

2003 Results

1 March 2004



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Agenda

- Introduction
 - The market
 - 2003 key points
 - Profit and loss account
 - Balance sheet
 - Issues
 - Outlook
-
- Appendix – The Proudfoot and Parson businesses

Proudfoot Consulting - representative clients

New projects H2



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CATERPILLAR®

Reynolds & Reynolds.

GENERAL DYNAMICS
Strength on Your Side™

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ASTRIUM

OCG
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Continental

National

SigmaKalon

Continuing clients



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AIRBUS

Newmont
Gold
Company

RAG

PSA PEUGEOT CITROËN

BELLSOUTH

RIO
TINTO

degussa.

Parson Consulting - representative clients

New projects H2



Tomkins

warner bros.

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Pharmaceuticals International

Trustmark
INSURANCE COMPANY

LAWSON

ECOLAB

KINGFISHER

WeightWatchers

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SECURITY
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MISSILE SYSTEMS

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Pfizer

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citigroup

TEXTRON

GENERAL MILLS

Chicago
Federal Home Loan Bank

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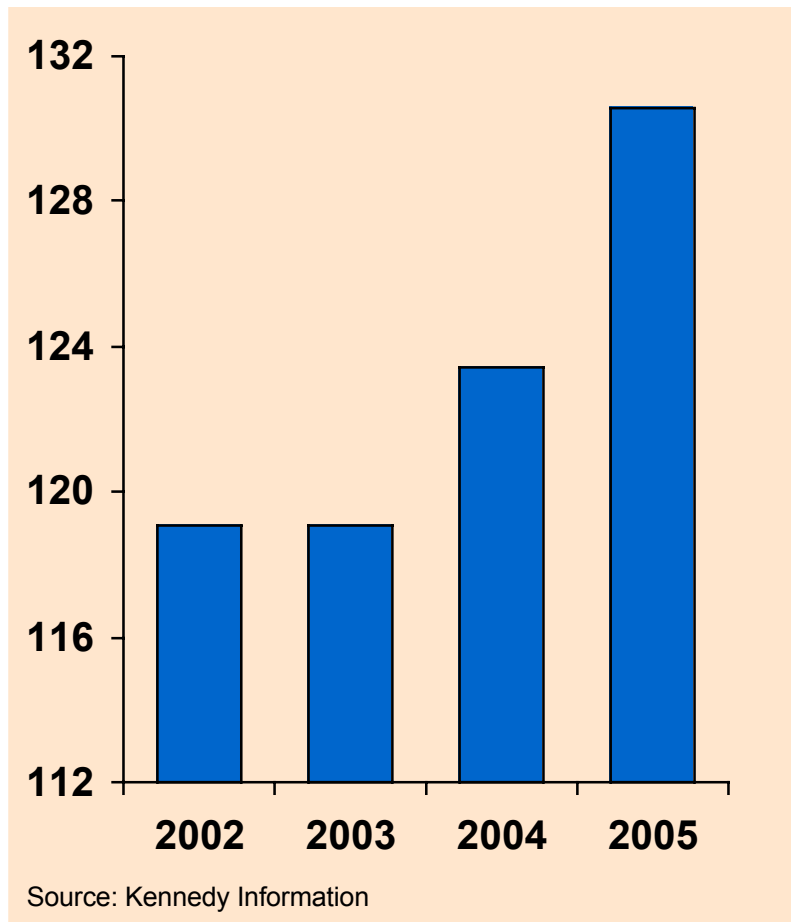
2003 - the market

- Consulting market place flat in 2003 - only public sector grew
- Other consulting firms reported weak results
- Dollar was weak

2004 - the market outlook

- Return to modest market growth is forecast
- North America showed improvement in H2 of 2003 which has continued in 2004
- Some parts of Europe now also showing positive signs

Consulting market place (US\$bn)



- Flat in 2003
- 4% growth in 2004
- 6% growth in 2005

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2003 - Proudfoot

- Opening order book was at a low level
- New work won was satisfactory for Q1
- Rate of new work slowed in Q2 and Q3 following Iraq war - uncertain market, slow decision making
- Strong Q4 for winning new work - majority of related revenue will be in 2004
- Year end order book was 62% higher than beginning of year
- Current order book and prospects list is very strong
- Aligned staff numbers to work levels whilst maintaining sales and senior project management resource

2003 - Parson

- Monthly loss reduced steadily:
 - *January 2003* *£0.8 million*
 - *June 2003* *£0.4 million*
 - *November 2003* *breakeven*
- Stable senior management team in H2 following reconstruction in second half of 2002 and first half of 2003
- Established a London presence
- Rebuilt order book for 2004

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Profit and loss account

	2003			2002	Change	
	H1 £m	H2 £m	Year £m	Year £m	H2 v H1	03 v 02
Turnover						
Proudfoot Consulting	33.8	34.4	68.2	93.2	2%	-27%
Parson Consulting	9.5	10.9	20.4	14.1	15%	45%
	43.3	45.3	88.6	107.3	5%	-17%
Cost of sales	(22.3)	(22.8)	(45.1)	(53.7)		
Gross profit	21.0	22.5	43.5	53.6		
Selling costs	(14.5)	(13.8)	(28.3)	(29.2)		
Administrative expenses	(7.5)	(7.5)	(15.0)	(16.8)		
Goodwill amortisation	(2.0)	(2.0)	(4.0)	(3.1)		
Operating profit/(loss)						
Before goodwill amortisation	(1.0)	1.2	0.2	7.6		
After goodwill amortisation	(3.0)	(0.8)	(3.8)	4.5		
Interest (net)	0.2	(0.3)	(0.1)	0.4		
(Loss)/profit before tax	(2.8)	(1.1)	(3.9)	4.9		
Tax	(0.7)	(0.4)	(1.1)	(0.6)		
(Loss)/profit after tax	(3.5)	(1.5)	(5.0)	4.3		
Gross profit margin	48%	50%	49%	50%		
Selling costs to turnover	33%	30%	32%	27%		
Headline EPS	(0.8)	0.3	(0.5)	4.7		

Geographical analysis: turnover

	2003			2002	Change	
	H1 £m	H2 £m	Year £m	Year £m	H2 v H1	03 v 02
Proudfoot Consulting						
North America	17.4	17.6	35.0	52.1	1%	-33%
Europe	12.1	11.5	23.6	34.6	-5%	-32%
Rest of world	4.3	5.3	9.6	6.5	23%	48%
	33.8	34.4	68.2	93.2	2%	-27%
Parson Consulting*	9.5	10.9	20.4	14.1	15%	45%
Total	43.3	45.3	88.6	107.3	5%	-17%

* Parson Consulting owned for seven months in 2002, like for like revenue change -24%

Geographical analysis: operating profit

	2003				2002	
	Operating result £m	Goodwill amortn £m	Depn £m	EBITDA £m	Operating result £m	EBITDA £m
Proudfoot Consulting						
North America	8.1	—	0.7	8.8	12.4	13.2
Europe	(6.1)	2.2	0.3	(3.6)	(3.5)	(0.9)
Rest of world	0.3	—	—	0.3	(0.6)	(0.6)
	2.3	2.2	1.0	5.5	8.3	11.7
Parson Consulting*	(6.1)	1.8	0.2	(4.1)	(3.8)	(2.5)
Total	(3.8)	4.0	1.2	1.4	4.5	9.2

* Parson Consulting owned for seven months in 2002

EBITDA: H2 v H1

	2003		
	H1 £m	H2 £m	Year £m
Proudfoot Consulting	2.8	2.7	5.5
Parson Consulting	(3.1)	(1.0)	(4.1)
Total	(0.3)	1.7	1.4

Results commentary

- Dollar 8% weaker year on year - reduced reported group revenue by about 5%
- Costs and revenues matched in currency so profit impact cushioned
- Low order book at start of year and slow intake in middle of year had adverse impact on revenue
- Gross margin maintained through flexing of staffing levels
- 'Self-correcting' bonus schemes also cushion impact
- Costs controlled tightly

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Balance sheet

	2003	2002
	£m	£m
Fixed assets		
Intangible assets	69.2	73.6
Tangible assets	1.6	2.4
	<u>70.8</u>	<u>76.0</u>
Current assets		
Debtors	7.9	8.3
Cash and cash equivalents (net)	9.7	21.9
	<u>17.6</u>	<u>30.2</u>
Creditors due within one year	(24.0)	(25.3)
Creditors due after one year	(3.3)	(4.9)
Provisions for liabilities and charges	(3.2)	(2.7)
Retirement benefits liability	(13.2)	(17.3)
	<u>44.7</u>	<u>56.0</u>
Net assets		

Balance sheet commentary

- Cash reflects deferred consideration of £5.2 million
- Receivables collection remains strong – 11 days' receivables outstanding, same as 2002
- Retirement benefits liability fully reflected on balance sheet – actuarial assumptions more conservative for 2003
- Retirement benefits liability reduced by £4.1 million as result of funding (£1.5 million), currency and change in actuarial assumptions

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Issues addressed in second half 2003



- Recruited for key management positions
- Converted strong pipeline into engagements – grew the order book



- Continued to increase prices and engagement size
- Continued to closely manage sales
- Reaped benefits of Proudfoot sales effectiveness project
- Achieved breakeven



- Continued cross referral and joint project programme between Parson and Proudfoot
- Built order book for 2004

Issues to be addressed in first half 2004



- Grow billing level from strong orders and prospects
- Recruit and train to enable delivery
- Maintain quality while growing
- Close monitoring of market requirements



- Capitalise on Sarbanes-Oxley
- Develop next service offerings
- Continue to increase prices
- Close management of sales
- Further improve management information
- Further strengthen middle management



- Continue to build order book to maintain momentum in H2 2004

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Outlook for 2004

- Order book more than double a year ago in both Proudfoot and Parson
- Decision making is returning to normal speed
- Economic conditions improving
- Expect H1 2004 to show significant progress compared to both H1 and H2 2003
- If current conditions sustained, 2004 performance will be significantly better than 2003

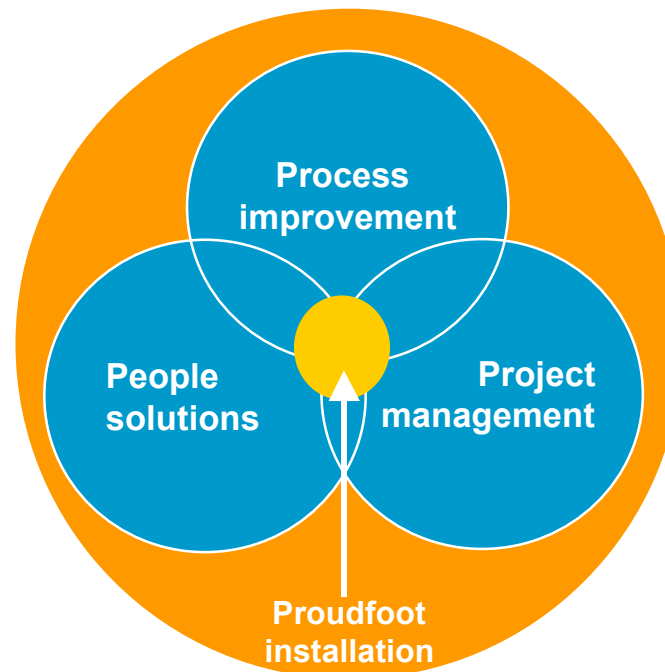
Appendix

- The Proudfoot and Parson businesses

Proudfoot Consulting - core service

The enhancement and design of processes to increase sales and reduce costs, overheads and capital expenditure

Behavioural analysis, training and communications to enhance skills and embrace change



Tight, structured approach with measurable payback in predetermined timescales

Co-venturing

“We are obsessed by measuring improvements and your earnings enhancement”

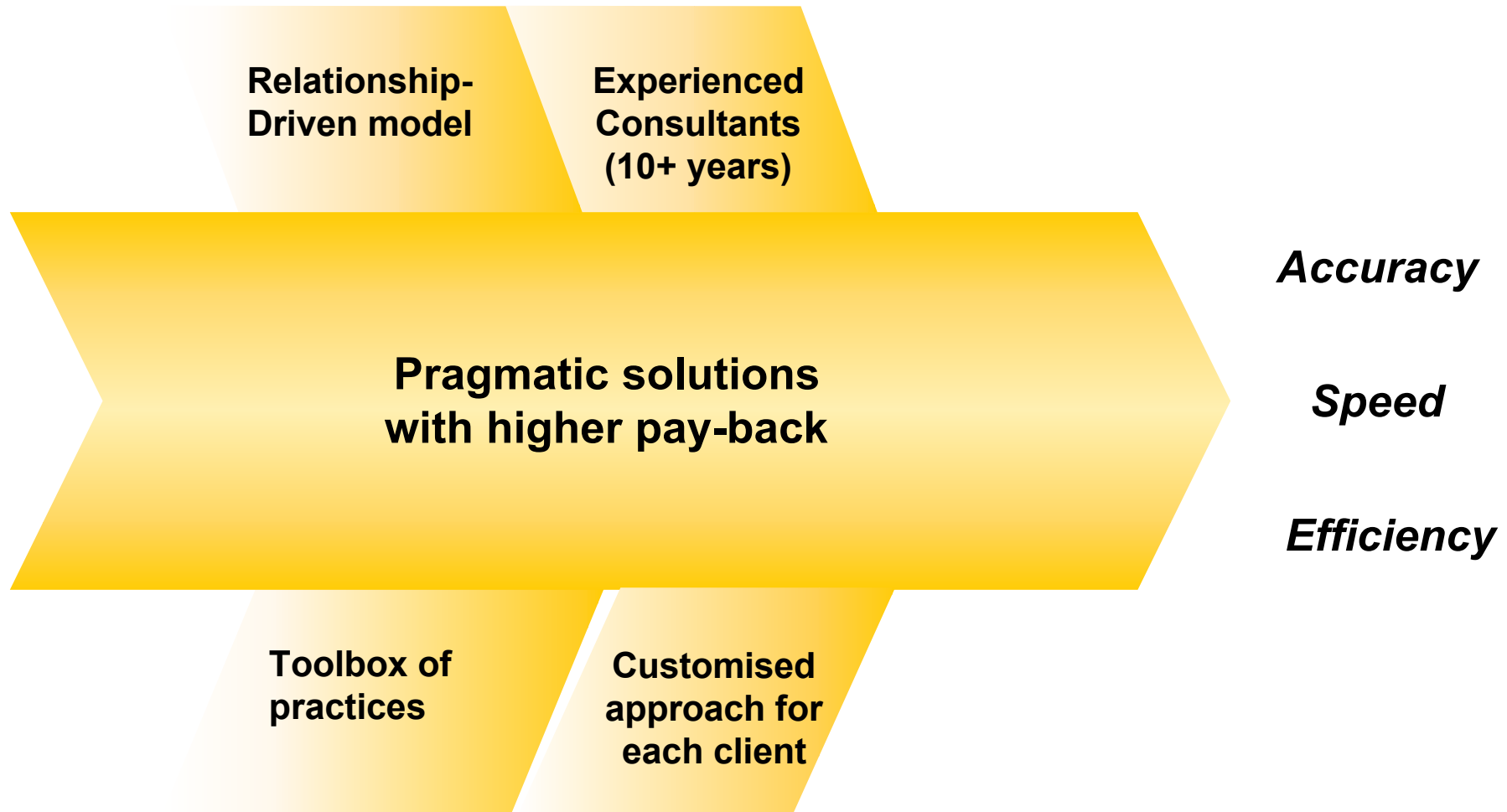
Proudfoot Consulting's no net cash promise

“Your annualised earnings enhancement will exceed our fee”



“Can you afford not to discuss your issues with us?”

Parson Consulting client service



Parson Consulting – core services

