

# Half-year report 2010



---

# About us

Management Consulting Group PLC provides professional services across a wide range of industries and sectors.

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** *people • productivity • profitability*

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

**2010 H1 revenue**

**£23.9m**

(2009: £46.3m)  
18% of total (2009: 30%)

**2010 H1 underlying\* operating loss**

**£0.2m**

(2009: £8.4m profit)

---

## **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

**2010 H1 revenue**

**£68.3m**

(2009: £76.8m)  
52% of total (2009: 50%)

**2010 H1 underlying operating profit**

**£7.7m**

(2009: £3.9m)

---

## **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

**2010 H1 revenue**

**£39.1m**

(2009: £32.0m)  
30% of total (2009: 20%)

**2010 H1 underlying operating profit**

**£4.9m**

(2009: £0.2m loss)

\*Note: throughout this statement the term "underlying" is defined as "before non-recurring items and the amortisation of acquired intangible assets".

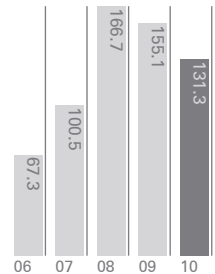
---

# The first six months in brief

- Revenue down 15% to £131.3m (2009: £155.1m)
- Underlying operating profit up 3% to £12.4m (2009: £12.1m)
- Operating profit £11.2m (2009: £3.9m)
- Underlying EPS up 5% to 2.2p per share (2009: 2.1p per share)
- Basic EPS 2.0p per share (2009: 0.0p)
- Interim dividend 0.15p per share (2009: 0.4p)
- Net debt down 6% to £74.8m (2009: £79.7m)

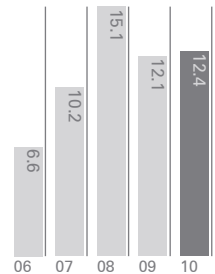
## Revenue

£131.3m



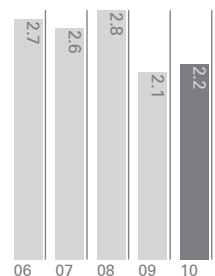
## Underlying operating profit

£12.4m



## Underlying earnings per share

2.2p



*The first half of 2010 introduced several important changes that have combined to convert Management Consulting Group PLC into a far stronger investment proposition than it was at the beginning of the year.*

- 01 The first six months in brief
- 02 Chairman's statement
- 08 Directors' responsibility statement
- 09 Independent review report
- 10 Condensed group income statement
- 11 Condensed group statement of comprehensive income
- 12 Condensed group statement of changes in equity
- 13 Condensed group balance sheet
- 14 Condensed group cash flow statement
- 15 Notes
- 20 Contacts for investors and clients

# Chairman's statement



Alan Barber

## Overview

The first half of 2010 produced creditable results with a 3% increase in underlying operating profit despite a 15% reduction in revenue. It also introduced several important changes that have combined to convert Management Consulting Group PLC ("MCG" or "the Group") into a far stronger investment proposition than it was at the beginning of the year.

On 17 June 2010 we announced that we had successfully completed a £25m recapitalisation of the Group's balance sheet by means of a firm placing, placing and open offer. This was extremely well received by the market to the extent that the open offer element of the transaction was significantly oversubscribed and applications for excess shares had to be scaled back by approximately 35%. This fundraising has reduced net debt to more sustainable levels, giving us headroom to manage the business to ensure organic growth during the anticipated economic recovery.

The £17m firm placing introduced a new cornerstone investor to MCG. BlueGem Capital Partners LLP ("BlueGem") now holds 75.7m shares of MCG, or 17% of the issued share capital. As a result of the transaction two partners of BlueGem, Marco Capello and Emilio Di Spiezio Sardo, have joined the Board of Directors of MCG as Non-executive Directors. I would like to take this opportunity to thank BlueGem for recognising the investment proposition presented by MCG following the extensive due diligence undertaken and to welcome

Marco and Emilio to the Board, where their experience and insight will be greatly appreciated.

The open offer was fully underwritten by Gartmore Investment Management Limited, the largest shareholder of MCG, demonstrating their support for the transaction. The majority of the Group's larger institutional shareholders took up their entitlement of shares in the open offer with many applying for significant numbers of excess shares. In addition the Directors and senior employees of MCG subscribed for over 6m shares in the placing and open offer. I would like to welcome as first-time shareholders in MCG 46 senior staff who took advantage of this opportunity to invest in their company. The broader ownership of shares amongst the senior management of MCG further aligns their interests with those of our other investors.

On 20 April 2010 I was pleased to announce the appointment of Nick Stagg as the new Chief Executive of MCG. Nick, who took up his new duties on 1 July 2010, has many years of experience successfully driving shareholder value in people businesses. Nick will drive an organic growth strategy and further reinforce our focus on financial and operational discipline. I would like to offer him my best wishes as he moves forward in this role. As previously reported I shall continue to support him by remaining as Executive Chairman until 31 December 2010 when I will become Non-executive Chairman of the Group.

So, after two and a half years as Executive Chairman I am pleased to report that all the "corporate" building blocks are now in place for the next phase of the development of MCG. The balance sheet is well financed, the Board is well-represented, shareholder and management interests are better aligned and we now have a new, strong Chief Executive in situ.

“ ”

*On 20 April 2010  
I was pleased to  
announce the  
appointment  
of Nick Stagg  
as the new  
Chief Executive  
of MCG.*

We are also making an important change to the structure of the Group. MCG is currently organised as three trading divisions: Alexander Proudfoot; Ineum Consulting; and Kurt Salmon Associates, each of which now reports to Nick Stagg, the new Chief Executive. However, on 8 March 2010 I announced the proposed merger of Ineum Consulting and Kurt Salmon Associates. This is still on schedule to be completed at the end of 2010 with the combined business trading as 'Kurt Salmon' from 1 January 2011. As the merger progresses the two management teams are working closely together and have already begun to sell projects jointly and identify areas of potential cost savings. We believe that the combined strength, industry knowledge and geographical spread will make Kurt Salmon a major force in global consulting. We will report the performance of the businesses separately until the end of 2010 and jointly thereafter.

#### Divisional trading

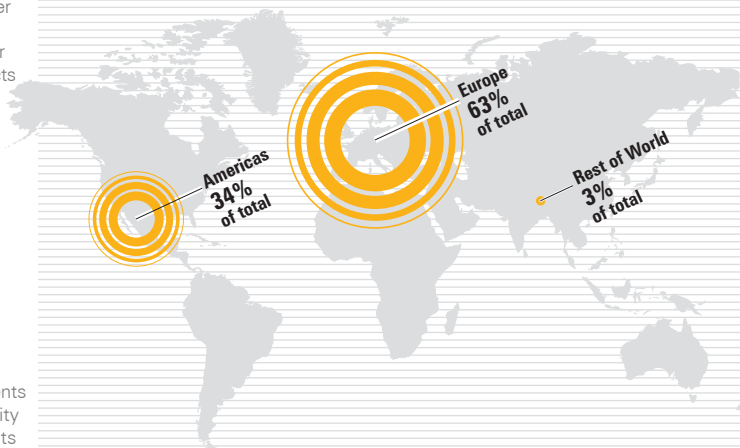
##### Alexander Proudfoot

Alexander Proudfoot develops and implements operational improvements for its clients to increase productivity or reduce costs. It therefore benefits from upswings or downturns in economic cycles and enjoyed a strong first half to 2009 on the back of good order intake in late 2008 as the economy contracted to its low point. However, during the worst of the financial crisis in 2009 Alexander Proudfoot found that clients adopted a 'wait and see' attitude and chose to protect their liquidity by delaying expenditure on any type of project. As a result order intake was depressed throughout 2009 and Alexander Proudfoot entered 2010 with a low order book.

This has resulted in a weak first half of trading for Alexander Proudfoot in 2010, with revenue only slightly more than half that of last year and a trading loss in a business that has

## Revenue by geography

**MCG is a global business with presence in the Americas, Europe, Africa, Asia and Australasia.**



#### Americas

**£44.9m**

-19%  
2009: £55.7m,  
36% of total

#### Europe

**£82.2m**

-9%  
2009: £90.4m,  
58% of total

#### Rest of World

**£4.2m**

-53%  
2009: £9.0m,  
6% of total

➔ To view our complete segmental analysis turn to pages 16 and 17

# Chairman's statement continued

## Divisional trading continued

### Alexander Proudfoot continued

delivered outstanding results in the recent past. However the business now has a pipeline of projects that is stronger than in the recent past and, although these are still taking longer to be converted into new business, there are signs that this bottleneck is easing. This is particularly the case in the US which appears to be recovering faster from the economic slowdown than Europe.

I am delighted to announce that Alexander Proudfoot signed four large contracts in July which should deliver revenue of over £21m in the second half of 2010 and beyond. The largest of these was to a US based manufacturing company and was, indeed, the second largest project booked by the division in the past five years. As a result the order book of Alexander Proudfoot is currently at its highest level since December 2008.

Revenue for the first half of 2010 was £23.9m, 48% or £22.4m lower than the £46.3m recorded for the first six months of 2009, which was an extremely strong and profitable period for Alexander Proudfoot. Revenue was only £1.0m or 4% below the second half of 2009. Despite cutting its costs as far as possible the division made a small loss of £0.2m during the first half of 2010 compared to a profit of £8.4m during the same period of 2009.

### Ineum Consulting

Ineum Consulting provides consultancy services to a wide range of industries in both the private and public sectors. Trading in Ineum Consulting remained robust throughout 2009, particularly in its largest French market. The business benefited from French public sector projects which compensated for weaker demand in the private sector, particularly in the financial services industry which remained at the heart of the financial crisis. In 2010 business

from the financial services sector across the division has recovered and the small but growing New York office has booked its two largest orders in this sector as it increases in stature in its marketplace. In France, market conditions have been difficult and demand in some areas of the economy, such as the manufacturing sector and the middle market, have been quite weak although others, such as financial performance management and information technology strategy, have remained strong performed better.

This has led to an unusual trend in the Ineum Consulting results for the first half of 2010. Overall input has been strong and very much in line with that for the same period of 2009. However revenue for the period is below 2009 levels as the business found it difficult to transfer specialist resource, especially at higher levels of seniority, from sectors of low demand to sectors of high demand.

Revenue for the first half of 2010 was £68.3m. This was £8.5m or 11% below the corresponding 2009 revenue of £76.8m. However 2009 included £2.6m of revenue from the Parson US business that has now been closed. Underlying operating profit was £7.7m. In 2009 the corresponding figure, excluding the losses of the Parson US business, was £5.6m.

### Kurt Salmon Associates

Kurt Salmon Associates provides consultancy services to the retail and consumer products sector and to the health care provider sector. Both of these sectors were adversely affected by the early stages of the recent financial crisis and the business was loss making for the first half of 2009. However management made significant reductions to the cost base during 2009 and this, alongside the early signs of recovery, brought Kurt Salmon Associates back into profit for both the second half and the full year 2009.

Throughout Kurt Salmon Associates' long history they have seen demand for their services return very early in the economic cycle and the initial recovery from the recent crisis appears to be no exception to this rule. Indeed Kurt Salmon Associates has continued its profitable trading through the first half of 2010, leveraging its reduced cost base to good effect. Business in the first half of 2010 was significantly better than for the equivalent period of 2009 and the order book ended the period over 15% higher than it was in June 2009.

Revenue for the first half of 2010 was £39.1m, 22% higher than the revenue for the same period of 2009. There was revenue growth in all areas of the business with the exception of the Asia Pacific region which was extremely strong in the first part of last year. Underlying operating profit was £4.9m compared to a loss of £0.2m in the first half of 2009.

### 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 2010. As previously reported, the climate in MCG's markets has eased from the extremely difficult trading conditions experienced in the second half of 2009 and the order book increased by over 15% during the first half of the year. However the patchiness of the recovery at Ineum Consulting in France, and the prolonged project approval process at certain clients of Alexander Proudfoot, had the effect of delaying the conversion of this into revenue. The Group enters the second half of 2010 with a good order book and a strong project pipeline.

### Exchange rates

The Group derives the majority of its revenue and operating profit and holds the majority of its assets and liabilities in Euros and US Dollars.

The average exchange rates to Sterling used in the first half of 2010 were £1 = €1.15 (2009: £1 = €1.12) and £1 = \$1.53 (2009: £1 = \$1.50). The closing exchange rates to Sterling used in balance sheet translation were £1 = €1.22 (2009: £1 = €1.17) and £1 = \$1.50 (2009: £1 = \$1.64).

## Revenue

Revenue for the first half of 2010 was £131.3m, 15% below the corresponding figure for 2009 (2009: £155.1m). The major contributor to this shortfall was Alexander Proudfoot, which recorded revenue of £23.9m (2009: £46.3m). While this was only just over half of its 2009 revenue for the first six months of the year it is comparable to the division's results for the second half of 2009. However the results of Kurt Salmon Associates were far more encouraging, with revenue of £39.0m for 2010 being 22% higher than 2009 (2009: £32.0m) as the division showed itself again to benefit from an early-cycle recovery. Ineum Consulting recorded revenue of £68.3m for the first half of 2010. This was 11% below that of 2009 (2009: £76.8m) although during the first half of last year Ineum Consulting did benefit from £2.6m of revenue from the now closed Parson US business.

Geographically all areas recorded revenue below those for the corresponding period of 2009. The revenue from Europe was £82.2m (2009: £90.4m), the Americas £44.9m (2009: £55.7m) and the Rest of World £4.2m (2009: £9.0m). However, comparing revenue from the first half of 2010 to the second half of 2009 the picture is different. Revenue from the Americas is 19% higher in the first half of 2010 and revenue from Europe 6% higher. This is perhaps indicative of the steeper recovery of the American market to that currently being experienced in Europe.

## Revenue by division



### Alexander Proudfoot

18% of total

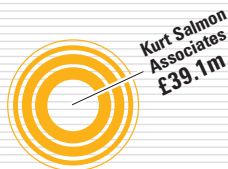
-48%  
2009: £46.3m,  
30% of total



### Ineum Consulting

52% of total

-11%  
2009: £76.8m,  
50% of total



### Kurt Salmon Associates

30% of total

+22%  
2009: £32.0m,  
20% of total

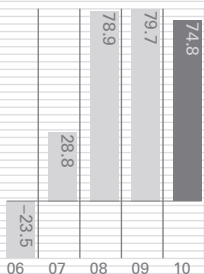
# Chairman's statement continued

## Net debt

**On 14 June 2010 we announced that we had successfully completed a £25 million recapitalisation of the Group's balance sheet by means of a firm placing, placing and open offer.**

Net debt at 30 June

**£74.8m**



### Underlying operating profit

Operating profit for the first half of 2010 was £11.2m (2009: £3.9m). Underlying operating profit for the period increased by 3% to £12.4m (2009: £12.1m). This small increase represents the profit improvement made by Kurt Salmon Associates and Ineum Consulting counterbalanced by the weakness in the trading of Alexander Proudfoot, which slipped into a small loss. The Group continues to benefit from the management decisions taken throughout 2008 and 2009 to cut the cost base of the business during the economic crisis and, overall, is showing this improved profit despite a 15% revenue shortfall compared to the first half of 2009.

Non-recurring items for the first half of 2010 netted to an income of £0.2m (2009: £6.8m cost). These comprise a cost of £1.3m predominantly relating to the costs of integration between Ineum Consulting and Kurt Salmon Associates and an income of £1.5m which is the release of part of a legal provision created on the acquisition of Kurt Salmon Associates that is no longer required by the Group. Amortisation of acquired intangibles was £1.4m (2009: £1.4m).

### Interest

The total net finance costs for the period were £1.9m (2009: £1.7m). The increase reflects the higher net debt for the period prior to the refinancing in June 2010, mitigated to a degree by the lower interest rates prevalent during the period. The Group continues to benefit from margins of 1.5% in its debt facility agreement.

### Taxation

Profit before tax for the first half of 2010 was £9.3m (2009: £2.2m). Underlying profit before tax for the period was £10.5m (2009: £10.4m). The tax rate on the underlying profit before tax was 35% (2009: 35%).

The Group has tax losses in various jurisdictions and the underlying tax rate has benefited in recent years from the utilisation of these, particularly in France. However these have diminished and the ability to utilise those remaining is dependent on trading profitability.

### Earnings per share

Basic earnings per share were 2.0p (2009: 0.0p per share). This increase reflects the higher operating profit and the lower level of non-recurring costs compared to 2009. Underlying earnings per share increased by 5% to 2.2p (2009: 2.1p per share). The increase in the number of ordinary shares in the middle of June 2010 only has a marginal effect on this calculation as it is the average number of shares over the first six months of the year that is used as the denominator.

### Dividend

The 2009 annual report and accounts stated the Board's intention to resume dividend payments beginning with the 2010 interim dividend. The Board is declaring an interim dividend of 0.15p per share (2009: 0.4p per share). The interim dividend will be paid on 6 January 2011 to shareholders on the register on 3 December 2010.

### Share capital

On 17 June 2010 a General Meeting of MCG approved the firm placing, placing and open offer of 113,725,732 new ordinary shares at 22p per share and up to 53,109,916 warrants at the same price. Immediately following the admission of the new ordinary shares to the London Stock Exchange there were 445,116,693 ordinary shares in issue. The nominal value of each ordinary share is 1p per share. Warrant holders may exercise their subscription rights at any time until 31 December 2011.

➔ To view our results in detail turn to the group income statement on page 10



### Balance sheet

The Group's net debt at 30 June 2010 was £74.8m. This represents a decrease of £4.9m on the figure at 30 June 2009 and includes the proceeds of the £25m fundraising which was received towards the end of June. The vast majority of the Group's net debt is held in currencies other than Sterling and a single cent movement in either the US Dollar or the Euro would have the effect of increasing or decreasing the net debt by approximately £0.3m. Historically the Group has generated the majority of its cash in the second half of the calendar year and we would expect this trend to continue in 2010.

The Group is financed by a multi-currency debt facility negotiated during 2007 and expiring in September 2012. At current exchange rates this is worth approximately £136.7m at 30 June 2010. 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.

At 30 June 2010 the gross debt drawn under this facility was £93.8m, leaving headroom of £42.9m, interest cover was 11.2 times and leverage was 2.4 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 £23.2m at 31 December 2009 to £28.7m at 30 June 2010. The main reason for this is a reduction in the discount rates used to calculate the liability of the US scheme from 5.78% at the end of 2009 to 5.4% at June 2010.

### Outlook

Trading in the first six months of 2010 was creditable in unstable markets, with strong recovery from Kurt Salmon Associates in particular, counterbalanced to a degree by a weaker performance in Alexander Proudfoot. Geographically we are seeing good recovery in the US in particular, tempered slightly by a slower revival in Europe. The pipeline of projects in Alexander Proudfoot, particularly in the US, is good, the orders booked during July encouraging, and we are confident that this business will recover in the second half of the year.

The Board looks forward to the future of MCG with confidence. We have refinanced the business and have funds available for the development of our existing businesses as the economy recovers; in BlueGem we have a strong new cornerstone investor with Board representation to help us drive the business forward and create shareholder value; a new Chief Executive is now in place; and we are in the process of merging Ineum Consulting and Kurt Salmon Associates into a stronger, more global consultancy business.

As usual for MCG, visibility of the order book remains limited to three or four months and, with the length of time required by prospective projects to move from inception to fruition becoming more drawn out, forecasting results for the full year remains difficult. However the blocks are now in place upon which to build the future development of the Group and the prospects are improving as the economies in our major markets begin to stabilise.



**Alan Barber**  
Executive Chairman

## In summary

- **Trading in the first six months of 2010 was creditable in unstable markets**
- **We are seeing good recovery in the US, tempered slightly by a slower revival in Europe**
- **The blocks are in place upon which to build the future development of the Group**
- **Prospects are improving as the economies in our major markets begin to stabilise**

# 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  
30 July 2010

## 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 2010 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 (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 2010 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**  
**30 July 2010**

# Condensed group income statement

for the six months ended 30 June 2010

	Note	Unaudited six months ended 30 June 2010 £'000	Unaudited six months ended 30 June 2009 £'000
<b>Continuing operations</b>			
Revenue	3	<b>131,278</b>	155,051
Cost of sales		<b>(87,286)</b>	(96,720)
Gross profit		<b>43,992</b>	58,331
Administrative expenses – underlying		<b>(31,604)</b>	(46,246)
Profit from operations – underlying		<b>12,388</b>	12,085
Administrative income/(expenses) – non-recurring		<b>217</b>	(6,796)
Profit from operations before amortisation of acquired intangibles		<b>12,605</b>	5,289
Administrative expenses – amortisation of acquired intangibles		<b>(1,372)</b>	(1,400)
Total administrative expenses		<b>(32,759)</b>	(54,442)
Profit from operations	3	<b>11,233</b>	3,889
Investment income		<b>62</b>	—
Finance costs		<b>(2,005)</b>	(1,714)
Profit before tax		<b>9,290</b>	2,175
Tax	5	<b>(2,807)</b>	(2,200)
<b>Profit/(loss) for the period from continuing operations</b>		<b>6,483</b>	(25)
<b>Profit/(loss) for the period attributable to equity holders of the parent</b>		<b>6,483</b>	(25)
<b>Earnings per share – pence</b>			
From continuing operations			
Basic	6	<b>2.0</b>	0.0
Diluted	6	<b>1.9</b>	0.0
Basic – underlying	6	<b>2.2</b>	2.1
Diluted – underlying	6	<b>2.1</b>	2.1

# Condensed group statement of comprehensive income

for the six months ended 30 June 2010

	<b>Unaudited six months ended 30 June 2010 £'000</b>	Unaudited six months ended 30 June 2009 £'000
Exchange differences on translation of foreign operations	<b>(8,350)</b>	(33,520)
Actuarial (losses)/gains on defined benefit obligations	<b>(5,626)</b>	224
Profit on available-for-sale investments	<b>81</b>	421
Tax on items taken directly to equity	<b>651</b>	200
<b>Net expense recognised directly in equity</b>	<b>(13,244)</b>	(32,675)
<b>Profit/(loss) for the period</b>	<b>6,483</b>	(25)
<b>Total comprehensive expense for the period attributable to equity holders of the parent</b>	<b>(6,761)</b>	(32,700)

# Condensed group statement of changes in equity

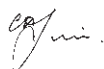
for the six months ended 30 June 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>Unaudited six months ended 30 June 2010</b>									
<b>Shareholders' equity 1 January 2010</b>	<b>82,848</b>	<b>48,981</b>	<b>32,513</b>	<b>2,216</b>	<b>(1,153)</b>	<b>36,925</b>	<b>6,103</b>	<b>(56,921)</b>	<b>151,512</b>
Profit for the period								6,483	6,483
Exchange differences						(8,350)			(8,350)
Actuarial movements								(5,626)	(5,626)
Profit on AFS investments							81		81
Tax on equity items								651	651
Share option charge				(1,282)					(1,282)
Shares issued	1,137	23,882							25,019
Shares issue costs		(1,605)							(1,605)
<b>Shareholders' equity 30 June 2010</b>	<b>83,985</b>	<b>71,258</b>	<b>32,513</b>	<b>934</b>	<b>(1,153)</b>	<b>28,575</b>	<b>6,184</b>	<b>(55,413)</b>	<b>166,883</b>
<b>Unaudited six months ended 30 June 2009</b>									
<b>Shareholders' equity 1 January 2009</b>	<b>82,817</b>	<b>48,981</b>	<b>32,513</b>	<b>2,720</b>	<b>(1,296)</b>	<b>55,091</b>	<b>5,386</b>	<b>(51,817)</b>	<b>174,395</b>
Loss 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 employee benefits trust									(114)
Shares transferred by employee benefits trust						257			257
Dividends								(2,931)	(2,931)
<b>Shareholders' equity 30 June 2009</b>	<b>82,734</b>	<b>49,080</b>	<b>32,513</b>	<b>3,600</b>	<b>(1,153)</b>	<b>21,571</b>	<b>5,807</b>	<b>(54,349)</b>	<b>139,803</b>

# Condensed group balance sheet

as at 30 June 2010

	Unaudited 30 June 2010 £'000	Audited 31 Dec 2009 £'000
<b>Non-current assets</b>		
Intangible assets	273,053	283,748
Property, plant and equipment	3,243	4,505
Financial assets	2,786	2,977
Deferred income tax assets	17,541	17,856
<b>Total non-current assets</b>	<b>296,623</b>	309,086
<b>Current assets</b>		
Trade and other receivables	89,775	76,331
Cash and cash equivalents	19,043	23,965
<b>Total current assets</b>	<b>108,818</b>	100,296
<b>Total assets</b>	<b>405,441</b>	409,382
<b>Current liabilities</b>		
Financial liabilities	(40,275)	(53,151)
Trade and other payables	(92,294)	(100,079)
Current tax liabilities	(9,212)	(13,293)
<b>Total current liabilities</b>	<b>(141,781)</b>	(166,523)
<b>Net current liabilities</b>	<b>(32,963)</b>	(66,227)
<b>Non-current liabilities</b>		
Financial liabilities	(53,529)	(54,362)
Retirement benefit obligation	(28,688)	(23,248)
Non-current tax liabilities	(7,801)	(7,959)
Long-term provisions	(6,759)	(5,778)
<b>Total non-current liabilities</b>	<b>(96,777)</b>	(91,347)
<b>Total liabilities</b>	<b>(238,558)</b>	(257,870)
<b>Net assets</b>	<b>166,883</b>	151,512
<b>Equity</b>		
Share capital	83,985	82,848
Share premium account	71,258	48,981
Merger reserve	32,513	32,513
Share compensation reserve	934	2,216
Own shares held by employee share trust	(1,153)	(1,153)
Translation reserve	28,575	36,925
Other reserves	6,184	6,103
Retained earnings	(55,413)	(56,921)
<b>Total equity attributable to equity holders of the parent</b>	<b>166,883</b>	151,512



**Craig H Smith**  
Director  
30 July 2010

# Condensed group cash flow statement

for the six months ended 30 June 2010

	Note	Unaudited six months ended 30 June 2010 £'000	Unaudited six months ended 30 June 2009 £'000
<b>Net cash outflow from operating activities</b>	7	<b>(13,717)</b>	(19,103)
<b>Investing activities</b>			
Net interest received		62	700
Purchases of property, plant and equipment		(190)	(423)
Purchases of intangible assets		(371)	(147)
Disposal of tangible fixed assets		45	—
Disposal of investment securities		213	329
<b>Net cash (used in)/raised by investing activities</b>		<b>(241)</b>	459
<b>Financing activities</b>			
Dividends paid		(26)	—
Interest paid		(2,005)	(2,231)
Proceeds from borrowings		13,388	13,082
Repayment of borrowings		(26,045)	(3,461)
Proceeds from issue of shares		25,019	273
<b>Net cash raised by financing activities</b>		<b>10,331</b>	7,663
<b>Net decrease in cash and cash equivalents</b>		<b>(3,627)</b>	(10,981)
<b>Cash and cash equivalents at beginning of period</b>		<b>23,965</b>	35,761
Effect of foreign exchange rate changes		(1,295)	(3,937)
<b>Cash and cash equivalents at end of period</b>		<b>19,043</b>	20,843



# Notes

## 1. General information

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. 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 498 of the Companies Act 2006.

## 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 2009. The Group's annual financial statements for the year ended 31 December 2009 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are available on our website: [www.mcgplc.com](http://www.mcgplc.com).

The Group has implemented IFRS 3 Business Combinations (revised 2008) and IAS 27 Consolidated and Separate Financial Statements (revised 2008). These revisions have not impacted the Group.

### 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.

### 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.

# Notes continued

## 3. Segmental information

The Group's operating segments are defined as the three professional services practices, Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates. This is the basis on which information is provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business. The Board of Directors also receives information based on geography; the segments for this purpose are the Americas, Europe and the Rest of World. All revenues are derived from the provision of professional services.

### Income statement

#### (a) Revenue and underlying operating profit by geography

The Group operates in three geographical areas; the Americas, Europe and the Rest of World. The following is an analysis of financial information by geographic segment:

	Six months ended 30 June 2010 (unaudited)			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
<b>Revenue – continuing operations</b>	<b>44,856</b>	<b>82,253</b>	<b>4,169</b>	<b>131,278</b>
Profit/(loss) from operations before non-recurring expenses and amortisation of acquired intangibles	2,604	9,988	(204)	12,388
Amortisation of acquired intangibles	(589)	(783)	—	(1,372)
Profit/(loss) from operations before non-recurring items	2,015	9,205	(204)	11,016
Non-recurring expenses	—	407	(190)	217
<b>Profit/(loss) from operations</b>	<b>2,015</b>	<b>9,612</b>	<b>(394)</b>	<b>11,233</b>
Finance cost (net)				(1,943)
<b>Profit before tax</b>				<b>9,290</b>
Tax				(2,807)
<b>Profit for the period</b>				<b>6,483</b>
	Six months ended 30 June 2009 (unaudited)			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
<b>Revenue – continuing operations</b>	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)
<b>Loss/(profit) from operations</b>	<b>(204)</b>	<b>1,994</b>	<b>2,099</b>	<b>3,889</b>
Finance cost (net)				(1,714)
<b>Profit before tax</b>				<b>2,175</b>
Tax				(2,200)
<b>Loss for the period</b>				<b>(25)</b>

### 3. Segmental information continued

#### Income statement continued

##### (b) Revenue and underlying operating profit by operating segment

The three operating segments are combined into one reportable segment owing to similar underlying economic characteristics across all three practices.

Not all significant non-recurring items and financial items can be allocated to the practices and are therefore disclosed for the reportable segment as a whole.

	Six months ended 30 June 2010 (unaudited)			
	Alexander Proudfoot £'000	Ineum Consulting £'000	Kurt Salmon Associates £'000	Consolidated £'000
<b>Revenue – continuing operations</b>	<b>23,912</b>	<b>68,312</b>	<b>39,054</b>	<b>131,278</b>
<b>Underlying operating (loss)/profit</b>	<b>(218)</b>	<b>7,718</b>	<b>4,888</b>	<b>12,388</b>
Non-recurring expenses and amortisation of acquired intangibles				(1,155)
Profit from operations				11,233
Investment income				62
Finance costs				(2,005)
<b>Profit before tax</b>				<b>9,290</b>

	Six months ended 30 June 2009 (unaudited)			
	Alexander Proudfoot £'000	Ineum Consulting £'000	Kurt Salmon Associates £'000	Consolidated £'000
<b>Revenue – continuing operations</b>	46,273	76,827	31,951	155,051
<b>Underlying operating profit/(loss)</b>	8,401	3,846	(162)	12,085
Non-recurring expenses and amortisation of acquired intangibles				(8,196)
Profit from operations				3,889
Investment income				—
Finance costs				(1,714)
<b>Profit before tax</b>				<b>2,175</b>

Inter-segmental sales were not significant.

### 4. Dividends

	Unaudited six months ended 30 June 2010 £'000	Unaudited six months ended 30 June 2009 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 31 December 2009 of nil (2008: 0.9p) per share	—	2,931

Amounts recognised as distributions to equity holders in the period:

Final dividend in respect of the year ended 31 December 2009 of nil (2008: 0.9p) per share — 2,931

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 2010 (in respect of the year ended 31 December 2009) was £nil (2009: £51,000).

An interim dividend of 0.15p per share (2009: 0.40p per share) will be paid on 6 January 2011 to shareholders on the register on 3 December 2010.

# Notes continued

## 5. Taxation

The effective tax rate on the reported profit before tax for the half year is 30% (30 June 2009: 101%, due predominately to the impact of non-recurring items in the prior year). The effective tax rate on the reported profit before tax as adjusted for the impact of non recurring items and the accounting for amortisation of intangibles charge for the half year is 35% (2009: 35%). Of the total tax charge, a credit of £0.2m arises in respect of the UK with the remainder of the charge arising outside the UK. In 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:

	<b>Unaudited six months ended 30 June 2010 £'000</b>	Unaudited six months ended 30 June 2009 £'000
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to equity holders of the parent	<b>6,483</b>	(25)
Amortisation of acquired intangibles	<b>1,372</b>	1,400
Non-recurring items	<b>(217)</b>	6,796
Tax on exceptional items	<b>(376)</b>	(1,400)
Earnings for purpose of basic earnings per share excluding amortisation of acquired intangibles and non-recurring items	<b>7,262</b>	6,771
	<b>Number (million)</b>	Number (million)
<b>Number of shares</b>		
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	<b>332.9</b>	331.3
Effect of dilutive potential ordinary shares:		
– share options, performance share plan and warrants	<b>8.5</b>	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>341.4</b>	331.3
	<b>Pence</b>	Pence
Basic earnings per share – continuing operations	<b>2.0</b>	0.0
Diluted earnings per share – continuing operations	<b>1.9</b>	0.0
Basic earnings per share – excluding amortisation of acquired intangibles and non-recurring items	<b>2.2</b>	2.1
Diluted earnings per share – excluding amortisation of acquired intangibles and non-recurring items	<b>2.1</b>	2.1

The average share price for the six months ended 30 June 2010 was 22.1p (30 June 2009: 28.4p).

**7. Notes to the cash flow statement**

	<b>Unaudited six months ended 30 June 2010 £'000</b>	Unaudited six months ended 30 June 2009 £'000
Profit from continuing operations	<b>11,233</b>	3,889
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	<b>788</b>	888
Amortisation of intangible assets	<b>2,078</b>	1,737
(Profit)/loss on disposal of plant and equipment	<b>(45)</b>	949
Adjustment for pension funding	<b>(140)</b>	—
Adjustment for share options charge	<b>(1,283)</b>	880
Increase/(decrease) in provisions	<b>407</b>	(1,277)
Operating cash flows before movements in working capital	<b>13,038</b>	7,066
Increase in receivables	<b>(18,084)</b>	(1,503)
Decrease in payables	<b>(4,204)</b>	(22,460)
Cash used in operations	<b>(9,250)</b>	(16,897)
Income taxes paid	<b>(4,467)</b>	(2,206)
Net cash from operating activities	<b>(13,717)</b>	(19,103)

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

# 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

**Nick Stagg**  
**Chief Executive**

London office  
nstag@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 Craig Smith (see contact details to the left).

**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](http://www.mcgplc.com)**.



MCG's commitment to environmental issues is reflected in this half-year 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 half-year report was printed by Beacon Press using *pureprint*<sup>®</sup>, 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 99% of all dry waste associated with this production has been diverted from landfill. The printer is a CarbonNeutral<sup>®</sup> company.

Both the printer and the paper mill are registered to ISO 14001.



**Management Consulting Group PLC**

10 Fleet Place  
London EC4M 7RB  
United Kingdom

**Tel:** +44 20 7710 5000

**Fax:** +44 20 7710 5001

**[www.mcgplc.com](http://www.mcgplc.com)**