9m
(2007: £11.2m)

Operating margin
6.5%
(2007: 9.0%)

Note that excluding the US, UK and Australian results of Parson Consulting, Ineum Consulting would have recorded revenue of £131.0m (2007: £101.9m), operating profit of £13.9m (2007: £13.1m) and operating margin of 10.6% (2007: 12.9%).

16.35: Paris, France

A leading European aerospace and defence group positioned Product Life Cycle Management ("PLM") as one of its ten major initiatives. Wishing to secure its industrial programmes, achieve its transformation towards an extended enterprise model and harmonise its activities at group level, it engaged Ineum Consulting to establish and support an ambitious PLM programme addressing processes, competencies and tools, with the objectives of reaching a best in class position in product development and of generating significant cost reductions.

Aerospace and defence

Business review continued: Kurt Salmon Associates

Central to the services of Kurt Salmon Associates are proprietary product offerings which leverage the unparalleled understanding of the business in its niche markets.

Mark Wietecha
Chairman, Kurt Salmon Associates

Kurt Salmon Associates

Kurt Salmon Associates provides its services to the retail and consumer products sector, and to the health care provider sector. The retail and consumer products group works globally solving client problems that often require the co-ordination and integration of several disciplines. The health care group creates tailored solutions for strategic, facility development and information technology planning needs of the hospital industry in the US. Kurt Salmon Associates also provides focused corporate finance services delivering financial and strategic advisory services to retail and consumer products companies. Kurt Salmon Associates is headquartered in Atlanta, with offices in Europe and the Far East.

2008 began well for the two major divisions of Kurt Salmon Associates. Order intake was good in the first quarter and revenue followed strongly in the second and third quarters. Towards the end of the year, however, there was a relative slowdown across the business. Retail customers were concerned about the viability of their cash flows across the all-important holiday season as the well-publicised slowdown in consumer spending gradually became apparent. Health care projects, being predominantly of a capital expenditure nature, were adversely affected by the squeeze on credit availability.

The retail and consumer products group is generally very strong during an economic upturn or during slight downturns when clients wish to take cost out of their system or improve cash generation. The health care group is normally more immune to variations in the economic cycle. The speed and depth of this current cycle is unprecedented and Kurt Salmon Associates has already taken steps to downsize its cost base to counteract the effects on margin. There have been downsizings of the businesses in China and the Netherlands, and headcount reductions across all regions.

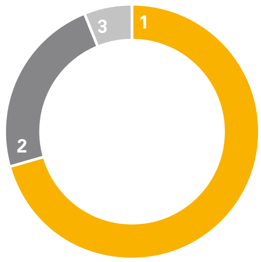
Under the circumstances Kurt Salmon Associates has recorded very creditable results in 2008 in difficult market conditions. It has rescaled its business and is well placed to take advantage of the upturn in the cycle when this occurs.

Central to the services of Kurt Salmon Associates are proprietary product offerings which leverage the unparalleled understanding of the business in its niche markets. Act Vertical® is a product that uses the depth of knowledge possessed by Kurt Salmon Associates in retail companies to offer best practice supply chain information that can be practically implemented in new and existing clients. Symphonie® is a new facility activation product for clients in the health care industry. Both these products were implemented during 2008 and were well received by the client base.

The management team has remained steady across the year. With the elevation of its Chairman, Mark Wietecha, onto the Board of Directors of MCG, John Karonis has been promoted to President of the retail and consumer products group, and Wolf Wagner has joined this group as Director for Europe. Jim Berarducci continues as President of the health care group.

During the year Kurt Salmon Associates was proud to be mentioned by Consulting Magazine in two of its prestigious awards: Kurt Salmon Associates was named as one of the best ten consulting firms to work for; and Cari Bunch was named as one of the top twenty five consultants in North America.

2008 revenue %
1 Americas: 70.7%
2 Europe: 23.2%
3 Rest of World: 6.1%



Revenue
£83.0m
(2007: £17.1m)

Operating profit
£6.7m
(2007: £2.6m)

Operating margin
8.1%
(2007: 15.4%)

11.20: Atlanta, US

A leading footwear retailer wished to expand its geographical footprint internationally. In preparation for the expansion, the company needed to enhance its supply chain processes in order to ensure excellence in design, assortment planning and inventory management.

Company leadership engaged Kurt Salmon Associates to leverage their extensive retail experience and Act Vertical® methodology. Processes, organisation and tools were all addressed in a collaborative effort to set the stage for expansion.

Retail

Business review continued: Proudfoot

Proudfoot had a very successful year in 2008, with both revenue and operating profit significantly above those of 2007.

Luiz Carvalho
Chief Executive, Proudfoot

Proudfoot

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

Proudfoot had a very successful year in 2008, with both revenue and operating profit significantly above those of 2007. The difficult global economic conditions prevalent during the year were advantageous to its client offering. It remains a highly cash-generative business, invoicing weekly and collecting cash, on average, between one and two weeks later.

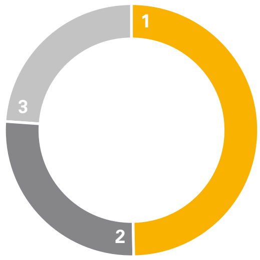
Proudfoot thrives during the extremes of the economic cycle. During upturns it concentrates on increasing the throughput, capacity and overall effectiveness of a facility, maximising sales and market share. In economic downturns, such as the one we are currently facing, its services are very much in demand to improve and streamline business processes in order to reduce costs and improve cash flow. The majority of the projects undertaken worldwide during 2008 were of this type.

However, during 2008 Proudfoot also benefited from the natural resources boom, particularly in the mining sector, as companies endeavoured to satisfy the high demand for their products by increasing production in their existing facilities, while at the same time reducing their energy costs in the face of the high price of oil. Proudfoot's South African unit was at the forefront of this type of project and recorded its best ever year with the vast majority of its projects in the natural resources sector.

Internally the promotion of Chief Executive, Luiz Carvalho onto the Board of Directors of MCG was the catalyst for a restructuring and strengthening of the global management team. Doug Wano became Group President for the US, Jean Baron-Mazloumian rejoined the company as Group President for Europe, and Dhesan Moodley was promoted to the new position of Group President International, responsible for the other international units, including the newly created Canadian business which has been separated from the rest of North American to allow greater focus on its undoubted opportunities.

During the year, Proudfoot also concentrated on reducing its non-client facing costs and refocusing its business. Offices were closed in China, Hungary and the Czech Republic, and the business also benefited from the Group's central cost reduction programme, and is now responsible for its own information technology, marketing and knowledge management.

2008 revenue
1 Americas: 49.8%
2 Europe: 26.4%
3 Rest of World: 23.8%



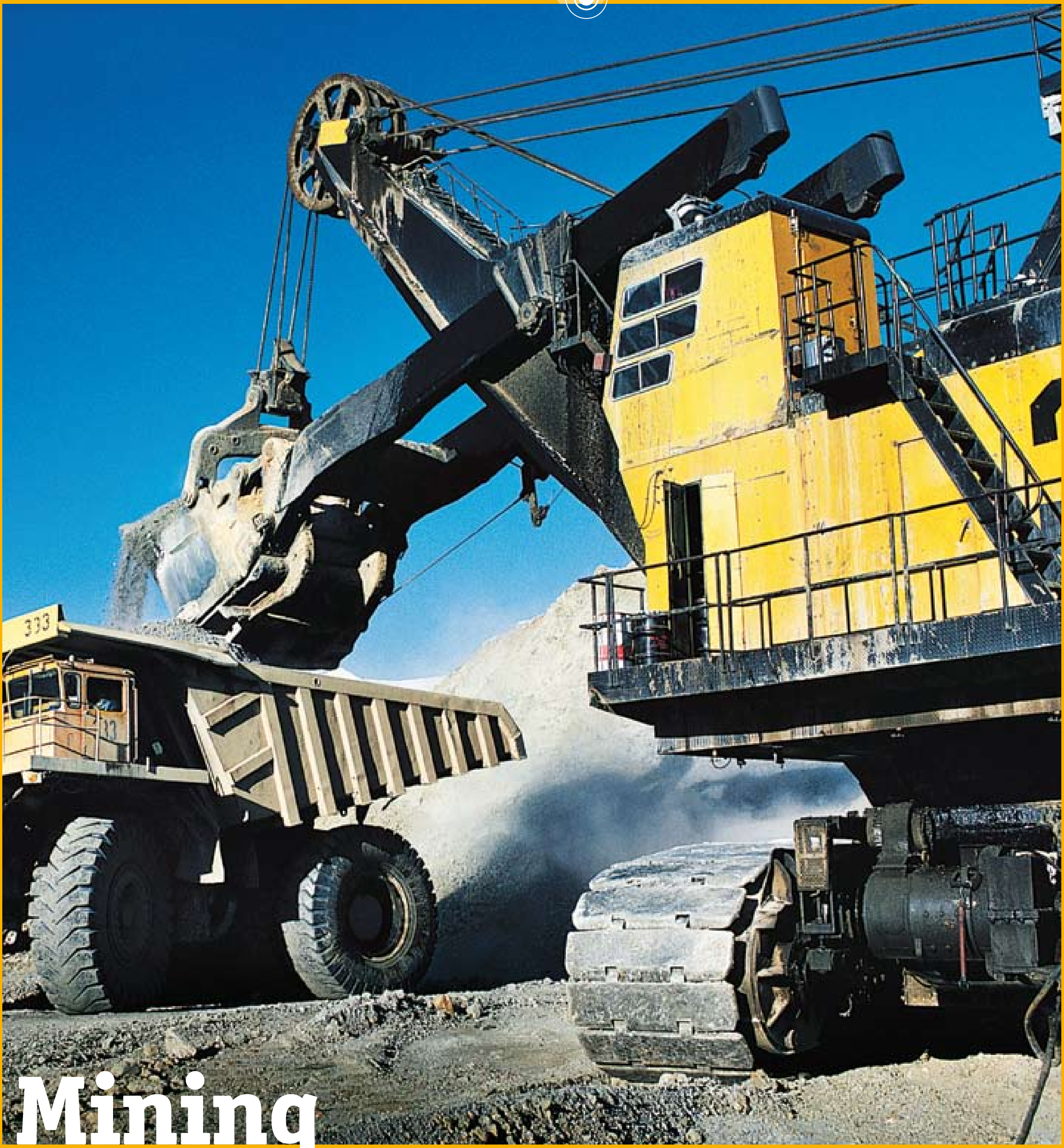
Revenue
£107.0m
(2007: £73.6m)

Operating profit
£18.1m
(2007: £12.3m)

Operating margin
16.9%
(2007: 16.7%)

13.25: Johannesburg, South Africa

Proudfoot worked with a major international mining group in three locations across two southern African countries. Proudfoot was tasked with reviewing operational performance across the different businesses and identifying opportunities for business improvement in a four to eight month timeframe for each location. Productivity improvements, energy efficiency programmes, new management information systems, skills training at all levels of the organisation and throughput optimisation schemes all contributed to benefits exceeding the client's expectations.



Mining

Financial review

MCG benefited from the full year trading of the two 2007 acquisitions as well as the strength of the Euro and the US Dollar, the Group's major trading currencies.

Craig Smith
Finance Director

Summary of the financial review

Revenue from continuing operations up 60.0% to £343.1m (2007: £214.5m)

Underlying profit from operations up 33.3% to £34.7m (2007: £26.1m)

Underlying earnings per share up 4.9% to 6.2 pence (2007: 5.9 pence)

Total dividend up 13.0% to 1.30 pence (2007: 1.15 pence)

Cash generated by operations up 21.8% to £41.2m (2007: £33.8m)

Net debt up 2.0% to £62.1m (2007: £60.9m) but down 30.5% to £42.3m at constant exchange rates

Financial performance

Revenue

Total revenue for the year ended 31 December 2008 from continuing operations was up 60.0% to £343.1m (2007: £214.5m). MCG benefited from the full year trading of the two 2007 acquisitions as well as the strength of the Euro and the US Dollar, the Group's major trading currencies. Revenue would have been £34.4m lower if translated at 2007 exchange rates.

At constant exchange rates, and annualising the 2007 revenue from the acquisitions of Kurt Salmon Associates and CBH Consulting, total organic growth in 2008 was 12%. The organic growth increase rises to 14% if the revenue from the old Parson Consulting practice is excluded.

The North American bias of the 2007 acquisitions has altered the geographical spread of Group revenue. Revenue from the Americas accounted for 36.8% of Group revenue in 2008 (2007: 28.4%). Europe's share fell to 53.5% (2007: 65.2%) and revenue from the Rest of the World was 9.7% (2007: 6.4%).

The Group's stake in Salzer Consulting was sold back to its former owner in December 2008. The business is, therefore, treated as a discontinued operation and 2007 comparative results are adjusted accordingly.

Revenue

£343.1m

Profit from operations

Underlying profit from operations from continuing businesses was up 33.3% to £34.7m (2007: £26.1m). The weakness of Sterling compared to the Euro and the US Dollar had a positive effect on the Group's results. If translated at 2007 exchange rates underlying profit from operations of continuing businesses would have been £2.7m lower.

Proudfoot recorded strong results during 2008 and this is reflected by its operating profit margin of 16.9% for the year (2007: 16.7%). Kurt Salmon Associates experienced some weakness in demand in the final quarter of the year and achieved an operating profit margin for 2008 of 8.1% (2007: 15.4% for the period post-acquisition).

The results of Ineum Consulting now incorporate those of the old Parson Consulting practice. In 2008 the revenue from the UK, US and Australian businesses of Parson Consulting was £22.1m (2007: £21.9m) and the operating loss £4.0m (2007: £1.9m). Excluding these results the profit margin of Ineum Consulting for 2008 would have been 10.6% (2007: 12.9%). Including the results of the old Parson Consulting practice the operating profit margin for Ineum Consulting for 2008 was 6.5% (2007: 9.0%).

Amortisation of acquired intangibles was £2.4m (2007: £1.7m).

Non-recurring costs

During 2008 the Group undertook many projects, in order to restructure following the departure of the previous Chairman and Chief Executive early in the year. The integration of the 2007 acquisitions was completed. Parson Consulting was completely restructured and the brand name has now been discontinued. The Proudfoot and KSA Chinese operations have been significantly downsized. The Group has withdrawn from around a dozen properties and downsized a further five. A comprehensive review of non-client facing costs has been completed with sizeable reductions, particularly in centrally controlled costs, as information technology, knowledge management and marketing are all now managed by the divisions. These projects entailed non-recurring costs of £21.5m, of which £11.4m was cash expenditure in 2008. Annualised cost savings from the projects will be in the region of £8m.

Parson Consulting has underperformed financially in recent years. During 2008 appropriate elements of the Parson Consulting business worldwide were absorbed into Ineum Consulting and the brand name discontinued. There was no disruption to client service. As a result the impairment of the goodwill relating to the Parson Consulting business of £26.7m is recognised in the 2008 results.

In December 2008 the Group sold its stake in Salzer Consulting back to the original owner and Salzer Consulting is consequently recognised in the 2008 results as a discontinued business. 2007 comparative results have been restated accordingly.

Interest

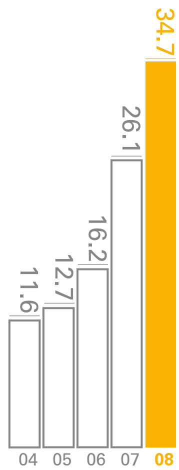
The total finance cost for 2008, net of investment income, was £4.2m (2007: £2.1m). The increase is explained by the full year effect of the new debt facility negotiated at the time of the 2007 acquisitions. The interest rate margin on this facility was 1.5% above US Dollar Libor and Euribor throughout the year.

Taxation

The total taxation charge for the year was £0.9m (2007: £6.5m). After adjusting for non-recurring items and the amortisation and impairment of acquired intangibles the underlying effective tax rate was 33% (2007: 31%). The Group has tax losses in various jurisdictions. The ability to utilise these losses is uncertain and dependent on trading profitability. A deferred tax asset of £1.2m (2007: £0.8m) is recognised in respect of the part of these losses that is likely to be recovered in the foreseeable future.

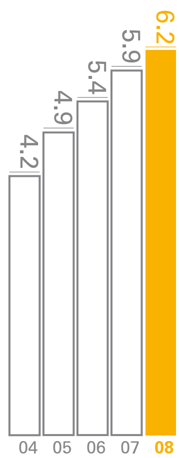
Underlying operating profit

£34.7m



Underlying earnings per share

6.2p



Financial review continued

Financial performance continued

Earnings per share

Basic earnings per share were –6.4p (2007: 4.7p). Diluted earnings per share were also –6.4p (2007: 4.7p). Dilution occurs if performance criteria related to share option schemes are met. The decline in basic and diluted earnings per share during 2008 reflects the level of non-recurring costs and the impairment of the Parson Consulting goodwill.

Underlying earnings per share, after adjusting for non-recurring items and the amortisation of acquired intangibles was up 4.9% to 6.2p (2007: 5.9p).

Net assets

Net assets increased by 9.7% to £174.4m (2007: £159.0m). The increase can be explained by the exchange effect on the high proportion of assets held in currencies other than Sterling inflating the total. This outweighed the effect of the loss for the year attributable to equity holders of the parent company, resulting from the high level of non-recurring costs and the impairment of the Parson Consulting goodwill.

Net trade receivables increased by £12.0m to £58.7m (2007: £46.7m). The vast majority of receivables are held in currencies other than Sterling and were inflated, compared to prior year numbers, by the weakness of this currency at the end of 2008. Debtor days at the end of 2008 were 49 days (2007: 48 days).

Pension funds

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

The net post-retirement obligation from these schemes rose from £7.9m at 31 December 2007 to £20.9m at 31 December 2008. Cash contributions to these schemes amounted to £1.2m in 2008. A net actuarial loss of £9.8m was recorded largely due to the fall in financial markets during the year and this was exacerbated by the weakening of Sterling, which increased the net liability by a further £4.5m.

Liquidity and capital resources

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

The Group's foreign exchange exposure is primarily a translation risk as the vast majority of the Group's business is transacted in Euros and US Dollars and the goodwill arising on acquisitions is also denominated in these currencies. Both the term loan and the working capital facilities are drawn down in US Dollars and Euros to provide a partial hedge against these. For 2009 the Group has forward contracts in place for the purchase of its Sterling requirement. Surplus cash is invested generally on maturities of three months or less commensurate with the maturity of loan draw-downs.

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

Debt

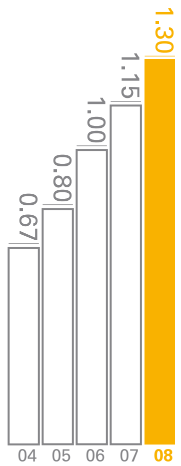
In September 2007 the Group refinanced its balance sheet. Through a club of three banks it raised a term loan of $50.6m and €37.0m and revolver credit of $60.7m and €44.5m. $2.5m and €1.9m of the term loan are repayable in December 2009. There are two covenants, both tested quarterly. Underlying interest cover must be above four times and net debt/underlying EBITDA must be below 2.75 times. The Group remained comfortably within its covenant limits throughout December 2008.

Cash generated by operations

£41.2m

Dividend per share

1.30p



At December 2008 gross debt was £97.9m (2007: £81.8m) and cash and cash equivalents £35.8m (2007: £20.9m), resulting in a net debt of £62.1m (2007: £60.9m). At 2007 exchange rates the net debt at the end of 2008 would have been £42.3m, reflecting the cash generating capabilities of the Group in a year where there were significant cash outflows relating to non-recurring costs and pre-acquisition bonuses paid to the employees of Kurt Salmon Associates. Cash and cash equivalents increased during 2008 due to a better than expected debtor recovery during December and cash deposits of £8.3m in South Africa awaiting central bank approval for repatriation.

Cash flow

The Group continued to be strongly cash generative during 2008 with improved working capital management bearing fruit, particularly towards the end of the year, in Ineum Consulting and Kurt Salmon Associates. The Group also benefited from the weakness of Sterling, as the majority of cash generated was in currencies that performed more strongly during 2008, such as the US Dollar and the Euro. Cash generated from operations was £41.2m in 2008 compared to £33.8m in 2007.

Dividend

In the light of the Group's increased size and profitability and the cash generation achieved by the business, but mindful of the Group objective to reduce the net debt of the business, the Board is recommending that the total dividend in respect of the year be increased by 13.0% to 1.30p per share (2007: 1.15p per share). An interim dividend of 0.40p per share (2007: 0.33p per share) was paid on 21 October 2008. The directors recommend, subject to shareholder approval, a final dividend of 0.90p per share (2007: 0.82p per share) to be paid on 2 July 2009 to ordinary shareholders on the register on 5 June 2009.

Business resources and investment in the future

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

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

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

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

Net assets

+10%

2008: £174.4m, up from £159.0m in 2007

Net debt

+2%

2008: £62.1m, up from £60.9m in 2007

Financial review continued

In September 2007 the Group refinanced its balance sheet and remained comfortably within its covenant limits throughout 2008.

Principal risks and uncertainties

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

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

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

Going concern

The 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. For further details please refer to note 2 to the financial statements.

Key performance indicators

The key performance indicators 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 key performance indicators to monitor performance as they indicate our achievements against our objectives of delivering shareholder value and revenue and margin growth.

Critical accounting policies

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

Revenue

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

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

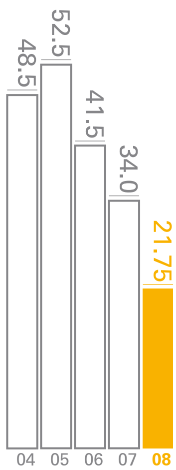
Employee benefits
Accounting for pensions and other post-retirement benefits involves judgement about uncertain events including discount rates, life expectancy, future pay inflation and the expected rate of return on plan assets. Determination of the projected benefit obligations for the Group's defined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

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

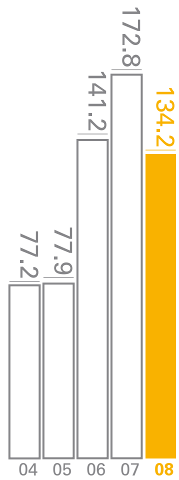
Summary of critical accounting policies
The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee. Additional discussion of the application of these estimates and other accounting policies is provided in note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

Craig Smith
Finance Director
9 March 2009

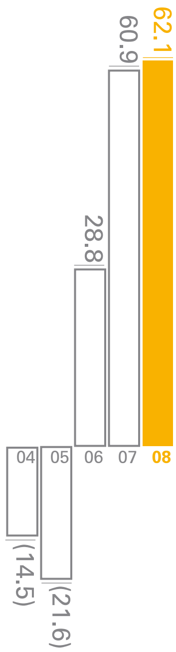
Share price
21.75p



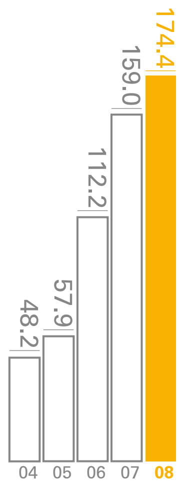
Enterprise value
£134.2m



Net debt
£62.1m



Net assets
£174.4m



Board of Directors

Executive Directors and Company Secretary

1. Executive Chairman **
A J Barber
Alan Barber, aged 61, 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, Western & Oriental PLC and Hyperion LLP. 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. On 19 February 2008, he was appointed Executive Chairman.

2. Finance Director
C H Smith
Craig Smith, aged 45, was appointed Finance Director on 26 April 2007. He graduated in Economics at the University of St Andrews in 1985 and subsequently held finance positions with Coats Viyella PLC both in the UK and overseas. After leaving Coats Viyella in 1997 he was European finance director of two US-based companies in the product identification and printing ink industries and then served as group finance director at Huntleigh Technology PLC from 2003 until he joined the Group. He is a qualified Certified Accountant.

3. Executive Director
L H Carvalho
Luiz Carvalho, aged 51, was appointed an Executive Director on 19 March 2008. He has dual US and Brazilian citizenship and resides in the US. After attending Pontifícia Universidade Católica de São Paulo, he joined Proudfoot in 1982 and, following a series of promotions and international assignments, was appointed President of the Proudfoot American operations in 1999 and Chief Executive of Proudfoot Consulting worldwide in 2002. He is a member of the World Presidents organisation.

4. Executive Director
M de Fontenay
Miguel de Fontenay, aged 51, was appointed an Executive Director on 19 March 2008. He is a French citizen. 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 chief executive of the French consulting practice and member of the global consulting executive committee, and EDS as director of banking activities. He is a member of the French think tank "L'Institut Montaigne" and board member of "Le Syntec" and AMCF. He is also a member of "L'Institut Esprit Services" of the MEDEF.

5. Executive Director
M Wietecha
Mark Wietecha, aged 51, was 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.

6. Company Secretary
C W Ansley
Charles Ansley, aged 58, was appointed Company Secretary in April 2007, having joined the Group in 2001. He graduated in Law at the University of Sheffield and subsequently worked in the London office of KPMG. He is a qualified Chartered Accountant.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Non-executive Directors

7. Non-executive Director * # **
Baroness Cohen of Pimlico
Baroness Cohen, aged 68, joined the Board in August 2003. She was originally a solicitor, followed by a career in the Department of Trade and Industry and subsequently as a corporate financier and adviser in the Charterhouse Group. She sits as a Labour peer in the House of Lords. She is a non-executive director of the London Stock Exchange PLC and of Freshwater UK PLC. She is chairman of three private companies. She is the Senior Independent Director and a member of the Remuneration Committee, the Audit and Risk Committee and the Nominations Committee.

8. Non-executive Director
J P Bolduc
J P Bolduc, aged 69, 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.

9. Non-executive Director * # **
S A Ferriss
Stephen Ferriss, aged 63, 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 US and latterly in London and Madrid. In 1987 he joined Bankers Trust and served in various roles including managing director and partner of the Bankers Trust's Global Investment Bank in London and New York. He spent three years from 1999 to 2002 as president and chief executive of Santander Central Hispano Investment Securities Inc. He is a non-executive director of Santander Bancorp in Puerto Rico and other privately owned companies. He is Chairman of the Audit and Risk Committee and the Nominations Committee and a member of the Remuneration Committee.

10. Non-executive Director * # **
A H Simon OBE
Andrew Simon, aged 63, 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 holds a diversified range of non-executive director and chairman positions. 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 is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and the Nominations Committee.

11. Non-executive Director * #
J D Waldron
Julian Waldron, aged 44, joined the Board on 8 October 2008. He is a UK citizen residing in France. Mr Waldron is currently chief financial officer of Technip, the oil and gas services group, having been appointed late in 2008. Prior to this he was chief financial officer of Thomson SA, whom he joined in 2001 following an early career in capital markets and corporate finance, latterly with UBS Warburg. He is also non-executive chairman of Trio Finance Ltd., a closed end investment fund listed on the London Stock Exchange. He is a member of the Audit and Risk Committee and the Remuneration Committee.

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


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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 2008. These will be laid before the shareholders at the Annual General Meeting on 21 April 2009.

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 2008, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a 'Business Review'). The information that fulfils the requirements of the Business Review can be found in the Financial Review section of the annual report.

Group results

The Group's loss before taxation for the year ended 31 December 2008 amounted to £20,013,000 (2007: profit £19,833,000).

Dividends

An interim dividend of 0.40p per share was paid on 21 October 2008. The directors recommend the payment of a final dividend of 0.90p (2007: interim dividend of 0.33p; final dividend of 0.82p) per share to be paid on 2 July 2009 to ordinary shareholders on the register on 5 June 2009.

Directors

The names and brief biographical details of the current directors are shown on the preceding pages. During 2008 Mr Barber, Mr Smith, Mr Bolduc, Baroness Cohen, Mr Ferriss and Mr Simon held office throughout the year. Dr Stomberg and Mr Parry stood down as directors on 19 February 2008. Mr Carvalho, Mr de Fontenay, and Mr Wietecha were appointed directors on 19 March 2008. Mr Waldron was appointed director on 8 October 2008.

In accordance with the Company's Articles of Association, Mr Waldron will offer himself for re-election at the forthcoming Annual General Meeting. As Executive Chairman, Mr Barber has chosen to stand for re-election every year. Baroness Cohen and Mr Simon will retire from the Board by rotation at the forthcoming Annual General Meeting and will offer themselves 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. Information on the directors' interests in the shares of the Company are set out in the Remuneration Report. 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 2008 represents 27 days of average purchases during the year (2007: 26 days) for the Company and 33 days (2007: 28 days) for the Group.

Substantial share interests

As at 5 March 2009 (the latest practicable date prior to the issue of this report), the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules issued by the Financial Services Authority, of the following interests in the ordinary share capital of the Company:

	Number of ordinary shares	% of issued share capital
Gartmore Investment Limited	60,150,452	18.16
Schroders PLC	26,489,930	8.00

Capital structure

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

Corporate social responsibility

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

The Board annually assesses the social, environmental and ethical ("SEE") impact of the Group's business and ensures that any risks arising are being managed appropriately as recommended by the Association of British Insurers ("ABI"). The Board has carried out an assessment of its SEE risks and based on feedback from management has concluded that the Group's exposure to SEE risks is limited, primarily due to the nature of its operations. Further information on the environmental and ethical policies adopted 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". We continue with the programme to measure the amount of electricity being used in our largest offices, to identify where reductions can be made in the future.

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

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

- installing automatic power-off systems on lights and certain equipment;
- using energy efficient lighting;
- using time-switches on air conditioning systems; and
- reducing travel by making use of video conferencing facilities.

Directors' report continued

Corporate social responsibility continued

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 2009. 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 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.

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.

Charitable and political contributions

No political donations were made in 2008 or 2007. Charitable donations of £107,000 (2007: £36,100) 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 2008 the market value of work carried out for these charities totalled £170,000 (2007: £8,600).

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

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte 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.

Directors' report continued

Annual General Meeting

The formal Notice of the Annual General Meeting is set out on pages 93 to 95 of this Report and Accounts.

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

Ordinary Business

Items 1 to 9 (inclusive) will be proposed as ordinary resolutions and will be passed if more than 50% of shareholders' votes are cast in favour.

Item 1 proposes the adoption of the annual report and accounts for the year ended 31 December 2008.

Item 2 proposes that shareholders approve the directors' remuneration report for the year ended 31 December 2008, as required by the Directors' Remuneration Report Regulations 2002. Shareholders should note that this vote is advisory only.

Item 3 proposes the declaration of a final dividend of 0.90p per share for the year ended 31 December 2008. This dividend is recommended by the Board and requires the approval of shareholders in the Annual General Meeting. Subject to passing of this resolution, the final dividend will be paid on 2 July 2009 to shareholders on the register at the close of business on 5 June 2009.

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 Barber, Baroness Cohen and Mr Simon are accordingly standing for re-election. Mr Bolduc, having been a director for over nine years, is subject to annual re-election and is therefore also standing. Mr Waldron, having been appointed since the last Annual General Meeting is, in accordance with the Articles of Association, required to stand for election.

Item 9 relates to the proposed re-appointment of Deloitte 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.

Special Business

As well as the ordinary business of the meeting, there are a number of special matters to be dealt with. Item 10(a) will be proposed as an ordinary resolution, and will be passed if more than 50% of shareholders' votes cast are in favour. Items 10(b), 10(c) and 11 will be proposed as special resolutions, and will be passed if not less than 75% of shareholders' votes cast are in favour.

Item 10(a) is an ordinary resolution to renew, for a period of five years, the directors' authority to allot shares under Section 80 of the Companies Act 1985, up to a maximum of £27,605,813 which represents the nominal value of 110.4 million ordinary shares. In accordance with the guideline issued by the Association of British Insurers, this comprises approximately one third of the issued share capital.

Item 10(b) is a special resolution to renew, for a period of five years, the authority held by the directors to allot certain equity securities for cash as if Section 89(1) of the Companies Act 1985 (which gives shareholders certain pre-emption rights on the issue of shares or convertible securities) did not apply to any such allotment. The resolution, if approved, permits issues by way of rights issues or similar arrangements up to a maximum nominal value of £27,605,813 and other issues of shares for cash limited to shares having an aggregate nominal value of £4,140,871, representing 16,563,484 ordinary shares, which is approximately 5% of the Company's issued share capital as at 31 December 2008.

The directors have no present intention of making any issue of shares under the authorities that would be granted by resolutions 10(a) and 10(b), other than pursuant to existing employee share schemes and existing acquisition agreements. The directors believe that it is in the Company's best interests that they have the flexibility which items 10(a) and 10(b) would confer. Authority is being sought to renew the authority for five years in compliance with Section 95 of the Companies Act and the Listing Rules of the Financial Services Authority acting as the UK Listing Authority.

Item 10(c) 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 33,126,975 ordinary shares (approximately 10% of the Company's issued share capital as at 31 December 2008) and would run until 21 July 2010 or, if earlier, the conclusion of the 2010 Annual General Meeting. The maximum price at which purchases could be made would be the higher of the amount equal to 105% 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 10p (in each case exclusive of stamp duty and expenses). 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.

Annual General Meeting continued

Special Business continued

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 24.0 million new ordinary shares, representing, in aggregate, 7.3% of the Company's currently issued share capital (excluding treasury shares). If the authority sought under item 10(c) were to be exercised in full, commitments, subject to certain conditions, to issue shares would represent 8.1% of the Company's remaining outstanding share capital (excluding treasury shares). Other than the options shown in Note 19(b) and the awards shown in 19(c), 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 is a special resolution to approve the holding of general meetings, other than Annual General Meetings, on 14 clear days' notice. Although the Articles of Association currently permit this, regulations are due to come into force on 3 August 2009 to implement the Shareholder Rights Directive in the UK, which, as currently drafted, will require the passing of a shareholder resolution to authorise such notice. Without the passing of this resolution, the minimum notice period under the regulations, as currently drafted, would be 21 days. Although the final form of the regulations will not be known before the forthcoming Annual General Meeting, the directors nevertheless consider it to be in the best interest of shareholders to pass this resolution in order to prevent being constrained by the regulations implementing the Shareholder Rights Directive, which will come into force in August 2009.

Action to be taken

Shareholders will find enclosed with this Report a form of proxy for use in relation to the Annual General Meeting.

Forms of proxy should be completed and returned in accordance with the instructions printed on the forms so that they arrive at the Company's Registrars, Capita Registrars, as soon as possible and in any event no later than 48 hours before the meeting. Completion and return of a form of proxy will not prevent shareholders from attending and voting at the Annual General Meeting. Alternatively, you may appoint a proxy or proxies and record your vote electronically either by utilising the web-based voting facility or the CREST electronic appointment service. Full details of how to do so are set out in the notes to the Notice of Meeting on page 95.

Recommendation

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
Registered Office
10 Fleet Place
London EC4M 7RB
9 March 2009

Corporate governance

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

Board of directors

From 1 January 2008 until 18 February 2008 the Board comprised the non-executive Chairman, two executive directors and five non-executive directors. Dr Stomberg stood down as non-executive Chairman and Mr Parry stood down as executive director on 19 February 2008. On 19 February 2008, the roles of Chairman and Chief Executive were combined and Mr Barber was appointed Executive Chairman. This combining of the roles of Chairman and Chief Executive constitutes a breach of the Code. From 19 February 2008 until 18 March 2008 the Board comprised two executive directors and four non-executive directors. On 19 March 2008, Mr Carvalho, Mr de Fontenay and Mr Wietecha were appointed as executive directors. From 19 February 2008 until 8 October 2008, the date on which Mr Waldron was appointed non-executive director, there were five executive directors and four non-executive directors. From 8 October 2008 until the year end there were five executive directors and five non-executive directors. The Code requires that smaller companies should have at least two independent non-executive directors and the Company complied with this aspect.

Under the terms of the Code, the former Chairman, Dr Stomberg, was 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. Baroness Cohen, Mr Ferriss, Mr Simon and Mr Waldron are considered to be independent non-executive directors.

The roles of the Board and the management are clearly defined. Until 19 February 2008, the roles of Chairman, Chief Executive and Senior Independent Director were separated and clearly defined in writing. From 19 February 2008 the roles of Executive Chairman and Senior Independent Director were separated and clearly defined in writing. The terms and conditions of appointment of the non-executive directors are available for inspection at the Company's registered office and will also be available at the Annual General Meeting.

The Board is satisfied that each of the non-executive directors committed sufficient time during 2008 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	11	—	1	2
J P Bolduc	10	—	—	—
L H Carvalho (appointed 19 March 2008)	6	—	—	—
Baroness Cohen	11	6	6	2
S A Ferriss	11	6	5	2
M de Fontenay (appointed 19 March 2008)	6	—	—	—
K A H Parry (resigned 19 February 2008)	3	—	—	—
A H Simon	10	6	6	2
C H Smith	11	—	—	—
R W H Stomberg (resigned 19 February 2008)	3	—	1	—
J D Waldron (appointed 8 October 2008)	3	2	1	—
M Wietecha (appointed 19 March 2008)	6	—	—	—
Total meetings held	**11**	**6**	**6**	**2**

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

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

Election and re-election of directors

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

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

Operation of the Board

The Board meets regularly. Eleven meetings were held during 2008. All members of the Board are supplied, in advance of meetings, with appropriate information covering matters which are to be considered. The former Chairman and, subsequently, the Executive Chairman met throughout the course of the year with non-executive directors in the absence of the 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. Until 8 October 2008, the Committee comprised three independent non-executive directors. On 8 October 2008 Mr Waldron was appointed to the Committee and from that date the Committee comprised four independent non-executive directors.

Nominations Committee

The membership of the Committee during 2008 was:

Dr Rolf Stomberg
(Chairman and member of Nominations Committee until 19 February 2008, member since 1998)

Mr Alan Barber
(Member since 2005)

Baroness Cohen
(Member since 2003)

Mr Kevin Parry
(Member until 19 February 2008, member since 2000)

Mr Andrew Simon
(Member since 2006)

Mr Stephen Ferriss
(Chairman and Member of Nominations Committee, member since 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 2008.

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. Until 19 February 2008 Dr Stomberg was not regarded as independent by virtue of his position as the Chairman of the Board. However, 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. On 19 February 2008, Mr Barber stood down from the Committee on becoming Executive Chairman and Mr Ferriss was appointed to the Committee.

Corporate governance continued

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.

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

The Executive Chairman and the Finance Director met with key shareholders throughout the year and in particular around the time of the General Meeting in February 2008, the full year results and the half year results. The Board as a whole did not meet with investors during the year.

The notice convening the Annual General Meeting to be held on 21 April 2009 is contained on the final 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.

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

Report of the Audit and Risk Committee

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

Membership

During 2008 the membership of the Committee was:

Mr Alan Barber
(Chairman and member of Audit and Risk Committee until 19 February 2008, member since 2005)

Baroness Cohen
(Member since 2003)

Mr Stephen Ferriss
(Chairman of Audit and Risk Committee from 19 February 2008, member since 2006)

Mr Andrew Simon
(Member from 19 February 2008)

Mr Julian Waldron
(Member from 8 October 2008)

Mr Barber stood down from the Committee on 19 February 2008 and Mr Ferriss was appointed Chairman from that date.

Mr Barber, is a Chartered Accountant and during his Chairmanship of the Committee was considered to have recent and relevant financial experience. Mr Ferriss is a banker and is considered to have recent and relevant financial experience. The Committee met six times during the year. The external auditors attended all the meetings and the Committee met privately with them on one occasion.

Operation of the Committee

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

- **Financial statements.** The Committee reviewed the interim and full year financial statements. Presentations were made by management and the auditors about the key technical and judgemental matters relevant to the financial statements. The Committee was satisfied that it was appropriate for the Board to approve the financial statements.
- **Internal financial control and risk management systems.** The Committee reviewed the register of Group risks prepared by management, recommendations made by the external auditors and internal audit reports. A review of the register of Group risks was carried out by internal audit. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the corporate governance report.
- **External auditors.** The Committee is responsible for the reappointment of the external auditors, approval of their remuneration and their terms of engagement. The Committee has considered the independence of the external auditors and is satisfied that independence has been maintained. It is policy that the auditors shall not provide any services that would potentially result in them auditing the result of their own work or which are prohibited under the US Sarbanes-Oxley Act. The Committee pre-approves any material permitted non-audit engagements. Regular reports were presented of fees paid to the external auditors in order to ensure that the relationship between non-audit fees and audit fees was not inappropriate. The Committee reviewed the external audit plan proposed by the auditors and participated in the review of the quality of the service that they provided.
- **Internal audit function.** The Head of Internal Audit reports to the Committee, which reviewed and approved the annual internal audit work programme and reviewed all internal audit reports prepared in the year.

The 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 Act, a Resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the annual report and accounts will be approved.

The Act requires the auditors to report to the Company's members on 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 2008 the membership of the Committee was:

Mr Andrew Simon
(Chairman of Remuneration Committee, member since 2006)

Baroness Cohen
(Member since 2003)

Mr Alan Barber
(Until 19 February 2008, member since 2005)

Dr Rolf Stomberg
(Until 19 February 2008, member since 2006)

Mr Stephen Ferriss
(Member since 19 February 2008)

Mr Julian Waldron
(Member since 8 October 2008)

Mr Barber and Dr Stomberg stood down from the Committee on 19 February 2008 and Mr Ferriss was appointed to the Committee from that date. Mr Waldron was appointed to the Committee on 8 October 2008.

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 non-executive directors are determined annually by the Board based on market information obtained from external surveys.

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

Remuneration policy

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

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

Base salaries

The Committee's policy is to set the base salaries of each executive director at levels that reflect their roles, experience and the practices in the employment market. On taking up the role of Executive Chairman on 19 February 2008, Mr Barber was remunerated for a fee of the pro rata equivalent of £585,000 per annum up until 14 August 2008. Since then he has been paid at a basic salary of £500,000 per annum as laid out in the contract dated 6 March 2009. This contract runs up until the 2010 Annual General Meeting and no increase is being made to the base salary.

Mr Smith's salary was last increased with effect from 1 January 2008 and the three new Executive Directors appointed to the Board on 19 March 2008 did not receive salary increases on their appointment. In 2008, having considered market surveys and the highly competitive nature of the international professional services market, the Committee concluded that the salary of Mr Carvalho should be significantly increased in order to bring him in line with salaries for equivalent roles and his salary was duly increased, with effect from 1 July 2008, from USD700,000 per annum to USD1,000,000 per annum.

UNAUDITED INFORMATION continued

Base salaries continued

Following the 2009 salary review, the Committee has decided not to make any increases to executive directors' base salaries. Therefore, the salaries of Mr Smith, Mr Carvalho and Mr de Fontenay, with effect from 1 January 2009, remain at £285,000, USD1,000,000 and EUR600,000 per annum, respectively. Under the terms of the acquisition agreement with Kurt Salmon Associates, the Group agreed to leave their remuneration plans in place for two years following acquisition. Under this arrangement, Mr Wietecha's salary will remain USD400,000 per annum and will be reviewed in October 2009 when the present arrangement ends.

Annual bonus scheme

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

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

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

Mr Carvalho's and Mr de Fontenay's bonuses are related one quarter to the financial performance of the Group and three-quarters to the financial performance of their consultancies (Proudfoot Consulting and Ineum Consulting, respectively). Mr Smith's bonus is related to the financial performance of the Group.

The budget for 2008 was set at 35% above the actual result for 2007. The actual underlying profit from operations of the Group for 2008 amounted to £34.7m after non-recurring items and amortisation of intangibles assets of continuing operations, an increase of £8.6m compared with the prior year. For the Group and Ineum Consulting, the financial performance criteria were partially met in relation to the first element of the scheme but not met in relation to the second element. For Proudfoot Consulting, the financial performance criteria were fully met in relation to the first element of the scheme and also fully met in relation to the second element. As a result, 61.8%, 24.1% and 59.6% of salary entitlement arises to a current bonus in respect of financial performance for Mr Carvalho, Mr de Fontenay and Mr Smith, respectively. The balance of the current bonus amounts to 62.5% of salary in the case of Mr Carvalho, 62.5% of salary in the case of Mr de Fontenay and 62.5% of salary in the case of Mr Smith and reflects the Committee's assessment of the achievement of personal performance objectives. The current bonuses payable are USD1,056,450 for Mr Carvalho, EUR519,433 for Mr de Fontenay and £348,131 for Mr Smith. Sums payable to Mr Carvalho and Mr Smith in relation to this first element are payable three-quarters in cash and one quarter in shares within three months of the end of the relevant financial year. The shares component must be retained by the recipient until at least two years from the year end or to when they cease being an executive director, if sooner.

The bonuses due within the second element, which are deferred for three years, are a cash bonus of USD318,750 and shares bonus of USD159,375 for Mr Carvalho.

Mr Barber has been awarded a bonus based solely on the financial performance of the Group assessed using the principles applied to the other executive directors which may result in a current bonus of up to 62.5% of base salary. The financial performance criteria were partially met and Mr Barber will receive £284,292. The sum payable to Mr Barber will be 60% in shares and 40% in cash (the cash element being used to pay the tax charge on the shares). The shares will be awarded within three months of the end of the relevant financial year. The shares component must be retained by Mr Barber until at least two years from the year end or to when he ceases being an executive director, if sooner. Mr Barber has waived his bonus entitlement for achieving personal objectives which would have amounted to £297,917.

As noted above, Mr Wietecha participated in the Kurt Salmon Associates plan in respect of 2008. The plan is based on the multiple of the performance ratings for the individual and for the consultancy. These performance ratings are assessed by a remuneration committee in Kurt Salmon Associates. For 2008, the KSA remuneration committee has indicated that Mr Wietecha's bonus should be USD500,000. This has been reviewed by the Committee and agreed. It is envisaged that Mr Wietecha will move on to a common plan with the other executive directors from October 2009.

Share incentives

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

- the Management Consulting Group 2008 Performance Share Plan (the "2008 Performance Share Plan"); and
- the Management Consulting Group PLC 1998 Executive Share Option Scheme (the "1998 Scheme") formerly known as the Proudfoot Plc Executive Share Option scheme.

Directors' remuneration report continued

UNAUDITED INFORMATION continued

Share incentives continued

The 2008 Performance Share Plan

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

These initial awards will vest as follows:

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

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

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

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

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

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

At 31 December 2008, there were awards outstanding over new shares under the 2008 Performance Share Plan of 9.6 million, comprising 2.89% of the issued share capital.

Shareholders have approved that the aggregate options and awards over new issue shares outstanding are limited to 12.8% of the fully diluted share capital. In addition there are 2.3 million funded options that can be issued, and 3.5 million options that are not dilutive which were put in place as part of the IMR and Kurt Salmon Associates acquisitions.

The 1998 Scheme

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

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

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

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

UNAUDITED INFORMATION continued

Share incentives continued

The 1998 Scheme continued

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

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

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

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

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

At 31 December 2008 there were 11.98 million options outstanding over new shares under share option schemes that count to dilution limits, comprising 3.62% of the issued share capital. In addition, there were outstanding options over 1.7 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 2008, 2.2 million options over unissued shares and 928,250 options over issued shares lapsed, because the performance criteria were not met. In addition we expect options granted in March 2006 to lapse due to the performance conditions not having been met.

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

Pension arrangements

The Group contributes 17.5% of salary to defined contribution pension schemes of Mr Smith's choice. Bonuses and other payments to directors are not pensionable. The Group does not contribute to any pension scheme in respect of Mr Barber. The Group contributes to the US 401 (K) retirement provisions for Mr Carvalho and Mr Wietecha. Mr de Fontenay does not participate in a defined contribution scheme.

Other benefits

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

Service contracts

Until 5 March 2008, Mr Parry had a contract with a Group company continuing until age 65. Either party was able to terminate the contract by giving twelve months' notice. Mr Smith has a contract with the Company which either party is able to terminate by giving twelve months' notice. Mr Carvalho, Mr de Fontenay and Mr Wietecha each have an appointment letter in respect of their role as a director of the Company which may be terminated with no notice. They also have employment contracts with Group companies. Mr Carvalho has a contract with a Group company which either party is able to terminate with twelve months' notice. Mr de Fontenay has a contract with a Group company which either party is able to terminate by giving three months' notice. Mr Wietecha has a contract with a Group company which either party is able to terminate by giving four months' notice. Mr Smith and Mr de Fontenay's contracts continue until age 65. Mr Barber has a contract that continues until the 2010 Annual General Meeting. The notice period is the lower of twelve months or the period remaining until the 2010 Annual General Meeting, except if Mr Barber is not re-elected at the 2009 Annual General Meeting when the notice period is three months.

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

Mr Parry's service agreement terminated on 5 March 2008. As noted in last year's annual report, Mr Parry was paid £1,490,250 as compensation for loss of office in satisfaction of the Company's obligations under the terms of his service agreement, comprising basic salary, pension entitlement, benefits and bonus entitlement that would have been due to him during his contractual notice period.

Directors' remuneration report continued

UNAUDITED INFORMATION continued

Service contracts continued

The dates of the appointment letters 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
A J Barber	6 March 2009
L H Carvalho	18 March 2008
M de Fontenay	18 March 2008
M Wietecha	18 March 2008

External appointments

Mr Barber has directorships of Invesco English & International Trust PLC, JP Morgan Japanese Investment Trust PLC, Western & Oriental PLC and Witan Pacific Investment Trust Plc, and is a limited partner in Hybridan LLP, all of which he held on appointment as Executive chairman and on which he earned fees totaling £87,500 in the year. 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. None of the other current executive directors held non-executive directorships for which they were remunerated.

Non-executive directors – summary of entitlements

In relation to 2008, the former Chairman received total fees of £13,388. 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 revised with effect from 1 January 2007. Having reviewed market survey information, the Board concluded that there should be no general increase in the fees payable to the non-executive directors. In the latter part of 2008, Mr Simon was appointed to the Supervisory Board of the Company's French subsidiary, Ineum Conseil et Associes SA, and the Board has awarded him a fee of €20,000 per annum from 1 January 2009 for this role. The Board has concluded that this appointment does not affect Mr Simon's independence as the role is considered an extension of his role as a non-executive director.

Mr Bolduc is entitled to a retainer of US$35,000 per annum for his services as an introducer of business to the Group. In addition, Mr Bolduc may earn commission of 2.5% of the value of any work introduced. No commission was payable in relation to 2008. In light of the level of commissions potentially payable to Mr Bolduc he is not considered to be an independent non-executive director. 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.

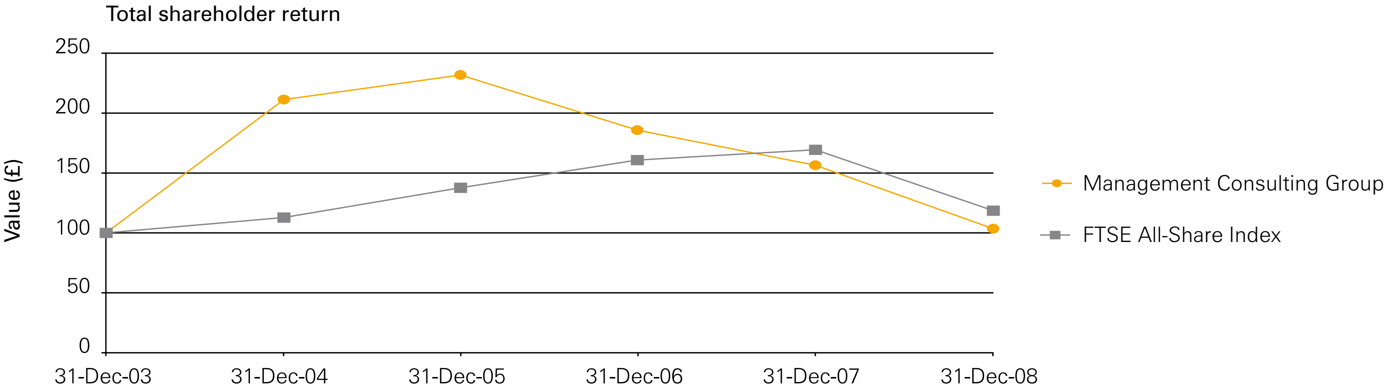
None of the non-executive directors has a service contract and all are appointed for limited terms. None of the non-executive directors is subject to notice periods and none has any rights to compensation on termination. The Company considers this approach appropriate in the current circumstances. The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

Director	Date of letter of appointment
J P Bolduc	12 May 2006
Baroness Cohen	12 May 2006
S A Ferriss	9 March 2009
A H Simon	3 March 2006
J Waldron	9 October 2008

UNAUDITED INFORMATION 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 2008, of £100 invested in Management Consulting Group PLC on 31 December 2003 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 2008 was as follows:

	Salaries and fees as directors £	Bonus and other[1] Cash £	Bonus and other[1] Shares	Benefits £	Pension contributions £	Loss of office £	Other £	**Total emoluments 2008 £**
Executive								
A J Barber	482,022	113,733	170,559	—	—	—	—	**766,314**
L H Carvalho[3]	392,788	346,247	115,416	6,488	4,479	—	—	**865,418**
M de Fontenay[3]	381,161	330,317	—	—	—	—	—	**711,478**
C H Smith	285,000	321,782	51,349	23,138	49,875	—	1,175	**732,319**
M Wietecha[3]	174,799	241,122	—	10,217	4,020	—	—	**430,158**
K A H Parry[2]	77,579	131,490	—	4,068	13,341	1,490,250	—	**1,716,728**
Non-executive								
J P Bolduc	35,000	19,572	—	—	—	—	—	**54,572**
Baroness Cohen	40,000	—	—	—	—	—	—	**40,000**
S A Ferriss	39,276	—	—	—	—	—	—	**39,276**
A H Simon	40,000	—	—	—	—	—	—	**40,000**
J Waldron[4]	8,750	—	—	—	—	—	—	**8,750**
R W H Stomberg[2]	13,388	—	—	—	—	—	—	**13,388**
	1,969,763	1,504,263	337,324	43,911	71,715	1,490,250	1,175	**5,418,401**

1 Comprises current bonuses payable to L H Carvalho, M de Fontenay, CH Smith and M Wietecha and the retainer payable to Mr Bolduc.

2 Stood down 19 February 2008.

3 Appointed 19 March 2008.

4 Appointed 8 October 2008.

Directors' remuneration report continued

AUDITED INFORMATION continued

Directors' remuneration continued

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 £	Total emoluments 2007 £
Executive						
C H Smith[3]	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[4]	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 Appointed 26 April 2007.

4 Stood down 29 May 2007.

Interest in shares

The beneficial interests of the directors in office at 31 December 2008 in the ordinary share capital of the Company were as follows:

	9 March 2009	**31 December 2008**	31 December 2007
Executive			
A J Barber	650,000	**650,000**	500,000
L H Carvalho	207,983	**207,983**	207,983
M de Fontenay	5,297,369	**5,297,369**	5,197,369
C H Smith	86,808	**86,808**	50,000
M Wietecha	2,256,714	**2,256,714**	2,256,714
Non-executive			
J P Bolduc	800,000	**800,000**	800,000
Baroness Cohen	164,300	**164,300**	61,800
S A Ferriss	208,761	**208,761**	201,656
A H Simon	12,100	**12,100**	12,100
J Waldron	—	**—**	—

AUDITED INFORMATION continued

Interest in the 1998 Scheme

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

Director	At 1 January 2008	Granted in year	Exercised in year	Lapsed in year	**At 31 December 2008**	Exercise price P	Date from which exercisable	Expiry date
A J Barber	—	—	—	—	**—**	—		
L H Carvalho	175,000	—	—	(175,000)	**—**	—		
	250,000	—	—	—	**250,000**	57.75	6 March 2009	5 March 2016
	250,000	—	—	—	**250,000**	48.75	12 March 2010	11 March 2017
Total	675,000	—	—	(175,000)	**500,000**			
C H Smith	276,382	—	—	—	**276,382**	49.75	26 April 2010	25 April 2017
Total	276,382	—	—	—	**276,382**			
M Wietecha	101,500	—	—	(101,500)	**—**	25.00	30 April 2008	30 April 2008
	101,500	—	—	(101,500)	**—**	25.00	1 May 2008	30 July 2008
	78,976	—	—	(78,976)	**—**	31.07	1 May 2008	30 July 2008
	101,391	—	—	—	**101,391**	25.00	1 May 2009	30 July 2009
	78,976	—	—	—	**78,976**	31.07	1 May 2009	30 July 2009
	78,929	—	—	—	**78,929**	31.09	1 May 2010	30 July 2010
Total	541,272	—		(281,976)	**259,296**			

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

Interest in the 2008 Performance Share Plan

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

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

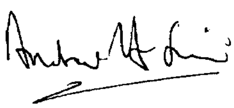
The share price on the date of grant was 33.25p and no performance share awards lapsed or vested during the year.

Except for the directors shown in the above tables no other director held share options or share awards at 31 December 2008. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

The market price at 31 December 2008 was 21.75 pence and the range during 2008 was 40.25 pence to 21.75 pence.

Approval

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



Andrew Simon
Chairman of the Remuneration Committee
9 March 2009

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 2008 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 28. 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.

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 judgements 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 2008 and of its loss 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 2008;
- 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 LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
9 March 2009

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 including the Directors' Report, Remuneration 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 the Directors' Report, Remuneration Report and 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 judgements 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.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Management Statement, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

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 and the Financial Review contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 6 March 2009. 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 2008

	Note	2008 £'000	2007 £'000 Restated
Continuing operations			
Revenue	3	**343,055**	214,490
Cost of sales		**(188,665)**	(106,287)
Gross profit		**154,390**	108,203
Administrative expenses – underlying		**(119,654)**	(82,165)
Profit from operations – underlying		**34,736**	26,068
Administrative expenses – non-recurring impairment	4	**(26,695)**	—
Administrative expenses – non-recurring other	4	**(21,502)**	(2,480)
(Loss)/profit from operations before amortisation of acquired intangibles		**(13,461)**	23,588
Administrative expenses – amortisation of acquired intangibles		**(2,390)**	(1,665)
Total administrative expenses		**(170,241)**	(86,280)
(Loss)/profit from operations	3	**(15,851)**	21,923
Investment income	6a	**1,232**	1,104
Finance costs	6b	**(5,394)**	(3,194)
(Loss)/profit before tax	4	**(20,013)**	19,833
Tax expense	7	**(907)**	(6,459)
(Loss)/profit for the year from continuing operations		**(20,920)**	13,374
Discontinued operations	28	**(1,099)**	(193)
(Loss)/profit for the year attributable to equity holders of the parent		**(22,019)**	13,181
Earnings per share – pence			
From continuing operations			
Basic	9	**(6.4)**	4.7
Diluted	9	**(6.4)**	4.7
Basic – excluding non-recurring items and amortisation of acquired intangibles	9	**6.2**	5.9
From (loss)/profit for the year attributable to equity holders of the parent			
Basic and diluted	9	**(6.8)**	4.7

Group statement of recognised income and expense

for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Exchange differences on translation of foreign operations	20	**51,195**	9,057
Actuarial (loss)/gains on defined benefit pension obligations and medical schemes	17	**(12,674)**	734
Loss on available for sale investments	12	**(1,652)**	(26)
Tax on items taken directly to equity		**2,489**	167
Net income recognised directly in equity		**39,358**	9,932
(Loss)/profit for the year		**(22,019)**	13,181
Total recognised income and expense for the period attributable to equity holders of the parent		**17,339**	23,113

Group balance sheet as at 31 December 2008

	Note	2008 £'000	2007 £'000 Restated
Non-current assets			
Intangible assets	10	**307,992**	262,800
Property, plant and equipment	11	**5,057**	3,572
Financial assets	12	**7,076**	6,650
Deferred tax assets	15	**21,899**	13,175
Total non-current assets		**342,024**	286,197
Current assets			
Trade and other receivables	13	**90,265**	74,846
Cash and cash equivalents	23	**35,761**	20,895
Total current assets		**126,026**	95,741
Total assets		**468,050**	381,938
Current liabilities			
Financial liabilities	16	**(31,780)**	(29,205)
Trade and other payables	14	**(145,638)**	(106,561)
Current tax liabilities	15	**(14,971)**	(7,597)
Total current liabilities		**(192,389)**	(143,363)
Net current liabilities		**(66,363)**	(47,622)
Non-current liabilities			
Financial liabilities	16	**(66,112)**	(52,619)
Retirement benefit obligation	17	**(20,927)**	(7,852)
Non-current tax liabilities	15	**(8,992)**	(11,627)
Long term provisions	18	**(5,235)**	(7,465)
Total non-current liabilities		**(101,266)**	(79,563)
Total liabilities		**(293,655)**	(222,926)
Net assets		**174,395**	159,012
Equity			
Share capital	19	**82,817**	82,225
Share premium account	20	**48,981**	48,894
Merger reserve	20	**32,513**	32,513
Shares to be issued	20	**—**	—
Share compensation reserve	20	**2,720**	2,952
Own shares held by employee share trust	20	**(1,296)**	(1,296)
Translation reserve	20	**55,091**	3,896
Other reserves	20	**5,386**	7,038
Retained earnings	21	**(51,817)**	(17,210)
Total equity attributable to equity holders of the parent	22	**174,395**	159,012

The financial statements were approved by the Board of directors and authorised for issue on 9 March 2009. They were signed on its behalf by:

C H Smith
Director

Group cash flow statement for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net cash inflow from operating activities	23	**40,688**	31,197
Investing activities			
Interest received		**701**	784
Acquisitions of subsidiaries, net of cash and overdrafts acquired		**—**	(39,895)
Purchases of property, plant and equipment		**(2,469)**	(2,111)
Purchases of intangible assets		**(784)**	(994)
Disposal of fixed assets		**57**	—
Purchase of financial assets		**(606)**	(1,152)
Disposal of financial assets		**1,359**	—
Net cash used in investing activities		**(1,742)**	(43,368)
Financing activities			
Interest paid		**(4,591)**	(3,420)
Dividends paid	8	**(3,959)**	(3,561)
Proceeds from borrowings		**1,695**	45,069
Refinancing of acquired borrowings by term debt		**—**	(2,587)
Repayment of borrowings		**(8,833)**	(12,657)
Proceeds from issue of shares		**679**	13
Disposal of subsidiary	28	**(196)**	—
Net cash (used in)/raised by financing activities		**(15,205)**	22,857
Net increase in cash and cash equivalents		**23,741**	10,686
Cash and cash equivalents at beginning of year		**20,895**	10,278
Effect of foreign exchange rate changes		**(8,875)**	(69)
Cash and cash equivalents at end of year	23	**35,761**	20,895

Company balance sheet as at 31 December 2008

	Note	**2008 £'000**	2007 £'000
Non-current assets			
Intangible assets	10	**1,679**	1,152
Property, plant and equipment	11	**1,762**	1,147
Financial assets	12	**191,020**	193,453
Deferred tax assets	15	**313**	162
Total non-current assets		**194,773**	195,914
Current assets			
Trade and other receivables	13	**100,617**	61,485
Cash and cash equivalents	23	**5,415**	973
Total current assets		**106,032**	62,458
Total assets		**300,805**	258,372
Current liabilities			
Financial liabilities	16	**(7,435)**	(6,067)
Trade and other payables	14	**(78,419)**	(27,520)
Total current liabilities		**(85,854)**	(33,587)
Net current assets		**20,178**	28,871
Net assets		**214,951**	224,785
Equity			
Share capital	19	**82,817**	82,225
Share premium account	20	**48,981**	48,894
Merger reserve	20	**26,830**	26,830
Shares to be issued	20	**—**	—
Share compensation reserve	20	**2,720**	2,952
Own shares held by employee share trust	20	**(1,296)**	(1,296)
Capital redemption reserve	20	**1,186**	1,186
Retained earnings	21	**53,713**	63,994
Total equity attributable to equity holders of the parent	22	**214,951**	224,785

These financial statements were approved by the Board of directors and authorised for issue on 9 March 2009. They were signed on its behalf by:

C H Smith
Director

Company cash flow statement for the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net cash (outflow)/inflow from operating activities	23	**(10,858)**	17,984
Investing activities			
Interest received		**95**	70
Investments in subsidiaries		**—**	(28,315)
Purchases of property, plant and equipment		**(1,534)**	(942)
Purchases of intangible assets		**(2,047)**	(655)
Cash advances from subsidiaries		**23,672**	—
Repayment of advances to subsidiaries		**(1,967)**	12,767
Dividends received		**4,305**	3,852
Net cash raised by/(used in) investing activities		**13,914**	(13,223)
Financing activities			
Interest paid		**(1,024)**	(1,136)
Dividends paid	8	**(3,959)**	(3,561)
Proceeds from borrowings		**4,996**	67
Repayment of borrowings		**(4,996)**	—
Proceeds from issue of shares		**679**	13
Net cash used in financing activities		**(4,305)**	(4,617)
Net (decrease)/increase in cash and cash equivalents		**(1,234)**	144
Cash and cash equivalents at beginning of year		**973**	729
Effect of foreign exchange rate changes		**9,773**	100
Cash and cash equivalents at end of year	23	**9,512**	973

Notes to the financial statements for the year ended 31 December 2008

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 96. The nature of the Group's operations and its principal activity are set out in note 3 and in the Financial Review.

2. Significant accounting policies

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

(a) Basis of preparation

The financial statements of 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. Salzer Group Asia Pacific Pte Limited was sold in December 2008. The business is, therefore, treated as a discontinued operation and 2007 comparative results are adjusted accordingly. 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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and principal risks and uncertainties are described in the Financial Review. In addition, note 24 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to liquidity risk and credit risk.

As detailed under "Liquidity and Capital Resources"in the Financial Review, the Group's committed borrowing facilities of $111.3 million and €81.5 million expire in September 2012 and are subject to the financial covenants (referred to in note 24) which have been met throughout the 2008 year. At 31 December 2008, £97.9 million was drawn down, leaving the Group with £51.4 million of available funds. The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board. Forecasts are then adjusted for sensitivities which address the principal risks to which the Group is exposed. Consideration is then given to the potential actions available to management to mitigate the impact of one or more of these sensitivities. Despite the significant uncertainty in the economy and its inherent risk and impact on the business, the Board has concluded that the Group should be able to operate within the level of its current facility and remain covenant compliant for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

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

Standards, amendments and interpretations effective in 2008

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 has not had a significant impact on the Group.

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. This has not had a significant impact on the Group.

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

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

IFRS 2 (amended) Share based Payment – Vesting Conditions and Cancellations, clarified that vesting conditions are limited to service conditions and performance only. It also clarified the accounting treatment for cancellations of equity instruments. The amendment is not expected to have a significant impact on the Group.

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

Notes to the financial statements for the year ended 31 December 2008 continued

2. Significant accounting policies continued

(a) Basis of preparation continued

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

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.

IAS 1 (revised 2007) – Presentation of Financial Statements, amended the method of determining the cost of an investment in separate financial statements for companies adopting IFRS for the first time. It is not expected to have any impact on the Group.

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

IAS 32 (amended) Financial Instruments Presentation and IAS 1 (amended) Presentation of Financial Statements, amended the accounting for puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to delivery to another party a pro rata share of the net assets of the entity only on liquidation. This is not expected to have any 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 period beginning on 1 January 2009 (unless otherwise stated) but are not relevant for the Group's operations.

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. This has not had a significant impact on the Group.

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. This is not expected to have a significant impact on the Group.

IFRIC 15, Agreements for the Construction of Real Estate clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. This is not expected to have a significant impact on the Group.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation clarifies which foreign exchange differences a parent entity may designate as a hedged risk; which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation; and how an entity should determine amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment. This is not expected to have a significant impact on the Group.

IFRIC 17, Distributions of Non-cash Assets to Owners, which will apply to the Group's accounting period beginning 1 January 2010, provides guidance on when to recognise and when to derecognise the asset and liability and the consequences of doing so when distributing non-cash assets to owners. This is not expected to have a significant impact on the Group.

IFRIC 18, Transfers of Assets from Customers, which will apply for transfers occurring on or after 1 July 2009, clarifies the accounting for agreements where an entity receives an item of plant, property or equipment (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to a network or to provide ongoing access to a supply of goods or services. This is not expected to have a significant impact on the Group.

Critical accounting policies and key sources of estimation uncertainty

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

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

Goodwill and other intangible fixed assets

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

2. Significant accounting policies continued

(a) Basis of preparation continued

Employee benefits

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

Income taxes

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

(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. In the income statement the results of subsidiaries acquired during the period are classified as part of continuing operations from the date control is achieved. The results of subsidiaries until the date control is relinquished disposed of during the period are classified within discontinued operations in the income statement.

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

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.

(c) Business combinations

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

(d) Goodwill

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

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

Notes to the financial statements for the year ended 31 December 2008 continued

2. Significant accounting policies continued

(e) Intangible assets

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

(f) Property, plant and equipment

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

(g) Leasehold improvements

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

(h) Impairment of tangible and intangible assets

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

For goodwill each of those cash-generating units represents the Group's investment in each 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) Financial liabilities

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

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

(l) Taxation

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

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

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

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

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

2. Significant accounting policies continued

(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) Financial assets

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.

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

The Group has applied the requirements of IFRS2 Share-based Payments. In accordance with IFRS 1, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

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 nontransferability, 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.

Notes to the financial statements for the year ended 31 December 2008 continued

2. Significant accounting policies continued

(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.

(v) Non-recurring items

Non-recurring items are those significant credits or charges which, in the opinion of the directors, should be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to non-recurring items include charges for impairment, provision for onerous leases and discontinued operations.

(w) Revenue

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

3. Business and geographic segments

The Group has one business reporting segment: management consultancy, consisting of three consultancies: Ineum Consulting, Kurt Salmon Associates and Proudfoot 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 2008	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Continuing operations				
Revenue				
External sales	**126,293**	**183,702**	**33,060**	**343,055**
Profit from operations before acquisition integration costs, depreciation and amortisation of acquired intangibles	**20,858**	**11,624**	**4,742**	**37,224**
Administrative expenses – non-recurring impairment	**(26,695)**	**—**	**—**	**(26,695)**
Administrative expenses – non-recurring other	**(8,006)**	**(10,216)**	**(3,280)**	**(21,502)**
Amortisation of acquired intangibles	**(970)**	**(1,420)**	**—**	**(2,390)**
Depreciation and other amortisation	**(756)**	**(1,583)**	**(149)**	**(2,488)**
(Loss)/profit from operations	**(15,569)**	**(1,595)**	**1,313**	**(15,851)**
Finance cost (net)				**(4,162)**
Loss before tax				**(20,013)**
Income tax expense				**(907)**
Loss for the year from continuing operations				**(20,920)**
Discontinued operations				
External sales			**1,988**	**1,988**
Loss from discontinued operations			**(272)**	**(272)**
Finance cost			**(63)**	**(63)**
Loss before tax			**(335)**	**(335)**
Tax			**(38)**	**(38)**
Loss after tax from discontinued operations			**(373)**	**(373)**
Loss on disposal			**(726)**	**(726)**
Loss for the year from discontinued operations				**(1,099)**
Loss for the year attributable to equity holders of the parent				**(22,019)**

Notes to the financial statements for the year ended 31 December 2008 continued

3. Business and geographic segments continued

Primary reporting format – geographic segments continued

(a) Income statement continued

Year ended 31 December 2007	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Continuing operations				
Revenue				
External sales	60,815	139,904	13,771	214,490
Profit from operations before non-recurring items, depreciation and amortisation of acquired intangibles	9,633	18,710	(432)	27,911
Non-recurring items	(799)	(1,681)	—	(2,480)
Amortisation of acquired intangibles	(441)	(1,224)	—	(1,665)
Depreciation and other amortisation	(447)	(1,332)	(64)	(1,843)
Profit from operations	7,946	14,473	(496)	21,923
Finance cost (net)				(2,090)
Profit before tax				19,833
Income tax expense				(6,459)
Profit for the year from continuing operations				13,374
Discontinued operations				
External sales			1,297	1,297
Loss from operations before non-recurring items, depreciation and amortisation of acquired intangibles			(127)	(127)
Depreciation and other amortisation			(22)	(22)
Loss from discontinued operations			(149)	(149)
Finance cost			(29)	(29)
Loss before tax			(178)	(178)
Tax			(15)	(15)
Loss after tax from discontinued operations			(193)	(193)
Profit for the year attributable to equity holders of the parent				13,181

(b) Net assets

At 31 December 2008	**Americas £'000**	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Assets				
Intangibles, including goodwill	**119,638**	**188,354**	**—**	**307,992**
Other segment assets	**31,402**	**72,550**	**1,389**	**105,341**
	151,040	**260,904**	**1,389**	**413,333**
Unallocated corporate assets				**54,646**
Consolidated total assets				**467,979**
Liabilities				
Segment liabilities	**(73,791)**	**(81,449)**	**(6,541)**	**(161,781)**
Unallocated corporate liabilities				**(131,803)**
Consolidated total liabilities				**(293,584)**
Net assets				**174,395**

3. Business and geographic segments continued

Primary reporting format – geographic segments continued

(b) Net assets continued

At 31 December 2007	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	155,618	106,507	675	262,800
Other segment assets	33,253	55,148	7,951	96,352
	194,984	161,655	2,513	359,152
Unallocated corporate assets				22,786
Consolidated total assets				381,938
Liabilities				
Segment liabilities	(57,717)	(56,508)	(6,618)	(120,843)
Unallocated corporate liabilities				(102,083)
Consolidated total liabilities				(222,926)
Net assets				159,012

(c) Capital additions, depreciation and amortisation

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

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

4. (Loss)/profit before tax

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

	Note	**2008 £'000**	2007 £'000
Foreign exchange gains		**(25)**	(196)
Amortisation of intangible assets		**3,367**	2,271
Depreciation of property, plant and equipment		**1,510**	1,259
Loss on disposal of fixed assets		**—**	7
Non-recurring items – impairment		**26,695**	—
Non-recurring items – other		**21,502**	2,480
Staff costs	5	**206,035**	123,832
Auditors' remuneration for audit services		**519**	420

Non-recurring items – other comprises £8.1 million in respect of severance and related costs, £5.1 million in respect of property matters, £2.2 million in respect of General Meeting held in February 2008 and £6.1 million in respect of consultancy restructuring costs.

Notes to the financial statements for the year ended 31 December 2008 continued

4. (Loss)/profit before tax continued

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

Auditors' remuneration	2008 £'000	2008 %	2007 £'000	2007 %
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**45**	**13**	40	4
Fees payable to the Company's auditors and their associates for other services to the Group – audit of the Company's subsidiaries pursuant to legislation	**474**	**55**	380	34
Total audit fees	**519**	**68**	420	38
Tax services	**240**	**32**	311	27
Other assurance services	**—**	**—**	401	35
Total non-audit fees	**240**	**32**	712	62
Total auditors' remuneration	**759**	**100**	1,132	100

Fees for other assurance services comprise £nil relating to acquisitions (2007: £401,000). Fees for services relating to acquisitions totalling £nil have been capitalised as part of the cost of investment in CBH Consulting and Kurt Salmon Associates (2007: £435,000 in respect of investment in CBH Consulting and Kurt Salmon Associates). A description of the work of the Audit and Risk Committee is set out in the Report of the Audit and Risk Committee and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

5. Staff numbers and costs

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

	2008	2007
Sales and marketing	**148**	360
Consultants	**1,685**	1,066
Support staff	**352**	272
	2,185	1,698

The number of Group employees at the year end was 2,321 (2007: 2,176).

The aggregate payroll costs of these persons were as follows:

	2008 £'000	2007 £'000
Wages and salaries	**166,209**	97,191
Social security costs	**35,463**	24,843
Other pension costs	**4,363**	1,798
	206,035	123,832

A charge of £252,000 (2007: £42,000) is included in the operating results in respect of the current cost of the retirement benefit obligations (see note 17). Wages and salaries includes £1,324,000 (2007: £779,000) relating to charges in respect of share options and share awards.

The average number of Company employees for the year was 82 (2007: 64) The payroll costs of the Company are £5,580,915 (2007: £5,395,000) for wages and salaries, £841,010 (2007: £763,000) for social security costs and £220,791 (2007: £186,000) for pension costs.

6a. Investment income

	Note	2008 £'000	2007 £'000
Interest receivable on bank deposits and similar income		**779**	783
Net finance income on retirement benefits plans	17	**453**	321
		1,232	1,104

6b. Finance costs

	Note	2008 £'000	2007 £'000
Interest payable on bank overdrafts and loans and similar charges		**(5,010)**	(3,141)
Finance costs on retirement benefit plans	17	**(384)**	(53)
		(5,394)	(3,194)

7. Tax expense

	2008 £'000	2007 £'000
Tax in respect of current year		
UK corporation tax	**200**	20
Foreign tax	**11,970**	5,208
Deferred tax – acquired intangible assets	**(836)**	(155)
Deferred tax – temporary differences and other	**2,165**	(718)
Deferred tax – tax losses	**(361)**	1,561
Deferred tax – US goodwill	**—**	875
Total deferred tax	**968**	1,563
Total current year tax	**13,138**	6,806
Prior year current taxation	**(2,883)**	(332)
Total tax expense on underlying profit	**10,255**	6,474
Tax in respect of non-recurring items		
Foreign tax	**(3,245)**	—
Deferred tax – US goodwill	**(4,702)**	—
Deferred tax – temporary differences and other	**(1,401)**	—
Total tax expense	**907**	6,459

UK corporation tax is calculated at 28.5% (2007: 30%), reflecting the reduction to 28% with effect from 1 April 2008, 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 pre tax (loss)/profit from continuing operations per the income statement as follows:

	On underlying profit 2008 £'000	On non-recurring items and amortisation 2008 £'000	Total 2008 £'000	Total 2007 £'000 Restated
Profit/(loss) before tax	**30,574**	**(50,587)**	**(20,013)**	19,833
Tax at the average rate applicable across the group of 35% (2007: 34%)	**10,701**	**(17,705)**	**(7,004)**	6,743
Net tax effect of unrelieved losses	**(1,213)**	**3,308**	**2,095**	(1,820)
Net tax impact of minimum taxes and overseas taxes incurred for which no relief is available	**2,122**	**—**	**2,122**	—
Tax benefit on non taxable income	**(465)**	**—**	**(465)**	(1,829)
Net tax effect of permanent differences and other	**1,993**	**5,049**	**7,042**	3,697
Relating to prior years	**(2,883)**	**—**	**(2,883)**	(332)
Tax expense	**10,255**	**(9,348)**	**907**	6,459
Effective tax rate for the year	**34%**		**5%**	33%

The average tax rate applicable across the Group has increased in the year to 35% (2007: 34%), due in part to the recent acquisitions of Kurt Salmon Associates, which operates predominately in the US.

Notes to the financial statements for the year ended 31 December 2008 continued

8. Dividends

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2007 of 0.82p (2006 final dividend: 1.0p) per share	**2,657**	2,667
Interim dividend for the year ended 31 December 2008 of 0.40p (2007: 0.33p) per share	**1,302**	894
	3,959	3,561

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 2008 (in respect of the final dividend for the year ended 31 December 2007 and the interim dividend for the year ended 31 December 2008) was £51,000 (2007: £56,000).

The interim dividend was paid on 21 October 2008. The directors recommend the payment of a final dividend in respect of 2008 of 0.9p per share be paid on 2 July 2009 to ordinary shareholders on the register on 5 June 2009. 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:

Earnings	2008 £'000	2007 £'000
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to equity holders of the parent	**(22,019)**	13,181
Non-recurring items – impairment	**26,695**	—
Non-recurring items – other	**21,502**	2,480
Non-recurring items – tax	**(9,347)**	(800)
Discontinued operations	**1,099**	193
Amortisation of acquired intangibles	**2,390**	1,665
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**20,320**	16,719

Number of shares	Number (million)	Number (million)
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-recurring items and amortisation of acquired intangibles	**326.0**	281.5
Effect of dilutive potential ordinary shares:		
– share options	**—**	0.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**326.0**	282.2

	P	P
Basic (loss)/earnings per share – continuing operations	**(6.4)**	4.7
Diluted (loss)/earnings per share – continuing operations	**(6.4)**	4.7
Basic earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**6.2**	5.9
Basic earnings per share from (loss)/profit for the year attributable to equity holders of the parent	**(6.8)**	4.7
Diluted earnings per share from (loss)/profit for the year attributable to equity holders of the parent	**(6.8)**	4.7

The average share price for the year ended 31 December 2008 was 31.6p (2007: 45.2p).

The weighted average number of the Company's ordinary shares used in the calculation of diluted loss per share in 2008 excludes the effect of options over 700,000 shares that were anti-dilutive for the period and could dilute earnings in the future.

10. Intangible assets

Group	Note	Goodwill £'000	Brand and customer relationships £'000	Customer orders £'000	Other intangibles £'000	Total intangibles £'000
Cost						
At 1 January 2008, as reported		238,598	17,312	756	6,216	262,882
Adjustments to Kurt Salmon Associates and CBH fair values	28	6,693	—	—	—	6,693
At 1 January 2008 – restated		245,291	17,312	756	6,216	269,575
Additions		—	—	—	784	784
Derecognition on disposal of subsidiary undertaking	28	(714)	—	—	—	(714)
Exchange differences		78,573	6,014	55	(476)	84,126
At 31 December 2008		**323,150**	**23,326**	**811**	**6,524**	**353,811**
Amortisation						
At 1 January 2008		—	1,852	756	4,167	6,775
Charge for the year		—	2,390	—	977	3,367
Impairment charge		26,695	—	—	—	26,695
Exchange differences		8,647	1,120	55	(840)	8,982
At 31 December 2008		**35,342**	**5,362**	**811**	**4,304**	**45,819**
Carrying amount						
At 31 December 2008		**287,808**	**17,964**	**—**	**2,220**	**307,992**
At 31 December 2007		245,191	15,460	—	2,049	262,800

Company	Software costs £'000
Cost	
At 1 January 2008	1,959
Additions	1,190
Disposals	(127)
At 31 December 2008	**3,022**
Amortisation	
At 1 January 2008	807
Charge for the year	536
At 31 December 2008	**1,343**
Carrying amount	
At 31 December 2008	**1,679**
At 31 December 2007	1,152

As a result of continuing underperformance and losses in the US and the UK goodwill relating to the cash generating unit Parson Consulting became fully impaired during the year.

Notes to the financial statements for the year ended 31 December 2008 continued

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	**2008 £'000**	2007 £'000
Cost		
Ineum Consulting	**134,340**	79,230
Kurt Salmon Associates	**101,633**	68,630
Parson Consulting	**—**	49,963
Proudfoot Consulting Europe	**51,834**	40,102
Salzer Consulting	**—**	673
	287,807	238,598

The £21.3 million goodwill arising on the acquisition of Ineum which was allocated to Parson has been reallocated to Ineum following the internal reorganisation during 2008. The £5.3 million goodwill previously allocated to CBH has been reallocated to Ineum following the internal reorganisation during 2008.

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 9% (2007: 8.9%).

11. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
At 1 January 2008	5,890	1,534
Additions	2,469	1,534
Exchange differences	1,361	—
Eliminated on disposal	(651)	(181)
At 31 December 2008	**9,069**	**2,887**
Accumulated depreciation		
At 1 January 2008	2,318	387
Charge for the year	1,501	880
Exchange differences	470	—
Eliminated on disposal	(277)	(142)
At 31 December 2008	**4,012**	**1,125**
Carrying amount		
At 31 December 2008	**5,057**	**1,762**
At 31 December 2007	3,572	1,147

12. Financial assets

Cost	Group £'000
At 1 January 2008	6,650
Additions	606
Disposals	(1,359)
Exchange differences	2,831
Revaluation	(1,652)
At 31 December 2008	**7,076**

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.

Company

Investment in Group companies	Shares £'000	Loans £'000	Total £'000
At 1 January 2008	193,325	128	193,453
Increase in provisions	(2,433)	—	(2,433)
At 31 December 2008	**190,892**	**128**	**191,020**

Shares are stated net of provisions of £11,972,560 (2007: £9,540,000) against impairment in value. Additions in the year reflect increased investments in intermediate holding companies.

Details of the Company's principal subsidiary undertakings are set out in note 27.

13. Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade receivables – gross	**63,644**	51,129	**—**	—
Provisions, as reported	**(4,905)**	(5,194)	**—**	—
Adjustment to KSA fair values	**—**	771	**—**	—
Provisions – restated	**(4,905)**	(4,423)	**—**	—
Trade receivables – net	**58,739**	46,706	**—**	—
Amounts owed by Group undertakings	**—**	—	**99,731**	59,770
Other receivables	**11,155**	6,366	**316**	380
Taxation recoverable	**2,818**	2,107	**—**	—
Prepayments and accrued income	**17,553**	19,667	**570**	1,335
	90,265	74,846	**100,617**	61,485

Debtor days at the year end were 49 days (2007: 48 days). No interest was charged on receivables. The provision against doubtful receivables amounts to £4,904,891 (2007: £5,194,000). The directors consider that the carrying value of trade and other receivables approximates to their fair value (see note 24).

Notes to the financial statements for the year ended 31 December 2008 continued

14. Trade and other payables

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade payables	**11,634**	9,976	**952**	2,063
Amounts owed to Group undertakings	**—**	—	**72,070**	19,640
Other taxes and social security	**31,701**	19,582	**99**	70
Other payables	**199**	328	**—**	6
Deferred income	**7,447**	6,461	**—**	—
Accruals, as reported	**94,657**	64,495	**5,298**	5,741
Adjustments to KSA and CBH fair values	**—**	5,719	**—**	—
Accruals – restated	**94,657**	70,214	**5,298**	5,741
	145,638	106,561	**78,419**	27,520

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 33 days (2007: 28 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 24).

15. Tax assets and liabilities

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Current tax					
Current tax receivable	13	**2,818**	2,107	**—**	—
Current tax liabilities, as reported		**(14,971)**	(7,670)	**—**	—
Adjustment to KSA fair values		**—**	73	**—**	—
Current tax liabilities – restated		**(14,971)**	(7,597)	**—**	—
Non-current tax					
Deferred tax asset		**21,899**	13,175	**313**	162
Tax liabilities		**(2,459)**	(2,411)	**—**	—
Deferred tax liabilities		**(6,533)**	(9,216)	**—**	—

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	128	—	2,348	936	3,412
Acquisition of subsidiaries	—	833	—	11,888	12,721
Credit/(charge) to income	—	203	(1,563)	241	(1,119)
At 1 January 2008, as reported	128	1,036	785	13,065	15,014
Adjustment to KSA and CBH fair values	—	—	—	(1,839)	(1,839)
At 1 January 2008 – restated	128	1,036	785	11,226	13,175
Foreign exchange	—	724	166	3,646	4,536
Recognised in SORIE	155	2,057	—	—	2,212
Credit/(charge) to income statement	30	(437)	4	2,379	1,976
At 31 December 2008	**313**	**3,380**	**955**	**17,251**	**21,899**

15. Tax assets and liabilities continued

Group continued

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 1 January 2008	5,332	2,914	270	821	9,337
Adjustment to KSA and CBH fair values	—	(121)	—	—	(121)
At 1 January 2008 – restated	5,332	2,793	270	821	9,216
Foreign exchange	540	(69)	—	5	476
Credit to income statement	(799)	(1,519)	(100)	(741)	(3,159)
At 31 December 2008	**5,073**	**1,205**	**170**	**85**	**6,533**

Additionally the Group has potential unrealised deferred tax assets at the year end of approximately £8m (2007: £22m) in respect of tax losses. Based on the current tax rules in the respective jurisdictions, all of the losses may be carried forward indefinitely. The tax losses may be subject to adjustment on tax audit and there is uncertainty as to the likely jurisdictions of future profits against which the losses can be offset. Accordingly, no deferred tax asset has been recognised for these losses.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred two liabilities have not been recognised was £11m (2007: £12m). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the forseeable future.

Company

Deferred tax asset	Other £'000
At 1 January 2008	162
Credit to income statement	151
At 31 December 2008	**313**

16. Financial liabilities

Group

	2008 £'000	2007 £'000
Current: bank borrowings	**31,780**	29,205
Non-current: bank borrowings	**66,112**	52,619
Total borrowings	**97,892**	81,824

Notes to the financial statements for the year ended 31 December 2008 continued

16. Financial liabilities continued

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%. Borrowings denominated in Sterling bear interest of LIBOR plus 1.5%. Bank borrowings mature at different dates until 18 September 2012 as shown below.

	2008 £'000	2007 £'000
On demand or within one year	**31,780**	29,205
In the second year	**6,959**	2,630
In the third to fifth year	**59,153**	49,989
Total	**97,892**	81,824

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:

	2008 £'000	2007 £'000
Six months or less	**97,892**	81,824

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

	Carrying amount 2008 £'000	Carrying amount 2007 £'000	**Fair value 2008 £'000**	Fair value 2007 £'000
Bank borrowings	**66,112**	52,619	**51,200**	46,760

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 6.6% (2007: 6.3%).

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

Currency	**2008 £'000**	2007 £'000
Euro	**35,268**	30,088
US Dollar	**60,624**	45,669
Sterling	**2,000**	6,067
	97,892	81,824

The Group has the following undrawn borrowing facilities:

	2008 £'000	2007 £'000
Floating rate	**51,442**	32,955

16. Financial liabilities continued

Company

Current	2008 £'000	2007 £'000
Bank borrowings	**7,435**	6,067

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

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

	2008 £'000	2007 £'000
Six months or less	**7,435**	6,067

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

Currency	2008 £'000	2007 £'000
Sterling	**7,435**	6,067

The Company has the following undrawn borrowing facilities:

	2008 £'000	2007 £'000
Floating rate	**51,442**	32,955

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 £2,694,000 (2007: £1,798,000), 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:

	2008 £'000	2007 £'000 Restated
US defined benefit pension scheme	**13,754**	2,243
US post-retirement medical plan	**933**	756
French statutory obligation	**683**	509
German obligation	**5,557**	4,344
	20,927	7,852

A one per cent change in the discount rates used in calculating the above obligations is estimated to affect the total retirement benefit obligation by £6 million.

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.

Notes to the financial statements for the year ended 31 December 2008 continued

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

The principal assumptions used for the recent actuarial valuations were:

	2008 %	2007 %
Rate of increase in salaries	**not applicable**	not applicable
Expected long term return on scheme assets	**8.00**	8.00
Discount rate	**6.34**	6.25
General inflation assumption	**3.00**	3.00

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

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

	2008 £'000	2007 £'000
US defined benefit pension scheme		
Expected return on pension scheme assets	**2,626**	2,309
Interest on pension scheme liabilities	**(2,173)**	(1,942)
	453	367
US medical benefits plan		
Interest on plan liabilities	**(48)**	(46)
Net finance income	**405**	321

Actuarial gains and losses have been reported in the statement of recognised income and expense. The actual return on scheme assets was £(9,646,926) (2007: £2,208,250).

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

	Note	2008 £'000	2007 £'000
Present value of defined benefit obligations		**(45,929)**	(33,847)
Fair value of scheme assets		**31,242**	30,848
Liability recognised in the balance sheet		**(14,687)**	(2,999)
Defined benefit pension scheme	(17) (e) (i)	**(13,754)**	(2,243)
Medical benefit plan	(17) (e) (ii)	**(933)**	(756)
		(14,687)	(2,999)

(c) Movements in balance sheet amounts

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

	2008 £'000	2007 £'000
Opening defined benefit obligation	**(33,847)**	(35,434)
Interest cost	**(2,221)**	(1,988)
Actuarial gains	**273**	1,214
Exchange differences	**(11,911)**	698
Benefits paid	**1,777**	1,663
Closing defined benefit obligation	**(45,929)**	(33,847)

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(c) Movements in balance sheet amounts continued

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

	2008 £'000	2007 £'000
Opening fair value of plan assets	**30,848**	30,145
Expected return	**2,626**	2,309
Actuarial loss	**(12,566)**	(102)
Contributions by employer	**1,171**	691
Exchange differences	**10,940**	(589)
Benefits paid	**(1,777)**	(1,606)
Closing fair value of plan assets	**31,242**	30,848
Net retirement benefit obligations	**(14,687)**	(2,999)

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

	Expected return %	**2008 £'000**	Expected return %	2007 £'000
Equities	**9.0**	**17,440**	9.0	20,738
Bonds	**5.5**	**13,604**	5.5	9,966
Cash	**5.5**	**198**	5.5	144
	8.0	**31,242**	8.0	30,848

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

(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:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of defined benefit obligations	**(44,996)**	(33,091)	(34,582)	(40,909)	(34,649)
Fair value of scheme assets	**31,242**	30,848	30,145	30,046	24,387
Deficit in the scheme	**(13,754)**	(2,243)	(4,437)	(10,863)	(10,262)
Experience adjustments on scheme liabilities					
Amount	**(85)**	(470)	626	86	(123)
Percentage of scheme liabilities	**0.2%**	1.4%	1.8%	0.2%	(0.4%)
Experience adjustments on scheme assets					
Amount	**(12,950)**	102	1,379	(277)	567
Percentage of scheme assets	**41.5%**	0.3%	4.6%	(0.9%)	2.3%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £0.8m (2007: £1.6m).

Notes to the financial statements for the year ended 31 December 2008 continued

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(e) History of experience gains and losses continued

(ii) Unfunded US medical benefit plan

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

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of plan liabilities	**(933)**	(756)	(852)	(1,006)	(1,121)
Experience adjustments of plan liabilities	**1**	—	(42)	210	123
Percentage of the plan liabilities	**0.1%**	—	(4.9%)	20.9%	11.0%

(f) Unfunded French retirement obligation

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

	2008	2007
Rate of increase in salaries	**3–6%**	3–5%
Discount rate	**6.3%**	5.2%

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

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

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

	2008 £'000	2007 £'000
Interest on liabilities	**35**	8

(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:

	2008 £'000	2007 £'000
Present value of defined benefit obligations	**(683)**	(509)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(683)**	(509)

(iii) Movements in balance sheet amounts

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

	2008 £'000	2007 £'000
At start of year	**(509)**	(122)
Service cost	**(110)**	(17)
Interest cost	**(35)**	(8)
Actuarial gain/(loss)	**109**	(387)
Benefit paid	**11**	25
Foreign exchange difference	**(149)**	—
Closing defined benefit obligation	**(683)**	(509)

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

(iv) History of experience gains and losses

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

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(g) Unfunded German retirement obligation

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

	2008	2007
Rate of increase in salaries	**4.5%**	4%
Mortality table	**Heubeck 2005 G**	Heubeck 2005 G
Discount rate	**6%**	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:

	2008 £'000	2007 £'000
Interest on liabilities	**301**	45

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

	2008 £'000	2007 £'000
Present value of defined benefit obligations	**(5,557)**	(4,344)
Fair value of scheme assets	**—**	—
Liability recognised in the balance sheet	**(5,557)**	(4,344)

(iii) Movements in balance sheet amounts:

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

	2008 £'000	2007 £'000
At 1 January/acquisition	**(4,344)**	(3,958)
Service cost	**(142)**	(25)
Interest cost	**(301)**	(45)
Actuarial gain	**81**	8
Benefit paid	**253**	37
Foreign exchange	**(1,104)**	(361)
Closing defined benefit obligation	**(5,557)**	(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

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

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of plan liabilities	**5,557**	—	n/a	n/a	n/a
Experience adjustments of plan liabilities	**(216)**	—	n/a	n/a	n/a
Percentage of the plan liabilities	**(3.9%)**	—	n/a	n/a	n/a

Notes to the financial statements for the year ended 31 December 2008 continued

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(h) UK retirement obligation

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

	2008 £'000	2007 £'000
Expected long term return on scheme assets	**6.2%**	5.8%
Discount rate	**6.2%**	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:

	2008 £'000	2007 £'000
Interest	**—**	45

At 31 December 2008 and 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:

	2008 £'000	2007 £'000
Present value of defined benefit obligations	**(3,700)**	(5,200)
Fair value of scheme assets	**3,800**	5,300
Provision	**(100)**	(100)
Asset recognised in the balance sheet	**—**	—

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

	2008 £'000	2007 £'000
Opening defined benefit obligation	**5,200**	5,155
Interest cost	**300**	45
Experience difference	**(900)**	—
Benefits paid	**(900)**	—
Closing defined benefit obligation	**3,700**	5,200

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

	2008 £'000	2007 £'000
Opening fair value of plan assets	**5,300**	5,300
Expected return	**300**	—
Actuarial loss	**(900)**	—
Benefits paid	**(900)**	—
Closing fair value of plan assets	**3,800**	5,300

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

	Expected return %	2008 £'000	Expected return %	2007 £'000
Equities	**6.2**	**3,800**	5.8	5,300

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

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(h) UK retirement obligation continued

(iv) History of experience gains and losses

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

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Present value of plan liabilities	**3,700**	—	n/a	n/a	n/a
Experience adjustments of plan liabilities	**(900)**	—	n/a	n/a	n/a
Percentage of the plan liabilities	**(24%)**	—	n/a	n/a	n/a

18. Long term provisions

	£'000
At 1 January 2008	7,465
Utilised	(1,150)
Charge	3,292
Released	(4,437)
Foreign exchange movement	65
At 31 December 2008	**5,235**

The provisions primarily relate to property and obligations to former employees of the Group. The most significant element relates to the property provisions. These are expected to be utilised over the period to 2015. The release relates to the releases of property provisions which are no longer required. There are no provisions held by the Company.

19. Share capital

(a) Called up share capital

	2008 £'000	2007 £'000
Authorised: 700 million (2007: 700 million) shares of 25p each	**175,000**	175,000
Issued and fully paid: 331,269,758 (2007: 328,899,961) shares of 25p each	**82,817**	82,225

Shares issued in the year were:

	Number	Nominal value £'000	Consideration £'000
At 1 January 2008	328,899,961	82,225	72,430
Employee share options exercised (note 19 (b))	2,369,797	592	679
At 31 December 2008	**331,269,758**	**82,817**	**73,109**

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

Options were exercised during the year with a weighted average exercise price of 28.67p (2007: 25p).

Notes to the financial statements for the year ended 31 December 2008 continued

19. Share capital continued

(b) Share options

At 31 December 2008, there were options outstanding to subscribe for new ordinary shares of 25p each as set out below:

Option grant date	Number of shares under option	Exercise price p	Weighted average price p	Exercisable not earlier than
The 1998 Scheme				
September 1999	257,506	25.00	25.00	September 2002
March 2006	2,509,150	57.75	57.75	March 2009
March 2007	3,366,850	48.75	48.75	March 2010
April 2007	1,501,000	48.75	48.75	April 2010
April 2007	276,382	49.75	49.75	April 2010
October 2007	3,470,109	25.00	25.00	April 2009
December 2007	1,472,616	33.75	33.75	December 2010
August 2008	1,431,000	25.00	25.00	August 2011
September 2008	1,105,000	33.50	33.50	September 2011
Total	**15,389,613**		**39.74**	

The number of options outstanding at the previous year end over new ordinary shares was 23,220,413 with a weighted average price of 40.70p.

In August 2008 1,865,000 options over new ordinary shares were granted at an exercise price of 25 pence per share. In September 2008 1,105,000 options over new ordinary shares were granted at an exercise price of 33.5 pence per share. The following options over new ordinary shares were exercised during the year:

Granted	Number	Nominal value £	Weighted average price p	Consideration £
March 2000	1,777,090	444,273	29.85	530,461
October 2007	592,707	148,177	25.00	148,884

During the year, options, with a weighted average price of 56.60p, over 3,937,165 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 £7,477,422 (2007: £9,451,681).

The above amounts exclude options over 1,842,700 shares (2007: 2,616,450 shares) which are already in issue and are owned by an employee trust.

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

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

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

19. Share capital continued

(b) Share options continued

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.

The fair value of options granted was determined using the stochastic valuation model. Expected volatility was assessed by considering the historic volatility of the Company's share price. An expense of £1,324,000 (2007: £779,000) has been recognised in the period in respect of the share options granted. The cumulative share compensation reserve at 31 December 2008 is £2,720,000 (2007: £2,952,000).

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

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

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

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

Notes to the financial statements for the year ended 31 December 2008 continued

19. Share capital continued

(b) Share options continued

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

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

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

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

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

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

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

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

19. Share capital continued

(b) Share options continued

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

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

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

	3 year vesting	5 year vesting
Fair value of option	21p	26p
Exercise price and share price on date of grant	57.75p	57.75p
Share price on date of grant	33p	33p
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%

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

	3 year vesting	5 year vesting
Fair value of option	26p	31p
Exercise price and share price on date of grant	59.75p	59.75p
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%

(c) Share awards

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

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

Notes to the financial statements for the year ended 31 December 2008 continued

19. Share capital continued

(c) Share awards continued

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

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

An employee may not receive awards in any financial year over shares having a market value in excess of 100 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.

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

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

These 2008 awards will vest as follows:

Average annual adjusted EPS growth over the performance period	Percentage of the award that vests
EPS growth of less than 6% 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.

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

In 2008 10,076,000 awards over new ordinary shares were made at an exercise price of nil pence per share, as shown below.

Award date	Number of shares under award	Exercise price p	Weighted average price p	Exercisable not earlier than
June 2008	9,866,000	0.00	0.00	June 2011
August 2008	60,000	0.00	0.00	August 2011
September 2008	150,000	0.00	0.00	September 2011
	10,076,000			

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 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 employee share trust	26	—	—	—	(53)	—
Share option schemes	—	—	—	—	—	—
LTIP shares awarded	—	—	(27)	1,324	27	—
At 31 December 2007	48,894	32,513	—	2,952	(1,296)	3,896
Currency translation differences	—	—	—	—	—	51,195
Share compensation expense	—	—	—	1,324	—	—
Reclassification to retained earnings	—	—	—	(1,556)	—	—
Share option scheme	87	—	—	—	—	—
At 31 December 2008	**48,981**	**32,513**	**—**	**2,720**	**(1,296)**	**55,091**

	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 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
Loss on available for sale investments	—	—	(1,652)	(1,652)
At 31 December 2008	**5,878**	**1,186**	**(1,678)**	**5,386**

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 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 employee share trust	26	—	—	—	(53)	—
LTIP shares awarded	—	—	(27)	—	27	—
At 31 December 2007	48,894	26,830	—	2,952	(1,296)	1,186
Share options	87	—	—	—	—	—
Share compensation expense	—	—	—	1,324	—	—
Reclassification to retained earnings	—	—	—	(1,556)	—	—
At 31 December 2008	**48,981**	**26,830**	**—**	**2,720**	**(1,296)**	**1,186**

Notes to the financial statements for the year ended 31 December 2008 continued

20. Equity continued

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

Shares to be issued comprise the estimated value of shares that may be issued under the Management Incentive Plan. The share compensation reserve represents the net credit arising from the charge for share options less amounts transferred to retained earnings following the lapse of share options. Own shares held by the employee share trust represents 4,197,374 shares (2007: 4,197,374 shares) issued at a value of £1,296,000 (2007: £1,296,000).

21. Retained earnings

		Group		Company	
	Note	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
At 1 January		**(17,210)**	(28,393)	**63,994**	68,104
Net (loss)/profit for the year		**(22,019)**	13,181	**(7,878)**	(1,211)
Dividends paid		**(3,959)**	(3,561)	**(3,959)**	(3,561)
Actuarial (loss)/gain related to retirement benefit schemes		**(12,674)**	734	**—**	—
Tax on items taken directly to equity		**2,489**	167	**—**	—
Reclassification from share compensation reserve	20	**1,556**	643	**1,556**	643
Reclassification from shares to be issued		**—**	19	**—**	19
At 31 December		**(51,817)**	(17,210)	**53,713**	63,994

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 £7,878,000 (2007: £1,211,000) dealt with in the financial statements of the Company.

22. Statement of changes in equity

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
At 1 January	**159,012**	112,189	**224,785**	202,286
Dividends paid	**(3,959)**	(3,561)	**(3,959)**	(3,561)
(Loss)/profit for the period	**(22,019)**	13,181	**(7,878)**	(1,211)
Issue of share capital				
On acquisition of subsidiary undertakings	**—**	25,155	**—**	25,155
Exercise of share options	**679**	13	**679**	13
Share options	**1,324**	2,103	**1,324**	2,103
Other recognised income and expense	**41,010**	9,958	**—**	—
Revaluation reserve	**(1,652)**	(26)	**—**	—
At 31 December	**174,395**	159,012	**214,951**	224,785

23. Notes to the cash flow statement

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
(Loss)/profit from continuing operations	**(15,851)**	21,923	**(13,054)**	(7,709)
(Loss)/profit from discontinued operations	**—**	(149)	**—**	—
(Loss)/profit from operations, as reported	**(15,851)**	21,774	**(13,054)**	(7,709)
Adjustments for:				
Depreciation of property, plant and equipment	**1,501**	1,259	**738**	234
Amortisation of intangible assets	**3,367**	2,271	**1,520**	394
Impairment charge	**26,695**	—	**—**	—
Loss on disposal of plant and equipment	**—**	7	**—**	—
Adjustment for pension funding	**(919)**	(692)	**—**	—
Adjustment for share options charge	**1,324**	779	**1,324**	779
(Decrease)/increase in provisions	**(2,295)**	(540)	**2,433**	2,884
Operating cash flows before movements in working capital	**13,822**	24,858	**7,039**	(3,418)
(Increase)/decrease in receivables	**(11,691)**	2,521	**(1,201)**	14,900
Increase/(decrease) in payables	**39,067**	6,450	**(2,618)**	6,502
Cash generated by operations	**41,198**	33,829	**(10,858)**	17,984
Income taxes paid	**(510)**	(2,632)	**—**	—
Net cash inflow/(outflow) from operating activities	**40,688**	31,197	**(10,858)**	17,984

Cash and cash equivalents

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

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Cash at bank and in hand	**35,761**	20,895	**5,415**	973

24. Financial instruments

Capital structure and treasury policies

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

Notes to the financial statements for the year ended 31 December 2008 continued

24. Financial instruments

Capital structure and treasury policies

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

	2008		2007	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1.85**	**1.47**	2.00	2.00
£1 = Euro	**1.26**	**1.05**	1.46	1.36

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

Currency	**2008 Floating rate £'000**	2007 Floating rate £'000
Financial assets		
Sterling	**6,297**	1,632
US Dollar	**4,688**	7,279
Euro	**14,834**	10,177
Other	**9,942**	1,807
Cash	**35,761**	20,895
Sterling	**306**	2,391
US Dollar	**20,203**	21,887
Euro	**64,827**	47,999
Other	**2,718**	1,798
Trade and other receivables	**88,054**	74,075
Financial liabilities		
Sterling	**(24,298)**	(19,413)
US Dollar	**(42,612)**	(37,803)
Euro	**(69,232)**	(39,695)
Other	**(9,859)**	(3,931)
Trade and other payables	**(146,001)**	(100,842)

The cash and short term deposits attract interest rates based on LIBOR, US 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	
	2008 £'000	2007 £'000
Available-for-sale financial assets	**7,076**	6,650
Financial asset at fair value through profit or loss	**—**	56
Cash and cash equivalents	**35,761**	20,895
	42,837	27,601

24. Financial instruments continued

Exposure to credit risk

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

	Carrying amount	
	2008 £'000	2007 £'000
Europe	**43,131**	31,357
United States	**14,897**	14,278
Rest of World	**711**	1,071
	58,739	46,706

The Group's most significant customer accounts for 2% of the trade receivables carrying amount at 31 December 2008 (2007: 0%).

The ageing of trade receivables at the reporting date was:

	2008 £'000	2007 £'000
Not past due	**33,951**	30,376
Past due 0–30 days	**15,590**	10,574
Past due 31–120 days	**9,198**	5,756
	58,739	46,706

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

Liquidity risk

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

31 December 2008

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

31 December 2007

Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
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	—

Currency risk

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

	31 December 2008		31 December 2007	
	€'000	**$'000**	€'000	$'000
Trade receivables	**45,576**	**19,135**	44,214	28,501
Bank loans	**(39,746)**	**(38,768)**	(41,492)	(92,572)
Trade payables	**(7,939)**	**(3,169)**	(7,432)	(3,722)
Gross balance sheet exposure	**(2,109)**	**(22,802)**	(4,710)	(67,793)
Estimated forecast sales	**197,847**	**188,507**	114,487	125,072
Estimated forecast purchases	**(129,818)**	**(109,290)**	(98,784)	(92,441)
Gross and net exposure	**68,029**	**79,217**	15,703	32,631

Notes to the financial statements for the year ended 31 December 2008 continued

24. Financial instruments continued

Sensitivity analysis

A 10% 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 2007.

	Equity £'000	Profit or loss £'000
2008		
US Dollar	**2,088**	**411**
Euro	**11,698**	**675**
2007		
US Dollar	3,974	166
Euro	5,649	183

A 10% 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	
Fixed rate instruments	**2008 %**	2007 %
Financial liabilities less than 6 months	**5.5**	6.6
Financial liabilities 1–2 years	**6.6**	6.3
Financial liabilities 2–5 years	**6.6**	6.3

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

Fair value sensitivity analysis for fixed rate instruments

The Group does not 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 – Group

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

	31 December 2008		31 December 2007	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Available for sale financial assets	**7,076**	**7,076**	6,650	6,650
Financial assets designated at fair value through profit or loss	**—**	**—**	56	56
Cash and cash equivalents	**(35,761)**	**(35,761)**	20,895	20,895
Bank loans	**97,892**	**97,892**	81,824	75,965
Trade and other payables	**146,001**	**146,001**	100,842	100,842

In 2007 the value of the financial asset designated at fair value through profit or loss (a call option) was estimated by assessing the expected financial performance of the business to which it related over the life of the option, and the exercise price of the option. The option was cancelled at the time The Salzer Group Pte Limited was sold in December 2008.

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

24. Financial instruments continued

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

Currency	2008 Floating rate £'000	2007 Floating rate £'000
Financial assets		
Sterling	**3,041**	359
US Dollar	**6,373**	298
Euro	**98**	316
Cash	**9,512**	973
Sterling	**37,318**	27,824
US Dollar	**18,709**	1,035
Euro	**44,590**	32,626
Other	**—**	—
Trade and other receivables	**100,617**	61,485

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

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

Currency	2008 Floating rate £'000	2007 Floating rate £'000
Financial liabilities		
Sterling	**(9,524)**	(15,103)
US Dollar	**(43,620)**	(7,320)
Euro	**(21,217)**	(2,374)
Other	**(3,000)**	(2,723)
Trade and other payables	**(77,361)**	(27,520)

Exposure to credit risk – Company

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

	Carrying amount	
	2008 £'000	2007 £'000
Cash and cash equivalents	**9,512**	973

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

Liquidity risk – Company

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

31 December 2008

Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Bank loans	**(11,532)**	**(14,415)**	**(14,415)**	**—**	**—**	**—**	**—**
Trade and other payables	**(77,361)**	**(77,361)**	**(77,361)**	**—**	**—**	**—**	**—**
	(88,893)	**(91,776)**	**(91,776)**	**—**	**—**	**—**	**—**

Notes to the financial statements for the year ended 31 December 2008 continued

24. Financial instruments continued

Liquidity risk – Company continued

31 December 2007

Non-derivative financial liabilities	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Bank loans	(6,067)	(7,961)	(7,961)	—	—	—	—
Trade and other payables	(27,520)	(27,520)	(27,520)	—	—	—	—
	(33,587)	(35,481)	(35,481)	—	—	—	—

Currency risk – Company

The company has no exposure to foreign currency risk in respect of trade payables.

Sensitivity analysis – Company

A 10% 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 2007.

	Equity £'000	Profit or loss £'000
2008		
US Dollar	**1,048**	**1,048**
2007		
US Dollar	—	—

A 10% 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 Company's interest bearing financial instruments was:

	Carrying amount	
Fixed rate instruments	**2008 %**	2007 %
Financial liabilities less than 6 months	**5.5**	6.6

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

Fair value sensitivity analysis for fixed rate instruments

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

Fair values versus carrying amounts – Company

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

	31 December 2008		31 December 2007	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**9,512**	**9,512**	973	973
Bank loans	**(11,532)**	**(14,891)**	(6,067)	(7,834)
Trade and other payables	**(77,361)**	**(77,361)**	(27,520)	(27,520)

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

25. Operating lease arrangements

Group	**2008 £'000**	2007 £'000
Minimum lease payments under operating leases recognised in the income statement for the year	**9,703**	5,297

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:

	2008		2007	
Group	**Land and buildings £'000**	**Other £'000**	Land and buildings £'000	Other £'000
Within one year	**7,608**	**300**	5,697	438
In the second to fifth years inclusive	**26,017**	**740**	19,958	377
After five years	**12,065**	**10**	11,457	—
	45,690	**1,050**	37,112	815

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	**2008 £'000**	2007 £'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:

Mr Waldron, a director of the Company, was appointed Chief Finance Officer of Technip on 28 October 2008. In the period between 28 October 2008 and 31 December 2008 Ineum Consulting SAS provided services to Technip valued at £89,885.

Ineum Consulting LLC paid £nil (2007: £1,252) 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. 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 until 19 February 2008, was a non-executive director of Knight Frank LLP during 2007. In 2007 the Group paid Knight Frank LLP £98,322 for professional services related to property matters.

Remuneration of key management personnel

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

	2008 £'000	2007 £'000
Short term employee benefits	**2,579**	3,426
Post-employment benefits	**—**	329
	2,579	3,755

Notes to the financial statements for the year ended 31 December 2008 continued

27. Principal subsidiary undertakings

At 31 December 2008, the Company had the following principal subsidiary undertakings engaged in the provision of management consultancy services. The shareholdings were 100% of the subsidiary undertakings' ordinary shares and were held indirectly except where indicated. Each of the subsidiaries is included in the consolidation.

	Countries of incorporation/operation
Ineum Conseil et Associés S.A.	France
Ineum Consulting SAS	France
Ineum Consulting Limited*	Great Britain
Ineum Consulting LLC	USA
Ineum Consulting Pty Limited	Australia
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 Canada Limited	Canada
Kurt Salmon Associates Capital Advisors, Inc.	United States
Proudfoot Company Management Services GmbH	Switzerland/Australia, New Zealand
Proudfoot Consulting Company	USA
Proudfoot Consulting (Europe) Limited*	Great Britain
Proudfoot Consulting GmbH	Germany
Proudfoot Consulting Inc	Canada
Proudfoot South Africa (Pty) Ltd	South Africa/Africa

* Held directly

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

28. Acquisitions and disposal

During 2007, the Company made the following acquisitions: CBH Consulting, Inc. and Kurt Salmon Associates, Inc.

At the dates of acquisition the final goodwill arising is:

	2007 £'000
CBH Consulting	5,517
Kurt Salmon Associates	73,631
	79,148

28. Acquisitions and disposal continued

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 final fair values to the Group.

	Acquisition (IFRS) £'000	Provisional fair value adjustments £'000	Adjustments to provisional fair value adjustments £'000	Final fair value to Group £'000
Intangible assets	90	455(i)		545
Property, plant and equipment	58			58
Current assets	1,522	(20)(ii)	(32)(iv)	1,471
Total assets	1,670			2,073
Current liabilities	(2,150)		(315)(v)	(2,465)
Deferred tax liability	—	(159)(iii)	121(vi)	(38)
Total liabilities	(2,150)			(2,503)
Net liabilities	(480)			(429)
Consideration given				4,393
Acquisition costs				695
Final goodwill				5,517
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 25p each, and a fair value 50.25p 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.

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 provisional fair value adjustments

(iv) Increase in fair value provision for doubtful debtors

(v) Accrual for costs not recorded

(vi) Deferred tax impact of adjustments (iv) and (v)

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)

Notes to the financial statements for the year ended 31 December 2008 continued

28. Acquisitions and disposal continued

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 fair values to the Group.

	Acquisition (IFRS) £'000	Provisional fair value adjustments £'000	Adjustments to provisional fair value adjustments £'000	Final 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)	(1,839)(x)	7,694
Current assets	31,699	(1,065)(v)	803(xi)	31,437
Total assets	44,713			54,067
Bank overdraft	(2,587)			(2,587)
Current liabilities	(34,507)	(5,333)(vi)	(5,331)(xii)	(45,171)
Retirement benefit obligation	(3,946)	(12)(vii)	(100)	(4,058)
Provisions	(249)	(4,853)(viii)		(5,102)
Deferred tax liability	—	(2,933)(ix)		(2,933)
Total liabilities	(41,289)			(59,851)
Net assets/(liabilities)	3,424			(5,784)
Consideration given				61,186
Acquisition costs				6,761
Final goodwill				73,731
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 25p each, and a fair value of 43p 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.

28. Acquisitions and disposal continued

Kurt Salmon Associates continued

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

(x) Recognition of deferred tax asset on additional fair value adjustments and reassessment of acquired deferred tax assets

(xi) Reduction in fair value provision for potentially doubtful debtors

(xii) Reassessment of accruals and exposures to claims

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 Salzer Group Asia Pacific Pte Limited

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

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

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

Notes to the financial statements for the year ended 31 December 2008 continued

28. Acquisitions and disposal continued

The Salzer Group Asia Pacific Pte Limited continued

The net assets of The Salzer Group Pte Limited at the date of disposal and at 31 December 2007 were as follows:

	2008 £'000	2007 £'000
Property, plant and equipment	**57**	50
Trade and other receivables	**307**	410
Bank balances and cash	**196**	130
Trade and other payables	**(455)**	(554)
Deferred tax liability	**(90)**	(66)
Attributable goodwill	**714**	673
	729	643
Costs of disposal	**115**	
Transfer of accumulated foreign exchange difference from translation reserve	**255**	
Total consideration received	**—**	
Total loss on disposal	**1,099**	
Net cash outflow arising on disposal:		
Cash consideration	**—**	
Cash and cash equivalents disposed of	**(196)**	
Net cash outflow	**(196)**	

The cash flows of the discontinued operation are shown below:

	2008 £'000	2007 £'000
(Loss) from operations	**(272)**	(160)
Adjustments for:		
Depreciation	**25**	44
Operating cash flows before movements in working capital	**(247)**	(116)
Decrease/(increase) in receivables	**103**	(221)
(Decrease)/increase in payables	**(106)**	265
Cash used by operations	**(250)**	(72)
Income taxes paid	**—**	—
Net cash outflow from operating activities	**(250)**	(72)
Investing activities		
Interest received	**1**	1
Purchase of property plant equipment	**—**	(101)
Cash advances from fellow subsidiaries	**335**	130
Net cash raised by investing activities	**336**	30
Financing activities		
Interest paid	**(52)**	(59)
Net cash used in financing activities	**(52)**	(59)
Increase/(decrease) in cash	**34**	(101)
Cash at beginning of year	**130**	215
Foreign Exchange	**32**	16
Cash at end of year	**196**	130

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Management Consulting Group PLC will be held at 2.00 pm on 21 April 2009 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA for the undermentioned purposes:

Ordinary business

To consider and, if thought fit, pass the following Resolutions 1 to 9 (inclusive) as Ordinary Resolutions.

1. To receive and adopt the directors' report and annual accounts of the Company for the year ended 31 December 2008 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 annual report and accounts of the Company for the year ended 31 December 2008.
3. To declare and approve the final dividend for the year ended 31 December 2008 of 0.90p per share.
4. To re-appoint Mr A J Barber as a director of the Company, who is retiring by rotation.
5. To re-appoint Baroness Cohen as a director of the Company, who is retiring by rotation.
6. To re-appoint Mr A H Simon OBE as a director of the Company, who is retiring by rotation.
7. To re-appoint Mr J P Bolduc as a director of the Company, who is retiring by rotation.
8. To re-appoint Mr J D Waldron 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 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

10. To consider and, if thought fit, pass the following Resolutions. Resolution 10(a) will be proposed as an Ordinary Resolution and Resolutions 10(b) and 10(c) and 11 as Special Resolutions:

(a) THAT the directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of that Section) up to an aggregate nominal amount of £27,605,813 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in General Meeting) on the earlier of the fifth anniversary of the passing of this resolution and the Annual General Meeting of the Company to be held in 2014, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired and such authority shall be in substitution for all previous authorities pursuant to the said Section 80, which are hereby revoked, without prejudice to any allotment of relevant securities pursuant thereto.

(b) THAT, subject to the passing of Resolution 10(a) in the notice of meeting, the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act as from time to time amended) wholly for cash pursuant to the authority conferred by such resolution as if subsection (1) of Section 89 of the said Act did not apply to such allotment provided that this power shall be limited:

(i) to the allotment of equity securities where the securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, of the requirements of any recognised regulatory body or any stock exchange in, any territory):

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £4,140,871;

and shall expire (unless previously renewed, varied or revoked by the Company in General Meeting) on the earlier of the fifth anniversary of the passing of this Resolution and the Annual General Meeting to be held in 2014, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired and such authority shall be in substitution for all previous disapplications of Section 89(1) of the Companies Act 1985, which are hereby revoked, without prejudice to any allotment of securities pursuant thereto.

Notice of Annual General Meeting continued

Special business continued

(c) 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 25p 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 33,126,975;

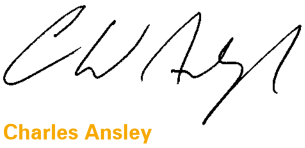
(ii) the minimum price (exclusive of stamp duty and expenses) which may be paid for an ordinary share shall be 10p;

(iii) the maximum price which may be paid for an ordinary share is the higher of the amount equal to 105% 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 Buyback and Stabilisation Regulation 2003 (in each case exclusive of stamp duty and expenses); and

(iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or 21 July 2010, 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 Company be and is hereby generally and unconditionally authorised to hold General Meetings other than Annual General Meetings on 14 clear days' notice from the date of the passing of this Resolution 11 until the conclusion of the next Annual General Meeting of the Company.

By order of the Board,



Charles Ansley
Company Secretary
9 March 2009

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 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 19 April 2009 (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) As at 6pm on 6 March 2009 (being the last business day prior to publication of this notice), the Company's issued share capital comprised 331,269,758 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the Company as at 6 March 2009 is 331,269,758.

(viii) Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 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 auditors' 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 Section 437 CA 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 CA 2006. Where the Company is required to place a statement on a website under Section 527 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 Section 527 CA 2006.

Contacts for investors and clients www.mcgplc.com

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

Company Secretary
Charles Ansley
cansley@mcgplc.com
London office: +44 20 7710 5000

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

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

Investor relations
The Group welcomes contact with its shareholders.

Enquiries should be directed to:

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

Craig Smith, Finance Director
chsmith@mcgplc.com
London office: +44 20 7710 5000

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

Financial calendar

Annual General Meeting	21 April 2009
Ex-dividend date	3 June 2009
Record date	5 June 2009
Final dividend payment	2 July 2009

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

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

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

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

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

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

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

This annual report was printed by Beacon Press using *pure*print®, their environmental print technology which minimises the impact of printing on the environment. All energy used comes from renewable sources, vegetable based inks have been used and 94% of all waste associated with this production has been recycled. The printer is a carbon neutral company.

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Management Consulting Group PLC **Annual report and accounts 2008**