Management Consulting Group PLC

Management Consulting Group PLC
Half-year report 2009

About us

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

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

Alexander Proudfoot

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

Established: 1946

Head office: Atlanta, US

Typical project size: £2m

2009 H1 revenue

£46.3m

(2008: £45.9m) 30% of total (2008: 28%)

2009 H1 underlying operating profit

£8.4m

(2008: £6.4m)

Ineum Consulting

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

Established: 2003

Head office: Paris, France

Typical project size: £300k

2009 H1 revenue

£76.8m

(2008: £79.1m) 50% of total (2008: 47%)

2009 H1 underlying operating profit

£3.9m

(2008: £4.7m)

Kurt Salmon Associates

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

Established: 1935

Head office: Atlanta, US

Typical project size: £300k

2009 H1 revenue

£32.0m

(2008: £41.7m) 20% of total (2008: 25%)

2009 H1 underlying operating loss

£0.2m

(2008: £4.0m profit)

ALEXANDER PROUDFOOT people • productivity • profitability

ineum consulting

KURT SALMON ASSOCIATES

The first six months in brief

Highlights

> Revenue down 7.0% to £155.1m (2008: £166.7m)

> Underlying operating profit down 20.0% to £12.1m (2008: £15.1m)

> Operating profit from operations £3.9m (2008: £23.7m loss)

> Underlying EPS down 25.0% to 2.1p per share (2008: 2.8p per share)

> Basic EPS 0.0p per share (2008: –7.2p per share)

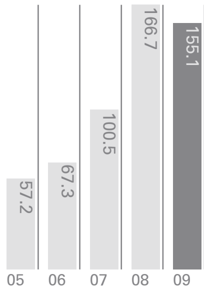
> Interim dividend held constant at 0.4p per share (2008: 0.4p per share)

> Net debt up 1.0% to £79.7m (2008: £78.9m) but down £10.4m at constant exchange rates

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

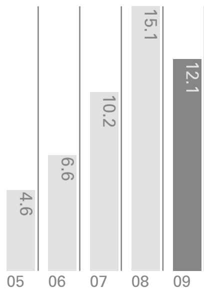
Revenue

£155.1m



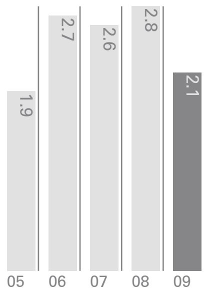
Underlying operating profit

£12.1m



Underlying earnings per share

2.1p



Chairman's statement

- In line with many other consultancy and professional services businesses, MCG has not been immune to the effects of the turbulent economic environment within which it operates.
- It is extremely encouraging that some of our larger businesses have recorded such robust results for the first half of 2009 and that the Group as a whole has shown such resilience.
- MCG is a far more widely spread business than ever before in terms of industries, geographies and sectors.
- The maximisation of shareholder value remains uppermost in the minds of the Directors and the Board continues to review and consider its options regularly as it looks to maximise these returns.

Overview

In line with many other consultancy and professional services businesses, Management Consulting Group PLC ("MCG" or "the Group") has not been immune to the effects of the turbulent economic environment within which it has been operating. Many client companies have cut back or delayed their discretionary expenditure budgets and, in some sectors and geographies, business has been hard to come by. With this challenging backdrop it is encouraging that some of our larger businesses, particularly the US business of Alexander Proudfoot and the French business of Ineum Consulting, have recorded such robust results for the first half of 2009 and that the Group as a whole has shown a great deal of resilience. MCG is a far more widely spread business than ever before in terms of industries, geographies and sectors, and this helps it to mitigate the effects of economic downturns such as the one we find ourselves experiencing today.

The Directors and management of MCG have continued to be proactive in restructuring the business to protect the short and longer term profitability of the Group under these circumstances. Several programmes have been undertaken in the first half of 2009, with the result that the number employed worldwide in the Group is around 1,850 at the end of June 2009, down about 300 or 14% from the number employed at the end of 2008 and about 500 or 21% from twelve months ago. The majority of the reduction has occurred in the US.

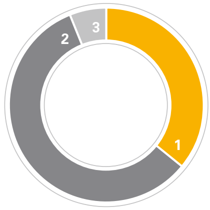
The business is organised as three trading divisions, Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates, each of which reports directly to me. I intend to relinquish my executive duties towards the middle of 2010 and we have a comprehensive selection process underway for my successor.

Shareholder value

The Group is currently trading on a very low profit multiple and has an enterprise value of less than half its historic annual revenue. The maximisation of shareholder value remains uppermost in the minds of the Directors and the Board continues to review and consider its options regularly as it looks to maximise returns.

Revenue by geographic segment

1 Americas	2 Europe	3 Rest of World
£55.7m	£90.4m	£9.0m
36% of total	58% of total	6% of total
(2008: £60.4m)	(2008: £95.8m)	(2008: £10.5m)



The business is organised as three trading divisions, Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates, each of which reports directly to the Executive Chairman.

Separately, the Board is aware that MCG consistently trades at a significant discount to the valuation multiples of a more established peer group of similar businesses publicly listed in North America. As a result, the Board has instigated a project to review whether it would be appropriate to obtain a secondary US listing in the medium term.

Divisional trading

Alexander Proudfoot

Alexander Proudfoot develops and implements operational improvements to its clients to increase productivity or reduce costs. Alexander Proudfoot's trading has remained robust during the first half of 2009, with the vast majority of its projects being of the "cost-base improvement" kind. This counter-cyclicality is a great strength during economic downturns. Geographically the top performers have been the US and South Africa, while the European and Brazilian businesses have been less able to overcome the cash-flow constraints currently being experienced by their clients. In view of the geographical performance variances the business has continued its restructuring plans to maximise its returns. The Australian office was closed during the period due to the completion of its ongoing projects and the Australian business will now largely be run out of the global Natural Resource Centre of Excellence. Also Alexander Proudfoot has undertaken redundancy programmes, particularly in Europe in response to the weak demand in this region. Overall, revenues were 0.8% higher than in the first half of 2008 at £46.3m and underlying operating profit benefited from stronger exchange rates, a more favourable geographical mix of business, and cost savings from the 2008 and 2009 restructuring projects to end £2.0m or 30.3% above 2008 at £8.4m. At constant exchange rates, revenue was 16.6% down on 2008 but underlying operating profit was 0.8% higher.

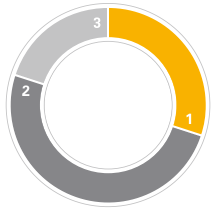
Ineum Consulting

Ineum Consulting provides consultancy services to a wide range of industries in both the private and public sectors. Trading in Ineum Consulting has been resilient during the first half of 2009, particularly in the French market where, despite the prevailing conditions, revenue has been maintained at 2008 levels.

Chairman's statement continued

Revenue by division

1 Alexander Proudfoot	2 Ineum Consulting	3 Kurt Salmon Associates
£46.3m	£76.8m	£32.0m
(2008: £45.9m)	(2008: £79.1m)	(2008: £41.7m)
30% of total	50% of total	20% of total



Divisional trading continued

Ineum Consulting continued

The business has benefited from increased revenue from French public sector projects, which have compensated for the slightly weaker demand in the private sector. Outside France trading has been more subdued as the business was more heavily involved in the financial services industry which is at the heart of the current crisis. Trading in the "legacy" Parson US business was very slow at the beginning of the year and the business has now been closed, leaving only the CBH Consulting business, acquired in 2007, active in this space. This closure has also necessitated a restructuring of the IT infrastructure in the US that used to be run in tandem with the Alexander Proudfoot systems. Losses in the first half of 2009 for this legacy business were £1.7m (2008: £1.7m) on revenue of £2.6m (2008: £6.4m). As a result of the closure of the Alexander Proudfoot Sydney office, Ineum Consulting will be relocating to new office space in the city. Excluding the now-closed Parson US business, revenue in Ineum Consulting was £74.4m, an increase of 2.2% on last year (2008: £72.7m). Underlying operating profit excluding Parson US was £5.6m (2008: £6.4m). At constant exchange rates, excluding Parson US, revenue was 10.9% down on 2008 and underlying operating profit 28.3% lower.

Kurt Salmon Associates

Kurt Salmon Associates provides consultancy services to the retail and consumer products sector and to the health care provider sector. As previously disclosed, trading has been adversely affected by the current economic downturn in both of these sectors throughout the first half of 2009. Although there has been a slight improvement in the order book of the consumer products division during the second quarter of the year, the health care business, which relies on capital expenditure in the US health care sector, continues to find its market extremely challenging as clients conserve cash pending conclusion of the important national health reform debate later in the year. Revenue for the first half of 2009 was £32.0m (2008: £41.7m). This represents a shortfall in revenue compared to last year of 23.4% or 39.9% at constant exchange rates. The business lost £0.2m in the first half of 2009 (2008: £4.0m profit). Management predicted the downturn in the latter half of 2008 and has been downsizing its workforce, both in Europe and the US. The Amsterdam office has also been closed. As a result Kurt Salmon Associates expects to return to profitability in the second half of 2009 and, although statistics for the period are not yet available, management does not believe that it has lost market share.

Group results

The Group's trading results are in line with the Board's expectations at the time of the pre-close trading update issued on 30 June 2009. While the Group has benefited in the first half of 2009 from the counter-cyclical nature of some of its businesses, the savings from restructuring programmes and the weakness in Sterling, this has been offset by the tough market conditions in the Kurt Salmon Associates business in particular. As a result revenue and underlying operating profit for the six months to 30 June 2009 are below those for the corresponding period in 2008. Group management has continued to take difficult decisions to mitigate this and balance its short term profitability with its longer term prospects and this is reflected in the non-recurring costs incurred during the period. The Group continues to be cash-generative and, adjusting for

Group results

While the Group has benefited from the counter-cyclical nature of some of its businesses, the savings from restructuring programmes and the weakness of Sterling, this has been offset by tough market conditions in the Kurt Salmon Associates business in particular.

Revenue	Underlying operating profit	Underlying earnings per share
£155.1m	£12.1m	2.1p
(2008: £166.7m)	(2008: £15.1m)	(2008: 2.8p)

exchange rate fluctuations, net debt has come down by £10.4m in the past twelve months.

Total revenue for the six months to 30 June 2009 was £155.1m (2008: £166.7m), a decrease of 7.0%. Excluding the now discontinued businesses of Parson US and Alexander Proudfoot Australia the decrease was 3.4%. The Group has benefited from a weaker Sterling, its reporting currency, compared to the Euro and US Dollar, its main trading currencies, so that, if restated at 2008 exchange rates, total revenue would have been £130.0m, a decrease of 22.0% on last year.

Operating profit for the first half of 2009 was £5.3m (2008: £22.6m loss). Underlying operating profit for the period was £12.1m (2008: £15.1m), a decrease of 20.0%. The main reason for the shortfall to 2008 was the performance of Kurt Salmon Associates which lost £0.2m during the period (2008: £4.0m profit). Excluding Parson US and Alexander Proudfoot Australia the shortfall was 14.8%. If restated at 2008 exchange rates, total underlying operating profit would have been £9.5m, a decrease of 37.5% on last year. Underlying operating margin was 7.8% (2008: 9.1%). Excluding Parson US and Alexander Proudfoot Australia the margin was 9.0% (2008: 10.2%).

Non-recurring items related to the restructuring projects amounted to £6.8m (2008: £11.0m). These comprise £1.7m for the closure of the legacy Parson US business as the associated costs of the IT reorganisation, £1.5m for the closure of the Alexander Proudfoot Australian office and the relocation of the Ineum business and £3.6m for the various redundancy programmes across the Group.

Amortisation of acquired intangibles was £1.4m (2008: £1.1m). There was no impairment to goodwill (2008: £26.7m) relating to the entire Parson Consulting business).

The total net finance costs for the period were £1.7m (2008: £2.1m). This reduction reflects the lower interest rates prevailing for the period and the lower margins enjoyed by the Group due to the covenant compliance on its debt facility.

Profit before tax for the first half of 2009 was £2.2m (2008: £25.8m loss). Underlying profit before tax for the period was £10.4m (2008: £13.1m).

Chairman's statement continued

Group results continued
The tax rate on the underlying profit before tax was 35% (2008 full year: 33%). This increase reflects that fact that the vast majority of the Group's profits are made in the US and France and tax rates in these countries are around 37% and 35% respectively. The Group has utilised the majority of the tax losses that sheltered its tax rate over the past few years.

Earnings per share
Basic earnings per share was 0.0p (2008: –7.2p). This increase reflects the lower level of non-recurring costs and impairment of goodwill compared to 2008. Underlying earnings per share was 2.1p (2008: 2.8p). The reduction is due to the shortfall in earnings compared to last year.

Dividend
Although underlying earnings are below the level of 2008, the Board is declaring an interim dividend in line with last year at 0.40p per share. Despite the economic climate the Group has been cash generative during the last twelve months and has net debt £10.4m lower than at the same time last year, at constant exchange rates. The interim dividend will be paid on 27 October 2009 to shareholders on the register on 25 September 2009.

Balance sheet
The Group's net debt was slightly better than Group expectations and in line with the natural working capital cycle of the business at £79.7m on 30 June 2009. This represented an increase of £0.8m on the figure at 30 June 2008. However the vast majority of the Group's net debt is held in currencies other than Sterling. When restated at the exchange rates prevailing at 30 June 2008, the Group's net debt was £68.5m, a reduction of £10.4m in real terms over the past twelve months. This is extremely encouraging given the shortfall in revenue and the level of non-recurring costs paid during the second half of 2008 and the first half of 2009. It is representative of the continuing cash generative nature of the business.

The Group is financed by a multi-currency debt facility negotiated during 2007 and expiring in 2012. At current exchange rates this is worth around £140m. It is subject to two covenants, calculated quarterly. Underlying interest cover must be greater than four times and underlying leverage (net debt divided by EBITDA) must be less than 2.75 times.

When restated at the exchange rates prevailing at 30 June 2008 the Group's net debt was £68.5m, a reduction of £10.4m in real terms over the past twelve months.

At 30 June 2009 the gross debt drawn under this facility was £100.5m, leaving significant headroom, interest cover was 10.4 times and leverage was 2.1 times. The leverage means that the interest rate margin paid on the debt is 1.5% above US Dollar Libor and Euribor, and will remain so until it falls below two times, when the margin will reduce to 1.15%.

The net post-retirement obligations liability relates to the closed US defined benefit scheme and the KSA pension obligation in Germany and has risen from £8.6m at 30 June 2008 to £18.0m at 30 June 2009. The increase in the liability derives primarily from a net actuarial loss of £11.4m recorded in the second half of 2008, offset during 2009 by payments made into the US scheme, a small actuarial gain and the impact of the strengthening of Sterling.

Outlook

The second half of 2009 faces the challenge of being compared to a very strong second half performance in 2008 and, as previously disclosed, the order book started the period about ten percent lower than twelve months ago. The Group will benefit from the results of its restructuring programmes but its revenue and profit will be adversely affected by the recent strengthening of Sterling. Trading conditions faced during the first half of 2009 are not expected to alter significantly during the rest of the year. The consultancies continue to take orders at a good rate and the order book is currently trending slightly upwards since the end of June.

As usual for MCG, visibility of the order book remains limited to three to four months and so forecasting results for the full year remains difficult. However the Board feels that the business retains a balanced and well-spread portfolio of practices and has maintained a secure financial position and strong cash generation during challenging times and is well placed to take advantage of the economic upturn when it happens.

Alan Barber
Executive Chairman

Directors' responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";

(b) the Chairman's statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Chairman's statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Craig H Smith
Director
31 July 2009

Cautionary statement

This Chairman's statement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Chairman's statement should not be relied on by any other party or for any other purpose.

The Chairman's statement contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Independent review report
to Management Consulting Group PLC

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2009 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group statement of changes in equity, the condensed Group balance sheet, the condensed Group cash flow statement and the related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
31 July 2009

Condensed group income statement

for the six months ended 30 June 2009

	Note	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 Restated* £'000
Continuing operations			
Revenue	3	**155,051**	166,704
Cost of sales		**(96,720)**	(105,881)
Gross profit		**58,331**	60,823
Administrative expenses – underlying		**(46,246)**	(45,703)
Profit from operations – underlying		**12,085**	15,120
Administrative expenses – non-recurring impairment		**—**	(26,695)
Administrative expenses – non-recurring other		**(6,796)**	(10,996)
Profit/(loss) from operations before amortisation of acquired intangibles		**5,289**	(22,571)
Administrative expenses – amortisation of acquired intangibles		**(1,400)**	(1,147)
Total administrative expenses		**(54,442)**	(84,541)
Profit/(loss) from operations	3	**3,889**	(23,718)
Investment income		**—**	343
Finance costs		**(1,714)**	(2,404)
Profit/(loss) before tax		**2,175**	(25,779)
Tax	5	**(2,200)**	2,223
Loss for the period from continuing operations		**(25)**	(23,556)
Discontinued operations		**—**	46
Loss for the period attributable to equity holders of the parent		**(25)**	(23,510)
Earnings per share – pence			
From continuing operations			
Basic	6	**(0.0)**	(7.2)
Diluted	6	**(0.0)**	(7.2)
Basic – underlying	6	**2.1**	2.8
From profit/(loss) for the period attributable to equity holders of the parent			
Basic and diluted		**2.1**	(7.1)

* See note 2

Condensed group statement of comprehensive income
for the six months ended 30 June 2009

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 Restated* £'000
Exchange differences on translation of foreign operations	**(33,520)**	9,642
Actuarial gains/(losses) on defined benefit obligations	**224**	(1,299)
Profit/(loss) on available-for-sale investments	**421**	(145)
Tax on items taken directly to equity	**200**	(216)
Net (expense)/income recognised directly in equity	**(32,675)**	7,982
Loss for the period	**(25)**	(23,510)
Total comprehensive income for the period attributable to equity holders of the parent	**(32,700)**	(15,528)

* See note 2

Condensed group statement of changes in equity

for the six months ended 30 June 2009

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based reserve £'000	Own shares (ESOP) £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Unaudited									
Six months ended 30 June 2009									
Shareholders' equity 1 January 2009	**82,817**	**48,981**	**32,513**	**2,720**	**(1,296)**	**55,091**	**5,386**	**(51,817)**	**174,395**
Profit for the period								(25)	(25)
Exchange differences						(33,520)			(33,520)
Actuarial movements								224	224
Profit on AFS investments							421		421
Tax on equity items								200	200
Share option charge				880					880
Shares issued	16								16
Reclassification	(99)	99							
Shares acquired by ESOP					(114)				(114)
Shares transferred from ESOP					257				257
Dividends								(2,931)	(2,931)
Shareholders' equity 30 June 2009	**82,734**	**49,080**	**32,513**	**3,600**	**(1,153)**	**21,571**	**5,807**	**(54,349)**	**139,803**
Unaudited									
Six months ended 30 June 2008									
Restated*									
Shareholders' equity 1 January 2008	82,225	48,894	32,513	2,952	(1,296)	3,896	7,038	(17,210)	159,012
Profit for the period								(23,510)	(23,510)
Exchange differences						9,642			9,642
Actuarial movements								(1,299)	(1,299)
Loss on AFS investments							(145)		(145)
Tax on equity items								(216)	(216)
Share option charge				619					619
Shares issued	363	49							412
Dividends								(2,522)	(2,522)
Shareholders' equity 30 June 2008	82,588	48,943	32,513	3,571	(1,296)	13,538	6,894	(44,757)	141,994

* See note 2

Condensed group balance sheet
as at 30 June 2009

	Unaudited 30 June 2009 £'000	Audited 31 Dec 2008 £'000
Non-current assets		
Intangible assets	**269,253**	307,992
Property, plant and equipment	**3,979**	5,057
Financial assets	**6,160**	7,076
Deferred income tax assets	**17,940**	21,899
Total non-current assets	**297,332**	342,024
Current assets		
Trade and other receivables	**82,800**	90,265
Cash and cash equivalents	**20,843**	35,761
Total current assets	**103,643**	126,026
Total assets	**400,975**	468,050
Current liabilities		
Financial liabilities	**(42,170)**	(31,780)
Trade and other payables	**(116,127)**	(145,638)
Current tax liabilities	**(13,676)**	(14,971)
Total current liabilities	**(171,973)**	(192,389)
Net current liabilities	**(68,330)**	(66,363)
Non-current liabilities		
Financial liabilities	**(58,344)**	(66,112)
Retirement benefit obligation	**(17,976)**	(20,927)
Non-current tax liabilities	**(8,782)**	(8,992)
Long-term provisions	**(4,097)**	(5,235)
Total non-current liabilities	**(89,199)**	(101,266)
Total liabilities	**(261,172)**	(293,655)
Net assets	**139,803**	174,395
Equity		
Share capital	**82,734**	82,817
Share premium account	**49,080**	48,981
Merger reserve	**32,513**	32,513
Share compensation reserve	**3,600**	2,720
Own shares held by employee share trust	**(1,153)**	(1,296)
Translation reserve	**21,571**	55,091
Other reserves	**5,807**	5,386
Retained earnings	**(54,349)**	(51,817)
Total equity attributable to equity holders of the parent	**139,803**	174,395

Craig H Smith
Director
31 July 2009

Condensed group cash flow statement

for the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 £'000	Six months ended 30 June 2008 Restated* £'000
Net cash from operating activities	7	**(19,103)**	(8,128)
Investing activities			
Net interest received		**700**	343
Purchases of property, plant and equipment		**(423)**	(1,324)
Purchases of intangible assets		**(147)**	(500)
Disposal of tangible fixed assets		**—**	61
Disposal of investment securities		**329**	226
Net cash raised by/(used in) investing activities		**459**	(1,194)
Financing activities			
Dividends paid	4	**—**	(2,522)
Interest paid		**(2,231)**	(1,722)
Proceeds from borrowings		**13,082**	15,757
Repayment of borrowings		**(3,461)**	—
Proceeds from issue of shares		**273**	412
Net cash raised by financing activities		**7,663**	11,925
Net (decrease)/increase in cash and cash equivalents		**(10,981)**	2,603
Cash and cash equivalents at beginning of period		**35,761**	20,895
Effect of foreign exchange rate changes		**(3,937)**	(4,719)
Cash and cash equivalents at end of period		**20,843**	18,779

* See note 2

Notes

1. General information

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

2. Significant accounting policies

(a) Basis of preparation

The set of condensed financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted in the EU.

(b) Accounting policies

The accounting policies and methods of computation applied by the Group in the half-year report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008. The Group's annual financial statements for the year ended 31 December 2008 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are available on our website: www.mcgplc.com.

Salzer Group Asia Pacific Pte Limited was sold in December 2008 and the business was therefore treated as a discontinued operation and 2008 comparative results have been restated accordingly. Certain prior year income statement balances have been reclassified to align with current year presentation with no impact on revenues or operating profit.

The Group has implemented IFRS 8 *Operating Segments* for the first time, which has not had any impact on the presentation of results as the Group's operating segments are aggregated into its reportable segment.

The Group has also implemented IAS 1 *Presentation of Financial Statements (revised 2007)* which requires a statement of changes in equity as a primary statement.

Principal risks and uncertainties

The Group has operating and financial policies and procedures designed to maximise shareholder value within a defined risk management framework.

The key risks to which the business is exposed are reviewed regularly by senior management and the Board as a whole.

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

These risks are managed by anticipating consultancy trends; identifying new markets and sectors in which the Group might operate; maximising staff utilisation; having remuneration policies which reward performance and promote continued employment with the Group; and maintaining a comprehensive knowledge management system.

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

Notes continued

2. Significant accounting policies continued

(b) Accounting policies continued

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, and the financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Chairman's statement. Principal risks and uncertainties are described above.

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 if required. 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 this half-yearly report.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has 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.

3. Segmental information

The Group operates in three geographical areas – Americas, Europe and Rest of World. The following is an analysis of the revenue and results for the period, analysed by geographic segment, the Group's primary basis of segmentation:

Income statement

	Six months ended 30 June 2009 (unaudited)			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue – continuing operations	**55,695**	**90,368**	**8,988**	**155,051**
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	**3,328**	**5,188**	**3,569**	**12,085**
Amortisation of acquired intangibles	**(601)**	**(799)**	**—**	**(1,400)**
Profit from operations before non-recurring items	**2,727**	**4,389**	**3,569**	**10,685**
Non-recurring expenses	**(2,931)**	**(2,395)**	**(1,470)**	**(6,796)**
(Loss)/profit from operations	**(204)**	**1,994**	**2,099**	**3,889**
Finance cost (net)				**(1,714)**
Profit before tax				**2,175**
Tax				**(2,200)**
Loss for the period from continuing operations				**(25)**

3. Segmental information continued

Income statement continued

	Six months ended 30 June 2008 (unaudited) – restated*			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue – continuing operations	60,393	95,824	10,486	166,704
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	6,538	7,656	926	15,120
Amortisation of acquired intangibles	(455)	(692)	—	(1,147)
Profit from operations before non-recurring items	6,083	6,964	926	13,973
Non-recurring expenses	(32,638)	(5,003)	(50)	(37,691)
(Loss)/profit from operations	(26,555)	1,961	922	(23,718)
Finance cost (net)				(2,061)
Loss before tax				(25,779)
Tax				2,223
Loss for the period from continuing operations				(23,556)
Profit for the period from discontinued operations				46
Loss for the period attributable to equity holders of the parent				(23,510)

4. Dividends

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 31 December 2008 of 0.9p (2007: 0.82p) per share	**2,931**	2,657

Dividends are not payable on shares held in the employee share trusts which have waived their entitlement to dividends. The amount of the dividend waived in 2009 (in respect of the year ended 31 December 2008) was £51,000 (2008: £40,000). An interim dividend of 0.40p per share (2008: 0.40p per share) will be paid on 27 October 2009 to shareholders on the register on 25 September 2009.

* See note 2

Notes continued

5. Taxation

Due, predominately, to the impact of non-recurring items, the effective tax rate on the reported profit before tax for the half year is 101% (30 June 2008: –9%). After adjusting for the impact of the non-recurring items, the underlying tax rate is 35% (2008: 32%). Similar to the prior year, the total tax charge arises outside the UK.

6. Earnings per share

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

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 Restated* £'000
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to equity holders of the parent	**(25)**	(23,510)
Amortisation of acquired intangibles	**1,400**	1,147
Non-recurring items	**6,796**	37,691
Exceptional tax credit	**(1,400)**	(6,374)
Discontinued operations	**—**	(46)
Earnings for purpose of basic earnings per share excluding amortisation of acquired intangibles and non-recurring items	**6,771**	8,908

	Number (million)	Number (million)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share and basic excluding amortisation of acquired intangibles and non-recurring items	**331.3**	325.1
Effect of dilutive potential ordinary shares:		
– share options	**—**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**331.3**	325.1

	Pence	Pence
Basic earnings per share – continuing operations	**(0.0)**	(7.2)
Diluted earnings per share – continuing operations	**(0.0)**	(7.2)
Basic earnings per share – excluding amortisation of acquired intangibles and non-recurring items	**2.1**	2.8
Basic earnings per share from profit/(loss) for the period attributable to equity holders of the parent	**2.1**	(7.1)

The average share price for the six months ended 30 June 2009 was 28.4p (30 June 2008: 34.5p).

* See note 2

7. Notes to the cash flow statement

	Unaudited six months ended 30 June 2009 £'000	Unaudited six months ended 30 June 2008 Restated* £'000
Profit/(loss) from continuing operations	**3,889**	(23,718)
Adjustments for:		
Depreciation of property, plant and equipment	**888**	1,088
Amortisation of intangible assets	**1,737**	1,473
Impairment charge	**—**	26,695
Loss on disposal of plant and equipment	**949**	—
Adjustment for pension funding	**—**	(450)
Adjustment for share options charge	**880**	(619)
(Decrease)/increase in provisions	**(1,277)**	2,027
Operating cash flows before movements in working capital	**7,066**	6,496
Increase in receivables	**(1,503)**	(11,573)
Decrease in payables	**(22,460)**	(2,377)
Cash used in operations	**(16,897)**	(7,454)
Income taxes paid	**(2,206)**	(674)
Net cash from operating activities	**(19,103)**	(8,128)

Cash and cash equivalents comprise cash at bank and short-term deposits with a maturity of three months or less.

During the half year the Company issued ordinary shares for total cash consideration of £16,000 (2008: £412,000) and the Group sold investment securities for cash consideration of £400,000 (2008: £226,000).

* See note 2

Contacts for investors and clients

Investor relations

The Group welcomes contact with its shareholders.

Enquiries should be directed to:

Alan Barber	Executive Chairman London office	abarber@mcgplc.com +44 (0) 20 7710 5000
Craig Smith	Finance Director London office	chsmith@mcgplc.com +44 (0) 20 7710 5000

Operational contacts

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

Administrative matters

Administrative matters should be directed to:

Charles Ansley	Company Secretary London office	cansley@mcgplc.com +44 (0) 20 7710 5000

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

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