



31 July 2014

10 Fleet Place
London EC4M 7RB
Tel: +44 (0)20 7710 5000
Fax: +44 (0)20 7710 5001

Management Consulting Group PLC Interim Results

Revenues and profit ahead of last year on a constant currency basis

Management Consulting Group PLC ("MCG" or "the Group"), the global professional services group, today announces its results for the half-year ended 30 June 2014. As indicated in our pre close statement on 4 July, good revenue and profit growth in the first half of 2014 have been masked by the translation impact of the strengthening of Sterling.

Key points

- Reported revenue 1% higher at £125.0m (H1 2013: £123.4m), 8% higher on a constant currency basis
- Underlying* operating profit 3% higher at £7.2m (H1 2013: £7.0m)
- Underlying* operating profit margin steady at 5.8% (H1 2013: 5.7%)
- Profit for the half-year of £1.4m (H1 2013: £1.9m)
- As expected Alexander Proudfoot underlying* operating profit margin lower at 0.4% (H1 2013: 3.1%) reflecting planned change initiatives
- Kurt Salmon underlying* operating profit margin higher at 7.5% (H1 2013 6.4%)
- Net debt decreased to £48.0m (H1 2013: £51.7m)
- Underlying* basic earnings per share decreased to 0.4p (H1 2013: 0.7p)
- Interim dividend unchanged at 0.23p per share (H1 2013: 0.23p)

* Throughout this statement the term 'underlying' is defined as 'before non-recurring items and amortisation of acquired intangible assets'.

Nick Stagg, Chief Executive commented:

"We have delivered an improved performance on both the top and bottom line on an underlying basis. Kurt Salmon has performed well, both in revenue and margin terms, reflecting improved market conditions and a lower cost base. As expected our first half results reflect a slow start in Alexander Proudfoot and the margin impact of the changes we have been making to build a more flexible business

model focused on profitable growth. Our reported results have been significantly impacted by currency translation, with underlying revenue and profit growth in Euros and US Dollars in particular masked by the considerable strengthening of Sterling, a currency which represents only 7% of our revenue. Both businesses are well placed at this stage of the year for an improved second half in terms of underlying performance in line with our expectations, although we remain exposed to the risk that currency headwinds will affect year on year comparisons.”

For further information please contact:

Management Consulting Group PLC

Nick Stagg	Chief Executive	020 7710 5000
Chris Povey	Finance Director	020 7710 5000

FTI Consulting 020 3727 1000

Ben Atwell
Victoria Foster-Mitchell

Notes to Editors

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

It comprises two independently managed practices: Alexander Proudfoot and Kurt Salmon. Alexander Proudfoot develops and implements operational improvements to its clients to increase productivity and reduce costs. Kurt Salmon provides consultancy services to a wide range of industries in both the private and public sectors. The Group operates worldwide. For further information, visit www.mcgplc.com.

Chairman's Statement

The performance of the Group in the first six months of 2014 has been generally encouraging. On a constant currency basis both Alexander Proudfoot and Kurt Salmon have increased revenues, by 22% and 4% respectively, although our reported results have been affected by the significant strengthening of Sterling as a result of which reported Group revenues in Sterling have increased by 1% to £125.0m.

Kurt Salmon had a good start to 2014 and this continued into the second quarter. In our French business, revenue levels have stabilised and margins have benefited from the management action taken last year to adjust resources to lower activity levels in that year. We have seen positive underlying trends in revenue elsewhere in Europe and in North America. Kurt Salmon is benefiting from increasing work in digital transformation, as clients across all sectors require help in adapting their business models and operations to an increasingly digital environment.

As previously reported Alexander Proudfoot had a slow start to the year and has been most affected by the material translation impact of currency movements. Reported revenues in Sterling for the first half of 2014 slightly exceed those in the same period last year but do not match those reported in the second half of 2013. We have made good progress with the change initiatives in the Alexander Proudfoot business announced earlier this year which will deliver a stronger platform for growth in the medium term, but, as expected, these have adversely affected profitability in the first half of 2014.

We have entered the second half of the year with some positive momentum in Kurt Salmon, although we are not yet seeing significant signs of growth in France, our largest market. We believe that Alexander Proudfoot will emerge as a stronger business by the end of 2014, although we will need to continue to build our order input strongly in the rest of the third quarter in order to maintain reported year on year revenue growth for 2014 as a whole, particularly if further currency headwinds persist in the second half. I look forward to an improving underlying performance for the Group in the second half, albeit with a suitable measure of caution at this stage of the year.

Alan Barber
Chairman

Operating and financial review

Alexander Proudfoot

Alexander Proudfoot's reported revenue for the first half of 2014 was 9% higher than the same period in 2013 at £31.3m (H1 2013: £28.6m) but 22% lower than the preceding six month period (H2 2013: £40.2m). At H1 2013 exchange rates, H1 2014 revenues would have been £34.8m, an increase of 22% on the same period in 2013. The business reported a broadly break even position for the first half of 2014 with underlying operating profit of £0.1m, compared with £0.9m and a margin of 3.1% in the first half of 2013, reflecting the expected impact of the costs associated with the change initiatives announced earlier this year.

Alexander Proudfoot had a slow start to 2014 as previously disclosed. The opening order book at the beginning of the year was stronger than at the same time in 2013, but levels of order input in the first quarter were lower than those in the second half of 2013 and revenues were consequently weaker. In the most recent two months, input has picked up quite strongly and the order book is now better than at the beginning of the year and at a similar level to the same stage last year.

In March 2014 the then CEO of Alexander Proudfoot stepped down from this role and as a director of MCG. At the same time the MCG Board announced that it intended to invest in and develop the Alexander Proudfoot offering in order to help build a more stable and predictable revenue base and drive top-line growth. Good progress has been made in the last five months in taking forward a series of initiatives to enhance sales and operations, introduce innovations relating to the offering and to explore new contracting models with clients. As expected these initiatives have required investment in the form of recruitment and lower utilisation, which have had an adverse effect on margins in the first half of 2014, and we expect that this impact will continue in the second half.

Alexander Proudfoot has unique capabilities in the natural resources sector which has continued to represent a significant component of the total revenues in the first half of 2014, higher than in 2013 at approximately 50% of the total (H1 2013: 30%). Manufacturing and financial services have continued to be the other key sectors in which the business is consistently successful. In terms of geographies, the business units in Europe, South America and Asia have reported increased revenues compared with the same period last year, whilst those in North America and Africa have slightly lower revenues. Much of the focus of the change initiatives has been on the North American operations, and the adverse margin impact in 2014 has been most apparent here. Alexander Proudfoot continues to operate very effectively in emerging market locations and in the first half of 2014 nearly 60% of total revenues related to work delivered outside North America and Western Europe (H1 2013: nearly 50%).

Kurt Salmon

Kurt Salmon's reported revenue for the first half of 2014 was £93.7m. This was £1.1m or 1% lower than the corresponding first half revenue in 2013 of £94.8m, but equal to second half revenue in 2013. H1 2013 included revenues of £3.5m from the Cleversys business which was sold in October of that year. On a constant currency basis at H1 2013 exchange rates, H1 2014 revenues would have been £98.9m, an increase of 4.3% on the same period, or 8.3% if the Cleversys revenues in H1 2013 are excluded. Underlying operating profit for the first half of 2014 was £7.0m (H1 2013: £6.1m) representing a margin of 7.5%, higher than the 6.4% margin reported in the first half of 2013.

Kurt Salmon's operations in North America represent nearly 40% of the division as a whole. The North American retail and consumer goods practice has delivered a good performance in the first half of 2014, growing revenues by more than 20% on a constant currency basis. We continue to see increasing demand from US retail sector clients facing the challenges of adapting business models and operations to a new digital world. Our North American healthcare consulting practice continues to make good progress, although the US financial sector practice had a weaker first half in 2014 than last year.

More than half Kurt Salmon's revenues are generated in Europe, with the largest operation being in France which delivers around 70% of the total European revenues for the division. In 2012 and 2013 we saw a significant contraction in revenues in France driven by macro economic weakness and reduced demand for our services. Whilst we have not yet seen clear signs of growth in the French market and business sentiment remains fragile, underlying revenue levels in local currency in our French business stabilised in the first half of 2014 and our margins have improved significantly as a result of the management action taken during 2013 to manage resources to match demand.

Elsewhere in Europe the first half results have been encouraging, with revenue and profit growth in the retail-led consulting practices in Germany and the UK offset a little by weaker revenues in Belgium and Luxembourg which are more focused on the financial sector. In Asia the Kurt Salmon retail consulting operations in China and Japan have continued to make good progress but these are a relatively small component of the division as a whole.

Summary and outlook

On a constant currency basis, the Group's revenues increased by 8% in the first half of 2014 and underlying operating profit by an estimated 10% compared with the same period last year. However, material currency headwinds have impacted the Group's reported results for the first half and so show a more modest improvement in revenue and profitability.

Alexander Proudfoot has increased revenues year on year, in spite of a slow start to 2014. As expected, the changes being made to develop the offering and operations have had some adverse impact on margins, but we expect these initiatives to deliver a more stable and better business. Recent order input has helped us build a healthy order book to a similar level as at the same stage in 2013, but we need to maintain the improved order intake rate that we have seen recently in order to achieve our objectives for the year as a whole, and we remain suitably cautious on the outlook at this stage of the year.

Kurt Salmon has delivered a much improved underlying performance, with margins benefiting from the action taken last year to address resourcing levels in France, and impressive growth in revenues in North America. The business is well placed for the second half, both in terms of its order book and its positioning in a market where clients increasingly need to devise and implement operational changes in response to the challenge of digital, an area where Kurt Salmon has continued to develop real expertise.

Net debt has decreased year on year to £48.0m (H1 2013: £51.7m) and remains at a comfortable level in relation to the Group's bank facility and covenant requirements. The normal phasing of cash flows means that historically the second half of the year tends to see stronger cash generation and the Board continues to expect this to be the case in 2014.

Stability in our French business and improving market conditions in some of the other geographies in which we operate provide an encouraging backdrop for Kurt Salmon as we enter the second half of the year, and we are making good progress in developing a firmer growth platform in Alexander Proudfoot. At this stage both businesses are showing positive signs of an improving underlying performance in the second half, but our reported results in terms of year on year comparisons may continue to be affected by the translation impact of exchange rate movements.

Group Financial Summary

Exchange rates

In the first half of 2014, only approximately 7% of the Group's total revenues were billed in Sterling. Nearly half of the Group's revenues are typically denominated in Euros and more than one third in US Dollars. Given the global nature of its project delivery capabilities, Alexander Proudfoot also operates in a range of other currencies, notably in South African Rand and Brazilian Real, which together comprised approximately 14% of divisional revenues in H1 2014.

The average exchange rates to Sterling used in the first half of 2014 were £1 = €1.22 (H1 2013: £1 = €1.18) and £1 = \$1.67 (H1 2013: £1 = \$1.55). Comparing the first half periods in 2014 and 2013, Sterling therefore strengthened by 3% against the Euro and by 8% against the US Dollar. Over the same period Sterling also strengthened by 26% against the South African Rand and by 22% against the Brazilian Real.

Whilst the translation impact on reported revenues of changes in exchange rates has been significant, the profit impact of exchange rate shifts is mitigated by the large degree of natural hedging in the Group's operations in that its expenses are broadly denominated in a similar mix of currencies to its revenues. However, the proportion of the Group's expenses that are denominated in Sterling tends to be somewhat higher than revenues in that currency, and therefore does have some negative impact on reported Group profit margins when Sterling is strengthening.

The closing exchange rates to Sterling used in balance sheet translation at 30 June 2014 were £1 = €1.25 (H1 2013: £1 = €1.17) and £1 = \$1.73 (H1 2013 £1 = \$1.52).

Revenue

Reported revenue for the first half of 2014 was £125.0m, 1% ahead of the corresponding figure for the previous year (H1 2013: £123.4m). Alexander Proudfoot recorded revenue of £31.3m, 9% higher than the same period in the previous year (H1 2013: £28.6m). Reported revenues from Kurt Salmon were £93.7m (H1 2013: £94.8m), a decrease of 1%.

Revenue from Europe in the first half of 2014 was lower than the corresponding period in 2013 at £64.6m (H1 2013: £66.7m). Revenue from the Americas increased to £50.6m (H1 2013: £47.8m) and in the Rest of World revenue increased to £9.8m (H1 2013: £8.9m). This analysis reflects the geographies in which the business units generating the revenues are located, and, particularly in the case of Alexander Proudfoot, this does not wholly reflect either the locations in which work is delivered or the currency in

which revenue is billed. Approximately 18% of revenues in the first half of 2014 (H1 2013: 15%) were derived from projects delivered outside the developed economies of North America and Western Europe.

Underlying operating profit

Operating profit for the first half of 2014 was £5.3m (H1 2013: £4.4m). Underlying operating profit for the period increased compared with the corresponding period in 2013 by 3% to £7.2m (H1 2013: £7.0m). We estimate that reported underlying operating profit for H1 2014 measured at H1 2013 average exchange rates would have been approximately £0.5m higher than reported, or 10% higher than the corresponding period in 2013.

Non-recurring items for the first half of 2014 were an expense of £1.4m (H1 2013: £1.4m). These largely comprise the costs associated with the departure of the former Chief Executive of Alexander Proudfoot in March 2014 of £0.7m and restructuring costs related to some other planned employee departures in that business resulting from the change initiatives referred to above. Amortisation of acquired intangibles was £0.5m (H1 2013: £1.3m).

Interest

The total net finance costs for the period were £1.6m (H1 2013: £1.9m). The Group has paid margins of 2.63% over Libor rates on its bank borrowings during the period, 0.13% higher than the same period during 2013.

Taxation

Profit before tax for the first half of 2014 was £3.8m (H1 2013: £2.5m). Underlying profit before tax for the period was £5.6m (H1 2013: £5.1m). The tax rate on the underlying profit before tax was 63% (H1 2013: 30%). The higher than usual underlying tax rate in the period part reflects a mix of profits in the first half of 2014 weighted towards higher tax jurisdictions and project-specific withholding taxes in Alexander Proudfoot and is not expected to recur.

The Group has tax losses in various jurisdictions and the underlying tax rate has benefited in recent years from the utilisation of these. However these losses are now largely recognised and the tax charge in future will not therefore be reduced as a result.

Earnings per share

Basic earnings per share were 0.3 pence (H1 2013: 0.4 pence per share) and underlying basic earnings per share were 0.4 pence (H1 2013: 0.7 pence per share).

Dividend

The final dividend for 2013 of 0.595 pence per ordinary share was paid on 2 July 2014 to shareholders on the register at 16 May 2014. The Board is declaring an interim dividend for 2014 of 0.23 pence per ordinary share (2013: 0.23 pence per share). The interim dividend will be paid on 6 January 2015 to shareholders on the register on 5 December 2014.

Balance Sheet

The Group's net debt at 30 June 2014 was £48.0m, which is £3.7m lower than the £51.7m reported at 30 June 2013 and £8.2m higher than the £39.8m reported at the end of 2013. The Group's operations are not typically cash generative in the first half of the year, primarily as a result of the timing of the payment of annual cash bonuses. As a result the Group has historically generated the majority of its cash in the second half of the calendar year and this trend is expected to continue in 2014.

The Group is financed by an £85m debt facility negotiated during 2011 and expiring in July 2016. At 30 June 2014 the gross debt drawn under this facility reflected in the Group balance sheet was £54.5m (H1 2013: £62.6m), held in Euros and US Dollars. The leverage covenant measure used in the debt facility agreement is a measure of the ratio of net debt to adjusted EBITDA and was 1.79 at 30 June 2014 compared with the maximum leverage permitted under the facility of 2.75. As a result the interest rate margin paid on the Group's debt in the remainder of 2014 will marginally increase to 2.75% above Libor and Euribor.

The net post-retirement obligations liability principally relates to a closed US defined benefit scheme in Alexander Proudfoot and to an unfunded Kurt Salmon pension obligation in Germany and has decreased from £19.6m at 31 December 2013 to £18.0m at 30 June 2014. The decrease is principally due to currency movements, offset to some extent by a decrease in the discount rates used to measure the pension obligations.

The Board's assessment in relation to going concern is included in Note 2 of the financial information. Principal risks and uncertainties are set out in Note 2 of the financial information.

There have been no transactions with or material changes to related parties that have materially affected the financial position or performance of the Group during the period.

Condensed Group statement of profit and loss

for the six months ended 30 June 2014

	Note	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000
Continuing operations			
Revenue	3	125,018	123,421
Cost of sales		(81,433)	(81,511)
Gross profit		43,585	41,910
Administrative expenses – underlying		(36,427)	(34,905)
Profit from operations – underlying		7,158	7,005
Administrative expenses – non-recurring		(1,361)	(1,356)
Profit from operations before amortisation of acquired intangibles		5,797	5,649
Administrative expenses – amortisation of acquired intangibles		(480)	(1,278)
Total administrative expenses		(38,268)	(37,539)
Profit from operations	3	5,317	4,371
Investment income		16	8
Finance costs		(1,578)	(1,894)
Profit before tax		3,755	2,485
Tax	5	(2,309)	(607)
Profit for the period attributable to owners of the Company		1,446	1,878
Earnings per share – pence			
From profit for the period attributable to owners of the Company			
Basic	6	0.3	0.4
Diluted	6	0.3	0.4
Basic – underlying	6	0.4	0.7
Diluted – underlying	6	0.4	0.7

Condensed Group statement of comprehensive income

for the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000
Profit for the period	1,446	1,878
Items that will not subsequently be reclassified to profit and loss		
Remeasurement of defined benefit pension schemes	48	4,367
Items that may subsequently be reclassified to profit and loss		
Loss on available-for-sale investments	(205)	(364)
Exchange differences on translation of foreign operations	(12,337)	10,757
	(12,542)	10,393
Total comprehensive (expense)/ income for the period attributable to owners of the Company	(11,048)	16,638

Condensed Group statement of changes in equity

for the six months ended 30 June 2014

	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
Unaudited six months ended 30 June 2014									
Shareholders' equity									
1 January 2014	84,504	82,040	32,513	6,239	(4,111)	25,126	6,300	(21,745)	210,866
Total comprehensive income for the period						(12,337)	(205)	1,494	(11,048)
Dividends								(3,984)	(3,984)
Shares issued	14	322							336
Share-based payments				1,353					1,353
Vesting of share awards				(1,604)	1,333			263	(8)
Shares acquired by ESOP					(1,015)				(1,015)
Shares transferred from ESOP					58				58
Shareholders' equity 30 June 2014	84,518	82,362	32,513	5,988	(3,735)	12,789	6,095	(23,972)	196,558
Unaudited six months ended 30 June 2013									
Shareholders' equity									
1 January 2013	84,504	82,040	32,513	5,732	(3,627)	23,214	6,383	(36,193)	194,566
Total comprehensive income for the period						10,757	(364)	6,245	16,638
Dividends								(2,878)	(2,878)
Share-based payments				1,097	140			75	1,312
Shares acquired by ESOP					(282)				(282)
Shares transferred from ESOP					92				92
Shareholders' equity 30 June 2013	84,504	82,040	32,513	6,829	(3,677)	33,971	6,019	(32,751)	209,448

Condensed Group statement of financial position

as at 30 June 2014

	Unaudited 30 June 2014 £'000	Audited 31 Dec 2013 £'000
Non-current assets		
Intangible assets	251,682	266,806
Property, plant and equipment	2,672	2,724
Investments	1,991	2,444
Deferred income tax assets	15,726	16,486
Total non-current assets	272,071	288,460
Current assets		
Trade and other receivables	72,363	68,709
Current tax receivables	1,893	1,941
Cash and cash equivalents	6,528	14,669
Total current assets	80,784	85,319
Total assets	352,855	373,779
Current liabilities		
Trade and other payables	(67,831)	(70,787)
Current tax liabilities	(7,756)	(9,014)
Total current liabilities	(75,587)	(79,801)
Net current assets	5,197	5,518
Non-current liabilities		
Financial liabilities	(54,500)	(54,481)
Retirement benefit obligations	(17,997)	(19,582)
Deferred tax liabilities	(3,842)	(3,764)
Long-term provisions	(4,371)	(5,285)
Total non-current liabilities	(80,710)	(83,112)
Total liabilities	(156,297)	(162,913)
Net assets	196,558	210,866
Equity		
Share capital	84,518	84,504
Share premium account	82,362	82,040
Merger reserve	32,513	32,513
Share compensation reserve	5,988	6,239
Shares held by employee benefit trust	(3,735)	(4,111)
Translation reserve	12,789	25,126
Other reserves	6,095	6,300
Retained earnings	(23,972)	(21,745)
Equity attributable to owners of the Company	196,558	210,866

Condensed Group statement of cash flows

for the six months ended 30 June 2014

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000
Net cash outflow from operating activities	Note 7 (5,520)	(12,412)
Investing activities		
Interest received	16	8
Purchases of property, plant and equipment	(464)	(845)
Purchases of intangible assets	(137)	(931)
Purchase of financial assets	—	(664)
Proceeds on disposal of financial instruments	25	—
Acquisition of subsidiaries	(600)	(319)
Net cash used in investing activities	(1,160)	(2,751)
Financing activities		
Dividends paid	(1,110)	(1,099)
Interest paid	(1,478)	(1,177)
Proceeds from borrowings	12,715	22,496
Repayment of borrowings	(10,320)	(7,689)
Purchase of shares	(1,014)	(282)
Net cash (outflow)/ raised by financing activities	(1,207)	12,249
Net decrease in cash and cash equivalents	(7,887)	(2,914)
Cash and cash equivalents at beginning of period	14,669	14,862
Effect of foreign exchange rate changes	(254)	(1,005)
Cash and cash equivalents at end of period	6,528	10,943

Notes

1. General information

The results for the six months ended 30 June 2014 and 30 June 2013 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified or modified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

2. Significant accounting policies

(a) Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are available on our website: www.mcgplc.com. 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 by the European Union.

(b) Accounting policies

In the current year the following new standards are effective which do not have any impact on the Group at present but may impact acquisitions in the future: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 (2011) Investments in Associates and Joint Ventures.

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 consistent with those set out in the Company's Annual Report for the year ended 31 December 2013. They are related to the demand for consultancy services in each of the markets and sectors in which the Group operates; retention and development of key client relationships, recruitment and retention of talented employees; optimisation of the Group's intellectual capital; and fluctuations in foreign exchange currency rates.

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; maintaining a comprehensive knowledge management system; and undertake hedging to mitigate currency risk where appropriate.

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.

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.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

3. Segmental information

The Group's operating segments are defined as the two professional services practices, Alexander Proudfoot and Kurt Salmon. 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.

Inter-segmental sales are not significant.

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:

	Unaudited six months ended 30 June 2014			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue – continuing operations	50,580	64,597	9,841	125,018
Profit from operations – underlying	3,003	3,536	619	7,158
Non-recurring expenses and amortisation of acquired intangibles	(1,437)	(1,042)	638	(1,841)
Profit from operations	1,566	2,494	1,257	5,317
Investment income				16
Finance costs				(1,578)
Profit before tax				3,755

	Unaudited six months ended 30 June 2013			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue – continuing operations	47,802	66,686	8,933	123,421
Profit from operations – underlying	2,820	3,395	790	7,005
Non-recurring expenses and amortisation of acquired intangibles	(475)	(2,154)	(5)	(2,634)
Profit from operations	2,345	1,241	785	4,371
Investment income				8
Finance costs				(1,894)
Profit before tax				2,485

(b) Revenue and underlying operating profit by operating segment

The two operating segments are combined into one reportable segment owing to similar underlying economic characteristics across both 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.

	Unaudited six months ended 30 June 2014		
	Alexander Proudfoot £'000	Kurt Salmon £'000	Consolidated £'000
Revenue – continuing operations	31,288	93,730	125,018
Profit from operations – underlying	132	7,026	7,158
Non-recurring expenses and amortisation of acquired intangibles			(1,841)
Profit from operations			5,317
Investment income			16
Finance costs			(1,578)
Profit before tax			3,755

	Unaudited six months ended 30 June 2013		
	Alexander Proudfoot £'000	Kurt Salmon £'000	Consolidated £'000
Revenue – continuing operations	28,620	94,801	123,421
Profit from operations – underlying	866	6,139	7,005
Non-recurring expenses and amortisation of acquired intangibles			(2,634)
Profit from operations			4,371
Investment income			8
Finance costs			(1,894)
Profit before tax			2,485

4. Dividends

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 31 December 2013 of 0.595p (2012: 0.595p) per share	2,873	2,878
Interim dividend in respect of the year ended 31 December 2013 of 0.23p	1,110	—
	3,983	2,878

Dividends are not payable on treasury shares or shares held in the employee share trusts which have waived their entitlement to dividends.

The amount of the dividend waived in 2014 (in respect of the year ended 31 December 2013) was £77,660 (2013: £79,135).

An interim dividend of 0.23p per share (2013: 0.23p per share) will be paid on 6 January 2015 to shareholders on the register on 5 December 2014.

5. Taxation

The effective tax rate on the reported profit before tax for the half year is 61% (H1 2013: 24%). 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 acquisition intangibles charge for the half year is 63% (H1 2013: 30%). Of the total tax charge, £nil (H1 2013: £nil) arises in respect of the UK with the remainder of the charge arising outside the UK.

6. Earnings per share

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

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000
Earnings		
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit for the period attributable to owners of the Company	1,446	1,878
Amortisation of acquired intangibles	480	1,278
Non-recurring items	1,361	1,356
Tax on exceptional items	(1,209)	(936)
Earnings for purpose of basic earnings per share excluding amortisation of acquired intangibles and non-recurring items	2,078	3,576

	Number (m)	Number (m)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share and basic excluding amortisation of acquired intangibles and non-recurring items	483.4	484.2
Effect of dilutive potential ordinary shares:		
– share options and performance share plan	13.3	11.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	496.7	495.3

	Pence	Pence
Basic earnings per share – continuing operations	0.3	0.4
Diluted earnings per share – continuing operations	0.3	0.4
Basic earnings per share – excluding amortisation of acquired intangibles and non-recurring items	0.4	0.7
Diluted earnings per share – excluding amortisation of acquired intangibles and non-recurring items	0.4	0.7

The average share price for the six months ended 30 June 2014 was 25.0p (30 June 2013: 28.6p).

7. Notes to the cash flow statement

	Unaudited six months ended 30 June 2014 £'000	Unaudited six months ended 30 June 2013 £'000
Profit from continuing operations	5,317	4,371
Adjustments for:		
Depreciation of property, plant and equipment	422	483
Amortisation of intangible assets	1,160	2,298
Profit on disposal of plant and equipment	(41)	(98)
Adjustment for cost of share-based payments	1,684	1,839
Decrease in provisions	(1,590)	(1,477)
Operating cash flows before movements in working capital	6,952	7,416
Increase in receivables	(6,960)	(5,269)
Decrease in payables	(2,927)	(12,989)
Cash absorbed by operations	(2,935)	(10,842)
Income taxes paid	(2,585)	(1,570)
Net cash outflow from operating activities	(5,520)	(12,412)

8. Financial instruments fair value disclosure

The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the condensed financial statements included in this half-yearly report are approximately equal to their fair values.