8 March 2010

**MCG Announces Resilient Results for 2009**

*Underlying operating margin level with 2008 despite revenue shortfall*

Management Consulting Group PLC ("MCG" or "the Group"), the global professional services group, today announces its results for the year ended 31 December 2009. These compare to record underlying* results in 2008.

**Key points**

- Revenue down 19% on last year to £276.5m (2008: £343.1m)
- Underlying operating profit down 19% to £28.0m (2008: £34.7m)
- Operating profit £9.6m (2008: £15.9m loss)
- Underlying operating margin unchanged at 10.1% (2008: 10.1%)
- Underlying EPS down 19% to 5.0p (2008: 6.2p). Basic EPS 0.4p (2008: -6.4p)
- Net debt at year end up 34% to £83.5m (2008: £62.1m)
- Total dividend 0.4p per share (2008: 1.3p per share)
- Decisive management action protected operating margin
- Encouraging levels of business in early 2010

* Throughout this statement the term 'underlying' is defined as 'before non-recurring items and amortisation and impairment of acquired intangibles for continuing businesses'.

**Alan Barber, Executive Chairman**

"2009 has been a challenging year for MCG, but one during which good progress has been made to establish a strong platform for future development. In line with many other professional services businesses the Group was adversely affected by the unprecedented environment that existed in the world economy over the past year and a half. We continued to take decisive action to protect the bottom line while leaving the Group in a sound state to take advantage of the economic upturn as and when it arises. The business is showing encouraging signs in early 2010"

**For further information please contact:**


**Management Consulting Group PLC**

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**Financial Dynamics**

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An analyst briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on Monday 8 March at 9.30am

**Notes to Editors**

Management Consulting Group PLC (MMC.L) 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. Alexander Proudfoot develops and implements operational improvements to its clients to increase productivity and reduce costs. Ineum Consulting provides consultancy services to a wide range of industries in both the private and public sectors. Kurt Salmon Associates provides consultancy services to the retail and consumer products sector and to the health care provider sector. The Group operates worldwide. For further information, visit www.mcgplc.com.

**Forward looking statements**

This preliminary announcement contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of Management Consulting Group PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 8 March 2010. The directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this statement should be construed as a profit forecast.

**Chairman's Statement**

**Overview**
2009 has been a challenging year for Management Consulting Group PLC but one during which good progress has been made to establish a strong platform for future development. In line with many other global consultancy and professional services businesses, MCG was adversely affected by the unprecedented environment that existed in the world economy over the past year and a half. Many client companies cut back or delayed their discretionary expenditure budgets and, in some sectors and geographies at different times of the year, business was difficult to find. However MCG has survived one of the toughest trading periods in the past fifty years in good shape with encouraging levels of business developing in early 2010.

Trading as a professional services business during the recent recession, it is unsurprising that 2009 proved to be a difficult year for MCG following the record results achieved in 2008. Despite more favourable exchange rates, total revenue was well below 2008 levels but the Group continued to take decisive action to mitigate this influence on the bottom line, while leaving the Group in a sound state to take advantage of the economic upturn as and when it arises. I believe that maintaining the underlying operating margin at 10.1%, while revenue was £66.6m down on 2008, demonstrates the success of this decisive action and the resilience of the Group.

In the first half of 2009 the main area of concern in the Group was Kurt Salmon Associates, which faced downturns in business in both of its sectors, retail and consumer goods and health care, where revenues rely heavily on consumer and capital expenditure respectively. The business was loss making in the period ended June 2009. However, as predicted at the time of the half-year results, this division staged a recovery in the second half of the year, with cost cutting measures and encouraging signs of new business generation in both sectors contributing to its return to profit for the year as a whole. The management of Kurt Salmon Associates deserves great credit for the tight control over costs that they exercised, which has created the base for increased profits in 2010 in both areas of its focus.

Alexander Proudfoot reported good results in the first half of 2009 reflecting the strong order book brought forward into the year from 2008. However, as reported in November, the new business usually seen following the summer slowdown did not materialise this year and, as a result, second half revenue was lower than originally expected. Alexander Proudfoot is a business that generally performs well when the world economy is experiencing either an upswing or a downturn, as companies require throughput and revenue maximisation or cost reduction projects respectively. In 2009 potential clients tended towards a "wait and see" approach and, as a result, prospective business was often deferred. Although Alexander Proudfoot ended 2009 with an order book significantly lower than it started the year, this has improved in recent weeks and there is room for cautious optimism that the spring 2010 selling season will be more productive and that the second half of the year will therefore see trading return to more traditional volumes.

Overall Ineum Consulting had a very satisfactory year, although its reported results for 2009 benefited more than the other divisions from the continued strength of the Euro. It has been the Group's most consistent performer throughout the year, reporting profit 25.7% higher than 2008. Particularly successful has been the division's well-diversified French business and in particular its public sector division which has benefited from continued French governmental expenditure during the recent economic crisis and its CIO advisory practice. Outside France, where the division relies far more heavily on the financial services industry for its revenue, business was slightly less robust although this has improved during recent months.

The trading slowdown during 2009 has also had an adverse effect on the net debt position of the Group and we ended the year with borrowings £21.4m higher than we started it. While the shortfall in revenue results in a real reduction of cash being deposited in our bank account, the profit has been protected largely through a reduction in bonus accruals. Our 2010 cash flow will accordingly benefit from the lower bonus payments relating to the 2009 profit.

The Board has again faced many difficult decisions to restructure the business and minimise the effects of the economic downturn on the results. The number of employees in MCG has fallen from a high of around 2,350 in June 2008 to below 1,650 at the end of 2009, and the Group now operates from a far slimmer portfolio of offices.

In addition, as announced in November 2009, the Board considered offers from three French private equity houses interested in purchasing some or all of Ineum Consulting, the most enduring of which valued the business at around £85m. Ultimately the Board rejected these offers as we felt strongly that they materially undervalued Ineum Consulting and were significantly dilutive to MCG shareholders. I am delighted that Ineum Consulting is remaining within MCG as it is a vital element of our current offering to the market. I am very pleased to announce that the managements of Ineum Consulting and Kurt Salmon Associates are at an advanced stage of discussion to merge their businesses into one entity. This will create a larger and more integrated global practice that will enlarge our scope of services across geographies and increase the global scale of the business. We believe that a new, unified practice will be a stronger competitor in the world market, attracting new talent and delivering enhanced results to all stakeholders.

**Summary of trading performance**
Total revenue for the year ended 31 December 2009 was down 19.4% to £276.5m (2008: £343.1m) reflecting the weakness in trading conditions during 2009 and the strong comparative period in 2008. Around 95% of the revenue reported by MCG comes from outside the UK and the Sterling value of this fluctuates with the exchange rates. A weaker Sterling results in higher reported revenue.

Underlying operating profit in 2009 was down £6.7m or 19.3% to £28.0m (2008: £34.7m). Given that revenue was £66.6m below last year, this reflects the success of the cost-reduction programme implemented by management throughout 2008 and 2009, and also the variable nature of many of the costs incurred by the Group.

In view of the difficult trading conditions encountered by the Group during 2009, it has been necessary to protect the profit of the business by being proactive in downsizing the cost base. A total of £15.7m (2008: £21.5m) is reported as non-recurring costs associated with these programmes, with around £6m of this still to be spent in 2010. This charge relates to the closure of the Parson US and Alexander Proudfoot Australia businesses, the cost of the project to consider the potential sale of Ineum Consulting and the further office downsizing and redundancies throughout the year. There was no charge for impairment of goodwill in respect of any past acquisitions (2008: £26.7m relating to Parson Consulting). Consequently there was an overall profit from operations of £9.6m (2008: £15.9m loss). The net interest expense, net of investment income, benefited from the lower prevailing interest rates during the year and was £3.3m (2008: £4.2m). The profit before tax was £6.3m (2008: £20.0m loss).

With an underlying effective tax rate of 34% (2008: 33%), underlying earnings per share were 5.0p (2008: 6.2p), reflecting the lower underlying earnings for the year. Basic earnings per share were up to 0.4p (2008: -6.4p) due primarily to no repeat of the goodwill impairment charge booked in 2008.

An interim dividend of 0.4p per share was paid to shareholders on 27 October 2009. This was in line with the 2008 payment, despite the fact that underlying earnings for the first half of 2009 were below the levels of 2008, and was paid because the Group had been cash-generative in the twelve months to June 2009. This trend did not continue during the second half of 2009 and the net debt at the end of 2009 was £21.4m above its level twelve months previously. Consequently the Board has concluded that it is prudent not to declare a final dividend for the 2009 financial year (2008: 0.9p per share). This will reduce cash outflows in July 2010 by approximately £3m. However the Board intends to resume dividend payments starting with the 2010 interim dividend with an initial target dividend yield of between 2% and 3.5%.

The nature of 2009 trading meant that cash generated by operations was significantly lower than in 2008 at £-13.5m (2008: £41.2m). Revenue in 2009 was £66.6m lower than in 2008. This represents a real cash shortfall. The operating profit was buoyed in part by a reduction in costs such as bonuses accrued during the year. In addition approximately £8m of cash expenditure relating to non-recurring costs was incurred. As a result net debt at the end of 2009 was £83.5m (2008: £62.1m).

**Group structure and strategy**
The business is currently organised as three trading divisions: Alexander Proudfoot; Ineum Consulting; and Kurt Salmon Associates, each of which currently reports directly to me.

The strategy of MCG remains to be a leading, integrated, global consulting and professional services company, comprising outstanding specialist practices focused on delivering high quality solutions to complex issues for its clients. The Group will achieve this by operating and investing in its businesses and people to ensure they deliver profitable, sustainable revenue growth; acquiring practices that either broaden or deepen the range of the offerings available to clients; co-ordinating the cross referral of work between the practices to achieve revenue and cost synergies; and communicating clearly, regularly and fairly with all its stakeholders.

Given the difficult trading conditions experienced towards the end of 2008 and throughout the majority of 2009, the management of the Group has been obliged to run its business under conditions of depressed customer demand. Non-client facing costs, particularly central costs, were reduced significantly during 2008 and this process has continued during 2009, with the cost cutting extended to cover appropriate client-facing costs wherever these were no longer warranted by current levels of demand. Further offices have been closed or downsized and all other costs minimised. The Group has been decisive in its actions, however difficult these were, but has managed to mitigate the top line shortfall to a large degree. The Group has remained compliant with its covenant obligations under its banking facility and will continue to manage its affairs to ensure that this remains the case in 2010 and beyond.

MCG enters 2010 as a lean organisation, with around 30% fewer employees and over twenty fewer offices than in mid-2008. Taking it to this level has been a costly and painful affair, as our non-recurring costs over the last two years demonstrate, but these actions have been necessary to maintain short term profit and net debt at their current levels and to pave the way for an eventual recovery when the global economy improves. The Group is well positioned to take advantage of this recovery and will recommence its investment for growth when positive signs emerge.

**People**

During the latter half of 2009 MCG underwent several changes to its Board of Directors. On 21 October 2009 Nick Stagg joined the Board as an executive director. He has taken charge of our human resources and corporate finance areas of activity. Nick's extensive background in managing and developing businesses which rely heavily on the motivation and talent of their employees will be extremely valuable to MCG as we develop.

Also on 21 October 2009 JP Bolduc resigned as a non-executive director. I would like to take this opportunity to thank JP, who was a director for thirteen years, for his long and valuable service to the Group.

On 10 November 2009 Chiheb Mahjoub joined the Board as an executive director and Miguel de Fontenay stood down from the Board. Chiheb was subsequently appointed Chief Executive of Ineum Consulting and Miguel left the Group. I would like to thank Miguel for his contribution as a director of MCG and welcome Chiheb, who has been instrumental in driving both the domestic and international growth of Ineum since its inception in 2003.

Under the terms of the acquisition of Ineum Consulting in 2006, the vendors have the right to put forward a director for appointment to the Board of Directors until 1 September 2010. As a consequence Marco Lopinto, who is responsible for the strategy practice and the business development of Ineum Consulting, was appointed to the Board on 15 December 2009 as an executive director. Marco's broad experience of the consultancy industry will be of great help to the Board over the coming months.

I announced last year that I intended to stand down as Executive Chairman of MCG in the middle of 2010. The process for the selection of a new Chief Executive for the Group is well advanced and we believe that an announcement regarding the appointment will be made prior to the Annual General Meeting on 20 April 2010. However, subject to re-election at the Annual General Meeting, I now intend to continue to act as Executive Chairman until the end of 2010 to see through the induction of the new Chief Executive and the merger between Ineum Consulting and Kurt Salmon Associates, before transitioning to the Non-executive Chairman role.

2009 has been a difficult year for MCG, with the unprecedented external trading conditions making life extremely challenging. I would like to take this opportunity to thank everyone who worked for MCG during 2009 for their support during this turbulent time in the Group's history.

**Summary and outlook**

Following the record results reported for 2008, doing business in the professional services industry in 2009 proved to be far more difficult. Many prospective clients chose to curtail their discretionary expenditure and many took far longer to come to a positive decision. In particular Alexander Proudfoot, whose average project is far larger than those of our other divisions, found client commitment to projects extremely difficult to obtain.

However, since the final quarter of 2009, there is no doubt that the tough economic climate has eased to a degree and we can look forward to better conditions in 2010. Kurt Salmon Associates returned to profitability in the second half of 2009 and Alexander Proudfoot has significantly more leads for new business than six months ago. Ineum Consulting continues to trade well, particularly in its French heartland. The proof of the recovery will be the spring selling season, when we would hope to move to a new level of trading.

Over the past two years we have taken decisive action to manage the cost base of the business during these uncertain trading times, and have mitigated top line weakness in a way to deliver decent profits and to trade within the covenant limits imposed by our financing facility. We are dedicated to ensuring that the business is well positioned to benefit from the eventual recovery in the global economy and to create long term value for shareholders.

Alan Barber
Executive Chairman
8 March 2010

### Group income statement

| | Note | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| Continuing operations | | | Restated* |
| Revenue | 4 | **276,456** | 343,055 |
| Cost of sales | | **(173,500)** | (216,395) |
| Gross profit | | **102,956** | 126,660 |
| Administrative expenses – underlying | | **(74,931)** | (91,924) |
| Profit from operations – underlying | | **28,025** | 34,736 |
| Administrative expenses – non-recurring impairment | | **—** | (26,695) |
| Administrative expenses – non-recurring other | | **(15,739)** | (21,502) |
| Profit/(loss) from operations before amortisation of acquired intangibles | | **12,286** | (13,461) |
| Administrative expenses – amortisation of acquired intangibles | | **(2,739)** | (2,390) |
| Total administrative expenses | | **(93,409)** | (142,511) |
| Profit/(loss) from operations | 4 | **9,547** | (15,851) |
| Investment revenues | 8 | **805** | 1,232 |
| Finance costs | 8 | **(4,064)** | (5,394) |
| Profit/(loss) before tax | | **6,288** | (20,013) |
| Tax | 9 | **(4,932)** | (907) |
| Profit/(loss) for the year from continuing operations | | **1,356** | (20,920) |
| Discontinued operations | | **—** | (1,099) |
| Profit/(loss) for the year attributable to equity holders of the parent | | **1,356** | (22,019) |
| | | | |
| Earnings per share – pence | | | |
| From continuing operations | | | |
| Basic | 10 | **0.4** | (6.4) |
| Diluted | 10 | **0.4** | (6.4) |
| Basic – underlying | 10 | **5.0** | 6.2 |
| From profit/(loss) for the year attributable to equity holders of the parent | | | |
| Basic and diluted | 10 | **0.4** | (6.8) |

*See note 2

### Group statement of comprehensive income

| | Note | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| Exchange differences on translation of foreign operations | | **(18,166)** | 51,195 |
| Actuarial losses on defined benefit post-retirement obligations | | **(3,802)** | (12,674) |
| Gain/(loss) on available for sale investments | | **717** | (1,652) |
| Current tax | | **(96)** | — |
| Deferred tax | | **203** | 2,334 |
| Net (expense)/income recognised directly in equity | | **(21,144)** | 39,203 |
| Profit/(loss) for the year | | **1,356** | (22,019) |
| Total recognised (expense)/income for the period attributable to equity holders of the parent | | **(19,788)** | 17,184 |

## Group statement in changes in equity

| | 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 |
|---|---|---|---|---|---|---|---|---|---|
| **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 | — | — | — | — | — | — | — | 1,356 | 1,356 |
| Exchange differences | — | — | — | — | — | (18,166) | — | — | (18,166) |
| Actuarial movements | — | — | — | — | — | — | — | (3,802) | (3,802) |
| Profit on AFS investments | — | — | — | — | — | — | 717 | — | 717 |
| Tax on equity items | — | — | — | — | — | — | — | (155) | (155) |
| Tax on items recognised in Group statement of comprehensive income | — | — | — | — | — | — | — | 107 | 107 |
| Reclassification | — | — | — | (1,624) | — | — | — | 1,624 | — |
| Share options | — | — | — | 1,120 | — | — | — | — | 1,120 |
| Shares issued | 31 | — | — | — | — | — | — | — | 31 |
| Shares acquired by employee benefits trust | — | — | — | — | (114) | — | — | — | (114) |
| Shares transferred from employee benefits trust | — | — | — | — | 257 | — | — | — | 257 |
| Dividends | — | — | — | — | — | — | — | (4,234) | (4,234) |
| **Shareholders' equity 31 December 2009** | **82,848** | **48,981** | **32,513** | **2,216** | **(1,153)** | **36,925** | **6,103** | **(56,921)** | **151,512** |
| Shareholders' equity 1 January 2008 | 82,225 | 48,894 | 32,513 | 2,952 | (1,296) | 3,896 | 7,038 | (17,210) | 159,012 |
| Loss for the period | — | — | — | — | — | — | — | (22,019) | (22,019) |
| Exchange differences | — | — | — | — | — | 51,195 | — | — | 51,195 |
| Actuarial movements | — | — | — | — | — | — | — | (12,674) | (12,674) |
| Loss on AFS investments | — | — | — | — | — | — | (1,652) | — | (1,652) |
| Tax on equity items | — | — | — | — | — | — | — | 155 | 155 |
| Tax on items recognised in Group statement of comprehensive income | — | — | — | — | — | — | — | 2,334 | 2,334 |
| Reclassification | — | — | — | (1,556) | — | — | — | 1,556 | — |
| Share options | — | — | — | 1,324 | — | — | — | — | 1,324 |
| Shares issued | 592 | 87 | — | — | — | — | — | — | 679 |
| Dividends | — | — | — | — | — | — | — | (3,959) | (3,959) |
| Shareholders' equity 31 December 2008 | 82,817 | 48,981 | 32,513 | 2,720 | (1,296) | 55,091 | 5,386 | (51,817) | 174,395 |

## Group balance sheet

| | Note | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **283,748** | 307,992 |
| Property, plant and equipment | | **4,505** | 5,057 |
| Investments | | **2,977** | 7,076 |
| Deferred tax assets | | **17,856** | 21,899 |
| Total non-current assets | | **309,086** | 342,024 |
| **Current assets** | | | |
| Trade and other receivables | | **76,331** | 90,265 |
| Cash and cash equivalents | | **23,965** | 35,761 |
| Total current assets | | **100,296** | 126,026 |
| **Total assets** | | **409,382** | 468,050 |
| **Current liabilities** | | | |
| Financial liabilities | | **(53,151)** | (31,780) |
| Trade and other payables | | **(100,079)** | (145,638) |
| Current tax liabilities | | **(13,293)** | (14,971) |
| Total current liabilities | | **(166,523)** | (192,389) |
| **Net current liabilities** | | **(66,227)** | (66,363) |
| **Non-current liabilities** | | | |
| Financial liabilities | | **(54,362)** | (66,112) |
| Retirement benefit obligations | | **(23,248)** | (20,927) |
| Non-current tax liabilities | | **(7,959)** | (8,992) |
| Long-term provisions | | **(5,778)** | (5,235) |
| Total non-current liabilities | | **(91,347)** | (101,266) |
| **Total liabilities** | | **(257,870)** | (293,655) |
| **Net assets** | | **151,512** | 174,395 |
| | | | |
| **Equity** | | | |
| Share capital | | **82,848** | 82,817 |
| Share premium account | | **48,981** | 48,981 |
| Merger reserve | | **32,513** | 32,513 |
| Share compensation reserve | | **2,216** | 2,720 |
| Shares held by employee benefits trust | | **(1,153)** | (1,296) |
| Translation reserve | | **36,925** | 55,091 |
| Other reserves | | **6,103** | 5,386 |
| Retained earnings | | **(56,921)** | (51,817) |
| **Total equity attributable to equity holders of the parent** | | **151,512** | 174,395 |

## Group cash flow statement

| | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | 11 | **(18,490)** | 40,688 |
| **Investing activities** | | | |
| Interest received | | **805** | 701 |
| Purchases of property, plant and equipment | | **(1,419)** | (2,469) |
| Purchases of intangible assets | | **(1,093)** | (784) |
| Proceeds on disposal of fixed assets | | **—** | 57 |
| Purchase of financial assets | | **(363)** | (606) |
| Proceeds on disposal of investments | | **738** | 1,359 |
| **Net cash used in investing activities** | | **(1,332)** | (1,742) |
| **Financing activities** | | | |
| Reclassification from investments | | **3,848** | — |
| Interest paid | | **(4,264)** | (4,591) |
| Dividends paid | 6 | **(4,234)** | (3,959) |
| Proceeds from borrowings | | **31,237** | 1,695 |
| Repayment of borrowings | | **(18,343)** | (8,833) |
| Proceeds on issue of shares | | **143** | 679 |
| Disposal of subsidiary | | **—** | (196) |
| **Net cash raised by/(used in) financing activities** | | **8,387** | (15,205) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(11,435)** | 23,741 |
| **Cash and cash equivalents at beginning of year** | | **35,761** | 20,895 |
| Effect of foreign exchange rate changes | | **(361)** | (8,875) |
| **Cash and cash equivalents at end of year** | | **23,965** | 35,761 |

## Notes

### 1. Basis of preparation

The financial information included in this statement does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 Companies Act 2006.

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRSs.

The Group's Annual Report and Accounts and notice of Annual General Meeting will be sent to shareholders on 17 March 2010 and will be available at the Company's registered office at 10 Fleet Place, London, EC4M 7RB, United Kingdom and on our website: www.mcgplc.com.

The Annual General Meeting will be held at 2.30pm on 20 April 2010 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London, EC4V 6JA.

### 2. Accounting policies

The financial information has been prepared in accordance with IFRSs. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (as at 31 December 2009). The policies have been consistently applied to all the periods presented.

Full details of the Group's accounting polices can be found in the 2008 Annual Report in note 2 which is available on our website: www.mcgplc.com.

The Group has restated the Group income statement following a change in the treatment of certain sales costs. This has resulted in the reclassification of sales costs from administrative expenses to cost of sales for 2008, therefore ensuring consistency with 2009. A balance sheet as at 31 December 2007 has not been presented because there is no effect to the Group's results or financial position.

### 3. Going concern

The directors have acknowledged the latest guidance on going concern. Whilst the current economic environment has caused general uncertainty, the Group has committed borrowing facilities of $111.3 million and €81.5 million until September 2012, together with a balanced and broad-based business which is not reliant on any one industrial sector or geography. The Group prepares regular business forecasts and monitors its projected compliance with its financial covenants for the committed facilities. These are reviewed by the Board. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed, and consideration given to actions open to management to mitigate the impact of these sensitivities. In particular this includes the discretionary nature of a significant amount of the cost incurred by the Group. There is sufficient working capital headroom and the Group has met all covenant tests. As a consequence, the directors believe that that Group is well placed to manage its business risks successfully and as such the Group's financial statements have been prepared on a going concern basis.

### 4. 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 Americas, Europe and Rest of World. All revenues are derived from the provision of professional services.

#### (a) Geographical analysis

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:

*(i) Revenue and underlying operating profit by geography*

| **Year ended 31 December 2009** | **Americas £'000** | **Europe £'000** | **Rest of World £'000** | **Group £'000** |
|---|---|---|---|---|
| **Revenue - continuing operations** | **93,346** | **167,943** | **15,167** | **276,456** |
| **Profit from operations before non-recurring expenses and amortisation of acquired intangibles** | **8,663** | **15,653** | **3,709** | **28,025** |
| **Non-recurring expenses and amortisation of acquired intangibles** | **(6,329)** | **(9,942)** | **(2,207)** | **(18,478)** |
| **Profit from operations** | **2,334** | **5,711** | **1,502** | **9,547** |
| **Investment income** | | | | **805** |
| **Finance costs** | | | | **(4,064)** |
| **Profit before tax** | | | | **6,288** |

| Year ended 31 December 2008 | Americas £'000 | Europe £'000 | Rest of World £'000 | Group £'000 |
|---|---|---|---|---|
| Revenue - continuing operations | 126,293 | 183,702 | 33,060 | 343,055 |
| Profit from operations before non-recurring expenses and amortisation of acquired intangibles | 20,102 | 10,041 | 4,593 | 34,736 |
| Non-recurring expenses and amortisation of acquired intangibles | (35,671) | (11,636) | (3,280) | (50,587) |
| (Loss)/profit from operations | (15,569) | (1,595) | 1,313 | (15,851) |
| Investment income | | | | 1,232 |
| Finance costs | | | | (5,394) |
| Loss before tax | | | | (20,013) |

*(ii) Net assets by geography*

| At 31 December 2009 | Americas £'000 | Europe £'000 | Rest of World £'000 | Group £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Intangibles, including goodwill** | **107,589** | **176,159** | **—** | **283,748** |
| **Other segment assets** | **25,689** | **61,762** | **3,108** | **90,559** |
| | **133,278** | **237,921** | **3,108** | **374,307** |
| **Unallocated corporate assets** | | | | **35,075** |
| **Consolidated total assets** | | | | **409,382** |
| **Liabilities** | | | | |
| **Segment liabilities** | **(43,290)** | **(64,069)** | **(5,512)** | **(112,871)** |
| **Unallocated corporate liabilities** | | | | **(144,999)** |
| **Consolidated total liabilities** | | | | **(257,870)** |
| **Net assets** | | | | **151,512** |

| At 31 December 2008 | Americas £'000 | Europe £'000 | Rest of World £'000 | Group £'000 |
|---|---|---|---|---|
| Assets | | | | |
| Intangibles, including goodwill | 119,638 | 188,354 | — | 307,992 |
| Other segment assets | 31,402 | 72,550 | 1,389 | 105,341 |
| | 151,040 | 260,904 | 1,389 | 413,333 |
| Unallocated corporate assets | | | | 54,717 |
| Consolidated total assets | | | | 468,050 |
| Liabilities | | | | |
| Segment liabilities | (73,791) | (81,449) | (6,541) | (161,781) |
| Unallocated corporate liabilities | | | | (131,874) |
| Consolidated total liabilities | | | | (293,655) |
| Net assets | | | | 174,395 |

*(iii) Capital additions, depreciation and amortisation by geography*

| Year ended 31 December 2009 | Americas £'000 | Europe £'000 | Rest of World £'000 | Group £'000 |
|---|---|---|---|---|
| **Capital additions** | **410** | **469** | **174** | **1,053** |
| **Unallocated corporate additions** | | | | **689** |
| **Total capital additions** | **410** | **469** | **174** | **1,742** |
| **Depreciation and amortisation** | **1,778** | **3,244** | **101** | **5,123** |

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

(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. Assets and liabilities by practice are not reviewed by the Board and are therefore not disclosed.

| Year ended 31 December 2009 | Alexander Proudfoot £'000 | Ineum Consulting £'000 | Kurt Salmon Associates £'000 | Total £'000 |
|---|---|---|---|---|
| **Revenue – continuing operations** | **71,171** | **142,239** | **63,046** | **276,456** |
| **Underlying operating profit** | **11,996** | **12,497** | **3,532** | **28,025** |
| **Non-recurring expenses and amortisation of acquired intangibles** | | | | **(18,478)** |
| **Profit from operations** | | | | **9,547** |
| **Investment income** | | | | **805** |
| **Finance costs** | | | | **(4,064)** |
| **Profit before tax** | | | | **6,288** |

| Year ended 31 December 2008 | Alexander Proudfoot | Ineum Consulting | Kurt Salmon Associates | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Revenue – continuing operations | 106,975 | 153,109 | 82,971 | 343,055 |
| Underlying operating profit | 18,059 | 9,938 | 6,739 | 34,736 |
| Non-recurring expenses, non-recurring impairment and amortisation of acquired intangibles | | | | (50,587) |
| (Loss) from operations | | | | (15,851) |
| Investment income | | | | 1,232 |
| Finance costs | | | | (5,394) |
| Loss before tax | | | | (20,013) |

Inter-segmental sales were not significant.

## 5. Profit/(loss) before tax

Profit/(loss) before tax has been arrived at after (crediting)/charging the following:

| | Note | **2009 £'000** | 2008 £'000 |
|---|---|---|---|
| Foreign exchange gains | | **(32)** | (25) |
| Amortisation of intangible assets | | **3,597** | 3,367 |
| Depreciation of property, plant and equipment | | **1,526** | 1,501 |
| Loss on disposal of fixed assets | | **299** | — |
| Non-recurring items | | **15,739** | 21,502 |
| Non-recurring items – impairment | | — | 26,695 |
| Staff costs | 7 | **161,613** | 206,035 |

Non-recurring items in 2009 comprise £3.6 million in relation to property rationalisation, £2.0 million in relation to the closure of Parson US, £1.3 million in relation to the closure of Alexander Proudfoot Australia, £1.4 million as the cost of the project to consider the potential sale of Ineum Consulting, £1.1 million as severance costs for the departure of the Executive Director and £6.3 million of restructuring costs across the business as a whole.

## 6. Dividends

| | **2009 £'000** | 2008 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the year | | |
| Final dividend for the year ended 31 December 2008 of 0.90p (2007 final dividend: 0.82p) per share | **2,931** | 2,657 |
| Interim dividend for the year ended 31 December 2009 of 0.40p (2008: 0.40p) per share | **1,303** | 1,302 |
| | **4,234** | 3,959 |

Dividends are not payable on shares held in the employee share trust which has waived its entitlement to dividends. The amount of the dividend waived in 2009 (in respect of the final dividend for the year ended 31 December 2008 and the interim dividend for the year ended 31 December 2009) was £73,806 (2008: £51,000).

The 2009 interim dividend was paid on 27 October 2009. The directors do not propose a final dividend for the year ended 31 December 2009.

## 7. Staff numbers and costs

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

| | **2009 Number** | 2008 Number |
|---|---|---|
| Sales and marketing | **91** | 148 |
| Consultants | **1,386** | 1,685 |
| Support staff | **291** | 352 |
| | **1,768** | 2,185 |

The number of Group employees at the year end was 1,641 (2008: 2,152).

The aggregate payroll costs of these persons were as follows:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Wages and salaries | **126,654** | 166,209 |
| Social security costs | **32,138** | 35,463 |
| Other pension costs | **2,821** | 4,363 |
| | **161,613** | 206,035 |

Wages and salaries includes £1,120,000 (2008: £1,324,000) relating to charges in respect of share options and share awards.

## 8. Investment revenues and finance costs

| Investment revenues | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Interest receivable on bank deposits and similar income | | **805** | 779 |
| Net finance income on retirement benefits plans | | **—** | 453 |
| | | **805** | 1,232 |

| Finance costs | Note | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Interest payable on bank overdrafts and loans and similar charges | | **(3,310)** | (5,010) |
| Finance costs on retirement benefit plans | | **(754)** | (384) |
| | | **(4,064)** | (5,394) |

## 9. Tax

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Tax in respect of current year | | |
| UK corporation tax | **—** | 200 |
| Foreign tax | **8,896** | 11,970 |
| Deferred tax – acquired intangible assets | **(110)** | (836) |
| Deferred tax – temporary differences and other | **7,300** | 2,165 |
| Deferred tax – tax losses | **(6,535)** | (361) |
| Deferred tax – US goodwill | **2,434** | — |
| Total deferred tax | **3,089** | 968 |
| Total current year tax | **11,985** | 13,138 |
| Prior year current taxation | **(3,622)** | (2,883) |
| Total tax expense on underlying profit | **8,363** | 10,255 |
| Tax in respect of non-recurring items | | |
| Foreign tax | **(3,877)** | (3,245) |
| Deferred tax – US goodwill | **—** | (4,702) |
| Deferred tax – temporary differences and other | **446** | (1,401) |
| Total tax expense | **4,932** | 907 |

UK corporation tax is calculated at 28% (2008: 28.5%) of the estimated assessable profit for the year. The UK corporation tax rate changed from 30% to 28% as of 1 April 2008 which resulted in a pro-rated tax rate of 28.5% in the prior year.
Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 10. Earnings per share

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

| Earnings | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to equity holders of the parent | **1,356** | (22,019) |
| Non-recurring items | **15,739** | 21,502 |
| Non-recurring items – impairment | **—** | 26,695 |
| Non-recurring items – tax | **(3,431)** | (9,347) |
| Discontinued operations | **—** | 1,099 |
| Amortisation of acquired intangibles | **2,739** | 2,390 |
| Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles | **16,403** | 20,320 |

| Number of shares | **Number (million)** | Number (million) |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-recurring items and amortisation of acquired intangibles | **326.1** | 326.0 |
| Effect of dilutive potential ordinary shares: | | |
| – share options and performance share plan | **9.4** | — |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **335.5** | 326.0 |

| | **Pence** | Pence |
|---|---|---|
| Basic profit/(loss) earnings per share – continuing operations | **0.4** | (6.4) |
| Diluted profit/(loss) earnings per share – continuing operations | **0.4** | (6.4) |
| Basic earnings per share – excluding non-recurring items and amortisation of acquired intangibles | **5.0** | 6.2 |
| Basic earnings per share from profit/(loss) for the year attributable to equity holders of the parent | **0.4** | (6.8) |
| Diluted earnings per share from profit/(loss) for the year attributable to equity holders of the parent | **0.4** | (6.8) |
| Basic profit/(loss) earnings per share – discontinued operations | **—** | (0.4) |
| Diluted profit/(loss) earnings per share – discontinued operations | **—** | (0.4) |

The average share price for the year ended 31 December 2009 was 26.0p (2008: 31.6p).

### 11. Notes to the cash flow statement

| | **2009 £'000** | 2008 £'000 |
|---|---|---|
| Profit/(loss) from operations | **9,547** | (15,851) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,526** | 1,501 |
| Amortisation of intangible assets | **3,597** | 3,367 |
| Impairment | — | 26,695 |
| Loss on disposal of plant and equipment | **633** | — |
| Adjustment for pension funding | **303** | (919) |
| Adjustment for share options charge | **1,120** | 1,324 |
| Decrease in provisions | **(2,313)** | (2,295) |
| Operating cash flows before movements in working capital | **14,413** | 13,822 |
| Decrease/(increase) in receivables | **8,509** | (11,691) |
| (Decrease)/increase in payables | **(36,400)** | 39,067 |
| Cash (absorbed)/generated by operations | **(13,478)** | 41,198 |
| Income taxes paid | **(5,012)** | (510) |
| Net cash (outflow)/inflow from operating activities | **(18,490)** | 40,688 |