Management Consulting Group PLC

Results for the year ended 31 December 2005

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Agenda

- Highlights
- Financials
- Operational progress
- 2006 priorities
- Outlook

Highlights for 2005

- Revenue of £130 million (2004 - £119 million) - 9% growth; over twice the market growth rate
- Profit before tax of £13.0 million (2004 - £11.6 million) up 12% excluding exceptional credits
- EBITDA margin of 11% (after start up costs of new offices equal to 2% EBITDA) against our target of 15%
- Basic earnings per share up 15% to 5.3 pence (2004: 4.6 pence)
- Dividend raised 19% to 0.8 pence per share
- Positive outlook
  - 2006 has started strongly, particularly in Proudfoot
  - First half is expected to deliver excellent progress on last year
  - Over £20 million of cash – strong position to pursue modest sized acquisitions

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Profit and loss account

	2005	2004	Change
	£m	£m	%
Revenue			
Proudfoot Consulting	86.4	81.4	6%
Parson Consulting	43.2	37.8	14%
	129.6	**119.2**	**9%**
Cost of sales	(64.8)	(60.4)	7%
Gross profit	64.8	58.8	9%
Selling costs	(34.9)	(30.4)	15%
Administrative expenses	(16.3)	(16.0)	2%
Profit from operations	**13.6**	**12.4**	**10%**
Finance income	0.3	(0.0)	100%
Profit before tax	13.9	12.4	12%
Tax expense	(4.1)	(3.9)	5%
Profit for the period	9.8	8.5	15%
Gross profit margin	50%	50%	–
Selling costs to turnover	27%	26%	1% pt
Operating profit margin	11%	10%	1% pt
Reported tax rate	29%	31%	-2% pts

Profit bridge

	£m
2004 operating profit	**12.4**
Remove credit from MIP	(0.8)
2004 underlying profit	**11.6**
Gross margin on extra revenue @ 45%	4.7
Investment in sales and support	(1.0)
Investment in new offices	(2.4)
Increased share option charges	(0.2)
2005 underlying profit	**12.7**
Japanese indemnity release	0.9
2005 operating profit	**13.6**

Core consultancy margin performance

	2005	2004	Change
	£m	£m	%
Revenue			
Proudfoot Consulting	86.4	81.4	6%
Parson Consulting	43.2	37.8	14%
	129.6	119.2	9%
EBITDA			
Proudfoot Consulting	11.2	10.2	10%
Parson Consulting	2.5	2.6	(4)%
	13.7	12.8	7%
EBITDA margin			
Proudfoot Consulting	13%	13%	
Parson Consulting	6%	7%	
Group	11%	11%	

Tax charge

	£m
2005 total tax charge	**4.1**
Prior year credits	1.2
Underlying current year charge	**5.3**
Tax charge re goodwill	(0.8)
Tax charge re pension deductions	(0.8)
“Cash tax” charge	**3.7**
Profit before taxation and exceptionals	**13.0**
Effective “cash tax” rate	**29%**

Cash flow

	2005	2004
	£m	**£m**
Reported operating profit	13.6	12.4
Japanese indemnity/MIP provision release	(0.9)	(0.8)
Share option charge	0.6	0.4
Working capital movements	(0.2)	1.8
Operating cash flow	**13.1**	**13.8**
Pension payments	(2.5)	(2.9)
Taxation payments	(2.7)	(3.8)
Dividend	(1.2)	(0.9)
Deferred consideration on acquisitions	-	(1.0)
Cash generated in the year	**6.7**	**5.2**
Cash at 1 January 2005	14.5	9.7
Forex movements	0.4	(0.4)
Cash at 31 December 2005	**21.6**	**14.5**

Net Assets

	2005	2004
	£m	**£m**
Fixed assets		
Goodwill	68.3	66.1
Other fixed assets	1.9	1.8
	70.2	**67.9**
Current assets		
Debtors and other receivables	16.1	12.7
Cash and cash equivalents	21.6	14.5
	37.7	27.2
Creditors due within one year	(32.0)	(28.9)
Net current assets/(liabilities)	**5.7**	**(1.7)**
Long term creditors and provisions	(6.1)	(6.5)
Retirement benefits liability	(11.9)	(11.4)
Long term liabilities	**18.0**	**(17.9)**
Net assets	**57.9**	**48.3**

Retirement benefits

- The retirements benefits liability increased by £0.5 million in the period despite the funding of £2.5 million provided by MCG
  - Discount rate for liabilities - down to 5.50% from 5.75% - £1.4 million negative impact
  - Return on investments – 7.3% against a benchmark return of 5.8% but still below 8% assumed long term return - £0.3 million negative impact
  - Forex rates - $ strengthened from 1.92 to 1.72 - £1.3 million negative impact. Translation impact only as US earnings support the funding;
- The actuaries have not changed their views of medium term financing needs which are expected to be a further contribution of £2.5 million in 2006.

IFRS restatement for 31 December 2004

Income account	£m
UK GAAP profit after tax	5.5
Remove goodwill amortisation	3.8
Reallocate deferred bonuses	0.5
Share option charge	(0.4)
Deferred tax impact of bonuses & options	0.0
Deferred tax liability on goodwill tax deduction	(0.9)
IFRS profit after tax	**8.5**

Net assets	£m
UK GAAP net assets	43.7
Add back goodwill amortisation	3.8
Reallocate deferred bonuses	0.5
Dividend restatement	1.2
Deferred tax impact of bonuses & options	(0.0)
Deferred tax liability on goodwill tax deduction	(0.9)
IFRS net assets	**48.3**

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Operational progress

Management Consulting Group PLC

- Assessed various acquisition opportunities
- Cost base management
- Cross working

proudfoot consulting

- Growth of 6%
- Work won 20% more than delivered
- China opening
- Service line development

parson consulting

- Growth of 14% despite Sarbox peak being passed
- Work won at same level as work delivered
- Paris and Sydney openings
- Service line developments
- Formed various alliances

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2006 priorities

- Expand the Group's consulting offerings

proudfoot consulting

- Maintain sales momentum in North America and Europe
- Build on promising start in China
- Deliver margin growth in Europe

parson consulting

- Further transition from Sarbanes-Oxley
- Continue to build on promising starts in Paris and Sydney
- Deliver underlying margin improvement

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Outlook

- Good visibility into the first half of the year for Proudfoot due to high order book
- Parson North America began the year with an order book little changed from last year
- Based upon the strength of the order book and the prospects in the new offices, significant revenue growth over H1 2005 is expected in H1 2006
- Expect to return to usual seasonal pattern of stronger first half than second half

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