Management Consulting Group PLC

7 March 2012

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# MCG Announces Significantly Improved Results for 2011

*Revenue and margin growth and strong cash generation*

Management Consulting Group PLC ("MCG" or "the Group"), the global professional services group, today announces its results for the year ended 31 December 2011.

Key points

- Revenue up 12% to £302.6m (2010: £270.4m)
- Operating profit up 42% to £25.5m (2010: £18.0m)
- Underlying* operating profit up 22% to £28.3m (2010: £23.3m)
- Underlying* operating margin higher at 9.4% (2010: 8.6%)
- Profit for the year increased by 78% to £16.4m (2010: £9.2m)
- Cash generated by operations increased by 90% to £32.5m (2010: £17.1m)
- Net debt reduced by 48% to £28.2m (2010: £54.4m)
- Underlying* EPS up 9% to 3.8p (2010: 3.5p). Basic EPS up 54% to 3.7p (2010: 2.4p)
- Total dividend increased 67% to 0.75p per share (2010: 0.45p per share)
- Encouraging levels of business in early 2012

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

**Nick Stagg, Chief Executive, commented**

*"The Group delivered a strong performance for 2011 with double digit revenue growth, an increased margin and strong cash generation. Alexander Proudfoot benefited from an increased workload for clients in the natural resources sector and Kurt Salmon has grown revenues in its key markets. We have seen a resilient performance in our established geographic markets and growth from emerging markets. Economic uncertainty is unavoidable in 2012 and we are not immune to its effects on our clients, but MCG is a global business with a balanced geographic and sector focus and we are well placed to take advantage of opportunities in markets and sectors which continue to grow."*

**For further information please contact:**


**Management Consulting Group PLC**

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An analyst briefing will be held at the offices of FTI Consulting at Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on 7 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 two independently managed practices: Alexander Proudfoot and Kurt Salmon. Alexander Proudfoot helps clients to embed disciplined execution in their operations to achieve growth targets, revenue and profit goals. 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.

**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 7 March 2012. 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**

2011 was a successful year for Management Consulting Group PLC ("MCG" or "the Group") despite the economic uncertainty in many of the markets in which we operate. During 2011 we realised some of the benefits of the changes that were made in 2010. Both Alexander Proudfoot and Kurt Salmon performed well, resulting in a 12% increase in revenue and a 22% increase in underlying operating profit.

Our businesses also generated strong operating cash flows during 2011, which have helped to nearly halve our net debt to £28.2m at the end of the year. The Group also benefited during 2011 from £10.6m of cash proceeds from the exercise of the warrants issued as part of the capital raising in 2010. We have put in place a new £85m banking facility which runs to July 2016. MCG is in a strong financial position and we will continue to focus attention on promoting profitable growth in our business and delivering value to our shareholders. Recognising this, the Board is proposing to increase the dividend for the full year by 67% to 0.75 pence per share, and will continue to maintain a progressive dividend policy.

MCG operates globally in diverse markets, both in terms of geographies and industry sectors. A growing proportion of the Group's revenues are derived from emerging markets, and we are well placed to take advantage of further opportunities in those markets that continue to perform strongly, despite uncertainty over the growth prospects of some developed economies in 2012.

Janet Cohen stepped down from the Board on 19 April 2011, having served as a director since 2003. Marco Lopinto also stepped down from the Board on 19 April 2011. Mark Wietecha stood down from the Board on 30 September 2011 and left the Group to become CEO of the National Association of Children's Hospitals in the United States. I would like to thank them for their important contributions to the Group.

Approximately 14% of the Company's shares in issue are held by directors or employees and about 150 employees now either hold shares or are in receipt of conditional share awards. We will continue to seek to align the interests of our senior employees with those of our shareholders and we are likely to make further share awards to key employees during 2012.

The success of MCG is built upon our people and the quality of their efforts to deliver results to our clients. I would like to take this opportunity to thank everyone who worked for MCG during 2011 for their support and commitment to the Group during the year.

Alan Barber
Chairman
7th March 2012

**Executive Review**

MCG has delivered significant growth in both revenue and profit in 2011, as well as strong operational cash generation. Hopes for sustained global economic recovery in 2011 receded sharply in the second half of the year, as it became clear that growth had stalled in most developed economies. In these testing circumstances both Alexander Proudfoot and Kurt Salmon made good progress and the results for the year as a whole are encouraging and demonstrate the resilience of the two businesses in an uncertain economic environment.

MCG is now organised as two operating divisions: Alexander Proudfoot and Kurt Salmon, and from 2011 MCG has reported its segmental results on these two divisional lines. Kurt Salmon comprises the former businesses of Ineum Consulting and Kurt Salmon Associates, which merged with effect from 1 January 2011. References below to 2010 comparatives for Kurt Salmon represent the aggregation of the two predecessor businesses.

Through its two operating divisions MCG has a broad balance of businesses in terms of industries and geographies. MCG's strategy is to exploit the platform provided by our existing businesses, which are leaders in their fields, in order to drive organic revenue and margin growth. We have no current intention to make further large scale acquisitions, but will look to add capabilities where appropriate through smaller acquisitions and team hires. We will focus on opportunities for growth in markets and industry sectors where we can readily exploit our strengths. The geographical spread of our businesses and our global office infrastructure will support an increase in operational activity.

In addition we are committed to continuing to deliver efficiencies in the Group's operations and to enhancing financial discipline across the Group. We seek to align the performance of employees in each of our businesses with objectives that are consistent with value creation for our shareholders. Total revenue for the year ended 31 December 2011 was £302.6m, 12% up on the previous year (2010: £270.4m). MCG is a global business and more than 95% of revenue in 2011 came from projects delivered outside the UK.

Underlying operating profit in 2011 was up 22%, or £5.0m, to £28.3m (2010: £23.3m). This reflects the impact of an impressive overall performance by Alexander Proudfoot after its strong recovery in the second half of 2010, and a solid performance throughout the year by Kurt Salmon.

Underlying operating profit for 2011 reflects a charge of £1.7m relating to share awards made to employees (2010: £1.3m credit). During the year 86 senior employees received awards over approximately 26.7 million shares in total, generally vesting over three years and conditional upon continued employment. A number of these awards are also conditional upon share price performance and the achievement of financial targets. 16.3 million of the share awards made during the year, should they vest, are required to be satisfied from existing MCG shares. The Employee Benefit Trust purchased 4.6 million shares during the year, and held 12.1 million shares at the year end, for this purpose. 10.4 million of the share awards made during the year may be satisfied by issuing new MCG shares.

For 2011 the Group is reporting net non-recurring expenses of £0.2m (2010: £2.6m), chiefly comprising income of £5.5m relating to the release of a provision for a potential legal claim, offset by costs of £5.7m principally associated with the implementation of the Kurt Salmon merger.

The charge for amortisation of acquired intangibles was £2.6m (2010: £2.7m). Consequently, the overall profit from operations increased by 42% to £25.5m (2010: £18.0m). The net interest expense decreased to £2.3m (2010: £3.7m). The profit before tax was up 62% to £23.2m (2010: £14.3m).

With an underlying effective tax rate of 36% (2010: 36%) underlying earnings per share were 3.8p (2010: 3.5p), reflecting higher underlying earnings for the year offset by the full year dilutive effect of shares issued in the June 2010 capital raising and the impact of the conversion of warrants. Basic earnings per share were 3.7p (2010: 2.4p).

The interim dividend for 2011 of 0.2p per share was paid in January 2012. The Board is recommending, subject to shareholder approval, a total dividend for the year of 0.75p per share, up from 0.45p per share in 2010. The Directors therefore recommend, subject to shareholder approval, a final dividend for 2011 of 0.55p per share to be paid on 2 July 2012 to shareholders on the register on 18 May 2012. Subject to the Group's financial position, the Board intends to pursue a progressive dividend policy.

The Group received £10.6m during 2011 from the conversion of warrants issued in the equity raising of June 2010. Cash generated by operations was £32.5m, substantially higher than in the previous year (2010: £17.1m). As a result net debt at the end of 2011 reduced significantly to £28.2m (2010: £54.4m).

**Alexander Proudfoot**

Alexander Proudfoot delivers measurable financial benefits to its clients by developing and installing processes and programmes to improve operations, helping companies rapidly to improve their operating performance by increasing revenues and productivity, reducing costs and generating incremental cash flow. Alexander Proudfoot differentiates itself from its competitors by working side-by-side with client management and front-line workers to implement sustainable changes which deliver improved performance. Alexander Proudfoot works with clients across a broad range of sectors and has developed a particularly strong expertise in the natural resources, financial services and manufacturing industries. Clients begin to realise the real cash benefits of the changes implemented during the early stages of the engagement process. The annualised return on investment that clients obtain from working with Alexander Proudfoot is typically two to three times the cost of the project.

Alexander Proudfoot delivered very strong revenue growth in the second half of 2010 and these increased revenue levels were sustained throughout 2011. The business has recovered well from the weakness experienced from mid-2009 into the first half of 2010.

Overall revenues for the year were £87.0m, 40% higher than the previous year (2010: £62.2m). Alexander Proudfoot reported underlying operating profit for the year as a whole of £11.6m (2010: £4.9m). The profit margin of 13.3% for the year is substantially ahead of the 2010 margin of 7.9%, but remains below the level which has been achieved in the past.

The number of staff employed by Alexander Proudfoot has increased marginally during the year from 293 at the end of 2010 to 302 at the end of 2011. Alexander Proudfoot operates a flexible global staffing model and employee numbers were significantly higher at times during 2011 to meet the requirements of client projects.

During 2011 Alexander Proudfoot was organised on the basis of four business units, based in Europe, the United States, South Africa and Brazil. The business is headquartered in Atlanta in the United States and during 2011 had further office locations in London, Paris, Frankfurt, Johannesburg, Toronto and São Paulo. Alexander Proudfoot serves clients globally from these locations.

Most of the Alexander Proudfoot business units reported increased revenues in 2011. The strongest year-on-year revenue growth was delivered in the European and African business units. The Brazilian business unit showed strong growth in the first half and delivered a satisfactory performance for the year as a whole. The recovery in the North American business developed more slowly during 2011 and this unit reported revenue broadly in line with the previous year. The management team in the North American business unit was strengthened in the second half of the year and recent indicators suggest that the changes made are now delivering results.

During 2011 Alexander Proudfoot saw good ongoing demand from clients in the natural resources sector and growth in revenues from projects delivered in emerging markets, in particular in Africa and Latin America. In 2011 there was a trend for work sold in Europe and North America to be delivered elsewhere, for example, in Nigeria, Russia and Peru. Projects won during 2011 in the natural resources sector and in emerging markets were typically larger than those in previous years, although the sometimes remote and challenging project locations generally had higher delivery costs and this had an impact on profit margins in some cases. The incidence of these larger projects, and therefore revenues, was slightly skewed towards the first half of the year, but this was not a function of any inherent seasonality.

Alexander Proudfoot has demonstrated over many years that it has an offering that produces very attractive returns for its clients. It performed well during 2011, taking advantage of the opportunities provided by the pressure on producers in the natural resources sector to improve productivity and efficiency in extraction and processing. This success reflects Alexander Proudfoot's strong capabilities in natural resources and management's strategy to focus effort and resources on this sector. As global demand for commodities remains strong there are opportunities for further growth.

Alexander Proudfoot's clients are generally large international organisations and, whilst the business does not necessarily produce a regular cycle of recurring work with the same client, many clients do commission further work at some stage and most act as references for sales to other customers. Management is continuing to work to enhance sales processes across the business, increasing the focus on building long term relationships with existing and prospective clients as well as driving individual project sales. The business has a global reach and a flexible capability, and is well placed to take advantage of opportunities in markets and industry sectors where economic growth remains strong.

The order intake in the latter part of the 2011 financial year provided an encouraging starting point for 2012. The current order book for Alexander Proudfoot is at a higher level than the average during 2009 and 2010, providing some visibility on revenues into the second quarter of 2012. The pipeline of prospects is also encouraging at this stage of the year.

**Kurt Salmon**

Kurt Salmon was established on 1 January 2011 from the merger of Ineum Consulting and Kurt Salmon Associates. Prior to that date both were managed and reported as separate business segments. References below to 2010 comparatives represent a pro forma aggregation of Ineum Consulting and Kurt Salmon Associates. Kurt Salmon is a global management consultancy business which partners with its clients to drive strategies and solutions that make a lasting and meaningful impact on their businesses. Kurt Salmon operates internationally in certain key industry verticals and has a particular focus in retail and consumer products and in financial services. In addition it has a number of strong regional practices, for example in healthcare in the United States and in the public sector in France. Kurt Salmon also provides functional expertise to its clients, for example, through offerings focused on Chief Financial Officers and Chief Information Officers. Kurt Salmon now operates in 15 countries around the world, the largest operations being in North America and Continental Europe.

In October 2011 MCG acquired Vertical Retail Consulting, a successful retail consulting business operating in mainland China, Hong Kong and elsewhere in Asia, for an initial consideration of US$2.25m. The acquisition brings an established team of partners and consultants serving both well known international brands already active in or in the process of entering the Chinese market, and local retailers which are expanding rapidly in terms of store and brand development. The acquired business generated revenues of approximately £3.2m in the 12 months to 31 December 2011, of which £0.8m is reflected in MCG's reported results for the year. It is performing well and has a strong order book and sales pipeline which extends into the second half of 2012. Kurt Salmon has a successful existing business operating in Japan and as a result of the acquisition it has significantly enhanced its capabilities in fast growing retail markets in Asia.

Kurt Salmon delivered a good result for the year as a whole. It reported an overall increase in revenues, building on its strong position in its core markets, while exploring new opportunities such as the acquisition in China. The business reported some reduction in profit margins as a result of the impact of the charge to the profit and loss account of share awards made to senior Kurt Salmon staff during 2011, and a slightly weaker profit performance in the second half of the year reflecting the impact of continuing investment. Overall revenues for the year were £215.6m, 4% higher than the previous year (2010: £208.2m). Kurt Salmon reported underlying operating profit for the year of £16.8m (2010: £18.4m) and an underlying operating margin of 7.8% (2010: 8.8%).

The number of staff employed by Kurt Salmon has increased during the year from 1,362 at the end of 2010 to 1,420 at the end of 2011. During 2011 focused recruitment in higher growth sectors and geographies within the business was offset by some restructuring and reduction in staff levels in other areas.

Kurt Salmon is organised on the basis of geographic locations and global industry verticals. Kurt Salmon has its headquarters operations in Paris and New York, with offices across Continental Europe, in London and in the United States. In Asia, Kurt Salmon has offices in Tokyo, Shanghai and Hong Kong.

Kurt Salmon's continental European operations, centred on France, together with Germany and the Benelux countries, had a successful year and all reported revenue growth. The Kurt Salmon retail consulting business in the UK performed well, but the results of some of the other smaller elements of the UK operations were unsatisfactory, in a consulting market which remains difficult and competitive. In North America the core retail and consumer goods practice delivered revenue and profit growth. The US financial services practice continued to show good progress. The US healthcare practice had a more difficult year than had been anticipated, although management have now taken steps to improve growth prospects and profitability in 2012. The Kurt Salmon operation in Japan suffered badly in the aftermath of the natural disasters of March 2011, but recovered very strongly in the second half of the year.

The order intake in Kurt Salmon slowed a little in the second half of 2011 but recovered towards the end of the year. The North American business has made a good start to 2012 and the prospects are encouraging. The European businesses have started the 2012 year against the backdrop of continuing uncertainty on the future of and economic prospects for the Eurozone, which has had some impact on client buying decisions. The current order book for Kurt Salmon is at a higher level than the average during 2009 or 2010 and the pipeline of prospects is promising. The outlook in

Europe remains uncertain, but Kurt Salmon has no exposure to the weaker peripheral Eurozone countries and is in a strong position in its largest market in France.

The decision taken in 2010 to bring together Ineum Consulting and Kurt Salmon Associates, as Kurt Salmon, has proved a success. The complementary industry and geographic focus has provided an opportunity to develop a unified practice that is a stronger competitor in the market and is better able to attract new talent. The merger resulted in some non-recurring expenses in 2011, related to branding, office restructuring and some systems and personnel changes. Kurt Salmon is an established global consulting brand with a long heritage and it is well placed to develop as a significant player in the consulting market in the industry and functional areas where its expertise is focused. The business has scope for organic growth in markets where it is already established and will look to build its presence in markets where it currently lacks scale. Alongside investment for growth, the management of Kurt Salmon will continue to work to improve operational efficiencies and processes in the business to enhance the underlying profit margin.

**Summary and outlook**

2011 was a year of good overall progress for the Group, building on the significant changes made during the previous financial year. The first half saw some signs of recovery in many markets but concern over weaker economic growth indicators in many developed economies affected business confidence in the second half. MCG has delivered healthy revenue growth, a significant improvement in profit before tax, and strong cash generation delivering a further substantial reduction in net debt.
Whilst the current macroeconomic uncertainty in the Eurozone provides an unhelpful backdrop for some parts of our business, our European operations are focused on France and Germany, which remain robust economies where demand for consulting services remains healthy, and we have no exposure to weaker markets in Southern Europe. Changes in exchange rates had little impact overall on our reported results in 2011, but exchange rate movements can affect MCG's reported results in Sterling, since most of the Group's revenues and costs are denominated in other currencies, principally in Euros and US Dollars.

MCG has a strong position in its key European markets, and an established position and brand in North America where economic growth is continuing. European markets may see weak growth in 2012 but we are well placed to exploit opportunities for growth in geographies and sectors where economic prospects are more favourable, particularly in emerging markets. The reported segmental results reflect the locations from which work is sold, but MCG is a global business and we deliver our services where our clients require. Approximately 18% of our 2011 revenues were derived from projects delivered outside the developed economies of North America and Western Europe. The acquisition by Kurt Salmon of a retail consulting practice in China in October 2011 is evidence of the Group's continuing focus on opportunities in fast growing emerging markets.

We entered 2012 with a solid order book position in both our businesses and an encouraging pipeline of prospects.  We have a strong balance sheet, a focused team and a clear strategy to deliver value to our shareholders.

## Group income statement

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 4 | **302,559** | 270,426 |
| Cost of sales | | **(198,128)** | (178,354) |
| Gross profit | | **104,431** | 92,072 |
| Administrative expenses – underlying | | **(76,084)** | (68,804) |
| Profit from operations – underlying | | **28,347** | 23,268 |
| Administrative expenses - non-recurring other (net) | | **(247)** | (2,569) |
| Profit from operations before amortisation of acquired intangibles | | **28,100** | 20,699 |
| Administrative expenses - amortisation of acquired intangibles | | **(2,642)** | (2,701) |
| Total administrative expenses | | **(78,973)** | (74,074) |
| Profit from operations | 4 | **25,458** | 17,998 |
| Investment revenues | 8 | **99** | 132 |
| Finance costs | 8 | **(2,406)** | (3,802) |
| Profit before tax | | **23,151** | 14,328 |
| Tax | 9 | **(6,720)** | (5,097) |
| Profit for the year from continuing operations | | **16,431** | 9,231 |
| Profit for the year attributable to owners of the company | | **16,431** | 9,231 |

| | | | |
|---|---|---|---|
| Earnings per share – pence | | | |
| From profit for the year attributable to owners of the company | | | |
| Basic and diluted | 10 | **3.7** | 2.4 |
| Basic – underlying | 10 | **3.8** | 3.5 |
| Diluted – underlying | 10 | **3.7** | 3.4 |

## Group statement of comprehensive income

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Exchange differences on translation of foreign operations | | **(3,789)** | (4,096) |
| Actuarial losses on defined benefit post-retirement obligations | | **(1,881)** | (3,362) |
| (Loss)/Gain on available for sale investments | | **(183)** | 309 |
| Deferred tax | | **(144)** | 1,627 |
| Other comprehensive expense for the period | | **(5,997)** | (5,522) |
| Profit for the period | | **16,431** | 9,231 |
| Total comprehensive income the period attributable to owners of the company | | **10,434** | 3,709 |

## Group statement in changes of equity

| | Share capital | Share premium | Merger reserve | Share compensation reserve | Shares held by employee benefits trust | Translation reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 January 2011** | **83,997** | **71,390** | **32,513** | **2,386** | **(2,354)** | **32,829** | **6,412** | **(51,398)** | **175,775** |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **16,431** | **16,431** |
| Exchange differences | **-** | **-** | **-** | **-** | **-** | **(3,789)** | **-** | **-** | **(3,789)** |
| Actuarial movements | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,881)** | **(1,881)** |
| Loss on AFS investments | **-** | **-** | **-** | **-** | **-** | **-** | **(183)** | **-** | **(183)** |
| Tax on equity items | | | | | | | | **34** | **34** |
| Tax on items recognised in Group statement of comprehensive income | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(144)** | **(144)** |
| Share based payments | **-** | **-** | **-** | **1,002** | **-** | **-** | **-** | **-** | **1,002** |
| Shares issued | **507** | **10,650** | **-** | **-** | **-** | **-** | **-** | **-** | **11,157** |
| Shares acquired by employee benefits trust | **-** | **-** | **-** | **-** | **(1,647)** | **-** | **-** | **-** | **(1,647)** |
| Shares transferred from employee benefits trust | **-** | **-** | **-** | **-** | **262** | **-** | **-** | **-** | **262** |
| Dividends | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(2,279)** | **(2,279)** |
| **Balance at 31 December 2011** | **84,504** | **82,040** | **32,513** | **3,388** | **(3,739)** | **29,040** | **6,229** | **(39,237)** | **194,738** |
| Balance at 1 January 2010 | 82,848 | 48,981 | 32,513 | 2,216 | (1,153) | 36,925 | 6,103 | (56,921) | 151,512 |
| Profit for the period | - | - | - | - | - | - | - | 9,231 | 9,231 |
| Exchange differences | - | - | - | - | - | (4,096) | - | - | (4,096) |
| Actuarial movements | - | - | - | - | - | - | - | (3,362) | (3,362) |
| Profit on AFS investments | - | - | - | - | - | - | 309 | - | 309 |
| Tax on equity items | - | - | - | - | - | - | - | 114 | 114 |
| Tax on items recognised in Group statement of comprehensive income | - | - | - | - | - | - | - | 1,627 | 1,627 |
| Share based payments | - | - | - | (1,260) | - | - | - | - | (1,260) |
| Transfer on nil vesting | - | - | - | 1,430 | - | - | - | (1,430) | - |
| Shares issued | 1,149 | 24,144 | - | - | - | - | - | - | 25,293 |
| Share issue expenses | - | (1,735) | - | - | - | - | - | - | (1,735) |
| Shares acquired by employee benefits trust | - | - | - | - | (1,475) | - | - | - | (1,475) |
| Shares transferred from employee benefits trust | - | - | - | - | 274 | - | - | - | 274 |
| Dividends | - | - | - | - | - | - | - | (657) | (657) |
| Balance at 31 December 2010 | 83,997 | 71,390 | 32,513 | 2,386 | (2,354) | 32,829 | 6,412 | (51,398) | 175,775 |

## Group balance sheet

| | Note | 2011<br>£'000 | 2010<br>£'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **274,275** | 276,923 |
| Property, plant and equipment | | **3,061** | 2,846 |
| Investments | | **2,856** | 3,183 |
| Deferred tax assets | | **18,636** | 19,078 |
| Total non-current assets | | **298,828** | 302,030 |
| **Current assets** | | | |
| Trade and other receivables | | **72,875** | 76,589 |
| Cash and cash equivalents | | **19,762** | 25,710 |
| Total current assets | | **92,637** | 102,299 |
| **Total assets** | | **391,465** | 404,329 |
| **Current liabilities** | | | |
| Financial liabilities | | **-** | (39,059) |
| Trade and other payables | | **(97,695)** | (94,772) |
| Current tax liabilities | | **(15,066)** | (12,630) |
| Total current liabilities | | **(112,761)** | (146,461) |
| **Net current liabilities** | | **(20,124)** | (44,162) |
| **Non-current liabilities** | | | |
| Financial liabilities | | **(47,921)** | (41,050) |
| Retirement benefit obligations | | **(23,174)** | (25,705) |
| Non-current tax liabilities | | **(5,256)** | (7,040) |
| Long-term provisions | | **(7,615)** | (8,298) |
| Total non-current liabilities | | **(83,966)** | (82,093) |
| **Total liabilities** | | **(196,727)** | (228,554) |
| **Net assets** | | **194,738** | 175,775 |
| | | | |
| **Equity** | | | |
| Share capital | | **84,504** | 83,997 |
| Share premium account | | **82,040** | 71,390 |

| | | |
|---|---|---|
| Merger reserve | **32,513** | 32,513 |
| Share compensation reserve | **3,388** | 2,386 |
| Shares held by employee benefits trust | **(3,739)** | (2,354) |
| Translation reserve | **29,040** | 32,829 |
| Other reserves | **6,229** | 6,412 |
| Retained earnings | **(39,237)** | (51,398) |
| **Total equity attributable to owners of the company** | **194,738** | 175,775 |

## Group cash flow statement

| | Note | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 11 | **26,278** | 10,426 |
| **Investing activities** | | | |
| Interest received | | **99** | 132 |
| Purchases of property, plant and equipment | | **(1,084)** | (471) |
| Purchases of intangible assets | | **(1,523)** | (1,592) |
| Proceeds on disposal of fixed assets | | **-** | 68 |
| Purchase of financial assets | | **(70)** | (21) |
| Proceeds on disposal of investments | | **89** | 214 |
| Acquisition of subsidiaries | | **(1,455)** | - |
| **Net cash used in investing activities** | | **(3,944)** | (1,670) |
| **Financing activities** | | | |
| Interest paid | | **(2,632)** | (2,554) |
| Dividends paid | | **(1,999)** | - |
| Proceeds from borrowings | | **19,045** | 18,966 |
| Repayment of borrowings | | **(50,589)** | (48,545) |
| Proceeds on issue of shares | | **10,572** | 23,559 |
| Share buy back | | **(1,634)** | - |
| **Net cash used in financing activities** | | **(27,237)** | (8,574) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(4,903)** | 182 |
| **Cash and cash equivalents at beginning of year** | | **25,710** | 23,965 |
| Effect of foreign exchange rate changes | | **(1,045)** | 1,563 |
| **Cash and cash equivalents at end of year** | | **19,762** | 25,710 |

## 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 2011 or 2010, but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the company's annual general meeting. The auditor has 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 IFRS.

The Group's Annual Report and Accounts and notice of Annual General Meeting will be sent to shareholders on 16 March 2012 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 1.30pm on 19 April 2012 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 IFRS. 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 2011). The policies have been consistently applied to all the periods presented.

Full details of the Group's accounting policies can be found in note 2 to the 2010 Annual Report which is available on our website: www.mcgplc.com.

### 3. Going concern

In December 2011 the Group put in place a new borrowing facility, which runs until July 2016. The new facility is a fully revolving credit facility under which the Group can draw up to £85 million. The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities which address the principal risks to which the Group is exposed. Consideration is given to the potential actions available to management to mitigate the impact of one or more of these sensitivities, in particular the discretionary nature of a significant amount of cost incurred by the Group. On this basis the Board has concluded that it is appropriate to continue to adopt the going concern basis in the Group's financial statements.

### 4. Segmental information

The Group's operating segments are defined as the two professional services practices, Alexander Proudfoot and Kurt Salmon. Kurt Salmon was formed from the merger of Ineum Consulting and Kurt Salmon Associates with effect from 1 January 2011. 2010 comparatives represent the aggregation of 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. All revenues are derived from the provision of professional services.

Inter-segmental sales are not significant.

**(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*

| | **Americas** | **Europe** | **Rest of World** | **Group** |
|---|---|---|---|---|
| **Year ended 31 December 2011** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Revenue - continuing operations** | **97,462** | **179,167** | **25,930** | **302,559** |
| **Profit from operations before non-recurring expenses and amortisation of acquired intangibles** | **7,174** | **17,779** | **3,394** | **28,347** |
| **Non-recurring expenses and amortisation of acquired intangibles** | **(2,116)** | **(639)** | **(134)** | **(2,889)** |
| **Profit from operations** | **5,058** | **17,140** | **3,260** | **25,458** |
| **Investment income** | | | | **99** |
| **Finance costs** | | | | **(2,406)** |
| **Profit before tax** | | | | **23,151** |

| | Americas | Europe | Rest of World | Group |
|---|---|---|---|---|
| Year ended 31 December 2010 | £'000 | £'000 | £'000 | £'000 |
| Revenue - continuing operations | 96,480 | 158,819 | 15,127 | 270,426 |
| Profit from operations before non-recurring expenses and amortisation of acquired intangibles | 8,596 | 12,820 | 1,852 | 23,268 |
| Non-recurring expenses and amortisation of acquired intangibles | (1,619) | (3,553) | (98) | (5,270) |
| Profit from operations | 6,977 | 9,267 | 1,754 | 17,998 |
| Investment income | | | | 132 |
| Finance costs | | | | (3,802) |
| Profit before tax | | | | 14,328 |

The revenue and underlying profit for Europe includes the Group's operations in the UK, which represented less than 5% of total Group revenue in 2011 (2010: 8%).

*(ii) Net assets by geography*

| **At 31 December 2011** | **Americas £'000** | **Europe £'000** | **Rest of World £'000** | **Group £'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| **Intangibles, including goodwill** | **116,435** | **153,729** | **4,111** | **274,275** |
| **Other segment assets** | **45,376** | **58,774** | **4,972** | **109,122** |
| | **161,811** | **212,503** | **9,083** | **383,397** |
| **Unallocated corporate assets** | | | | **8,068** |
| **Consolidated total assets** | | | | **391,465** |
| **Liabilities** | | | | |
| **Segment liabilities** | **(92,092)** | **(88,575)** | **(9,061)** | **(189,728)** |
| **Unallocated corporate liabilities** | | | | **(6,999)** |
| **Consolidated total liabilities** | | | | **(196,727)** |
| **Net assets** | | | | **194,738** |

| At 31 December 2010 | Americas £'000 | Europe £'000 | Rest of World £'000 | Group £'000 |
|---|---|---|---|---|
| Assets | | | | |
| Intangibles, including goodwill | 117,016 | 159,906 | - | 276,922 |
| Other segment assets | 41,290 | 72,760 | 9,463 | 123,513 |
| | 158,306 | 232,666 | 9,463 | 400,435 |
| Unallocated corporate assets | | | | 3,894 |
| Consolidated total assets | | | | 404,329 |
| Liabilities | | | | |
| Segment liabilities | (99,139) | (108,489) | (6,636) | (214,264) |
| Unallocated corporate liabilities | | | | (14,290) |
| Consolidated total liabilities | | | | (228,554) |
| Net assets | | | | 175,775 |

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

| **Year ended 31 December 2011** | **Americas £'000** | **Europe £'000** | **Rest of World £'000** | **Group £'000** |
|---|---|---|---|---|
| **Capital additions** | **1,526** | **981** | **97** | **2,604** |
| **Unallocated corporate additions** | | | | **28** |
| **Total capital additions** | | | | **2,632** |
| **Depreciation and amortisation** | **2,218** | **2,290** | **63** | **4,571** |

| Year ended 31 December 2010 | Americas £'000 | Europe £'000 | Rest of World £'000 | Group £'000 |
|---|---|---|---|---|
| Capital additions | 808 | 1,208 | 8 | 2,024 |
| Unallocated corporate additions | | | | 23 |
| Total capital additions | | | | 2,047 |
| Depreciation and amortisation | 2,314 | 3,346 | 60 | 5,720 |

(b) Revenue and underlying operating profit by operating segment

The two (2010: three) operating segments are combined into one reportable segment owing to similar underlying economic characteristics across the 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.

| | **Alexander Proudfoot** | **Kurt Salmon** | **Total** |
|---|---|---|---|
| **Year ended 31 December 2011** | **£'000** | **£'000** | **£'000** |
| **Revenue - continuing operations** | **86,968** | **215,591** | **302,559** |
| **Underlying operating profit** | **11,589** | **16,758** | **28,347** |
| **Non-recurring expenses and amortisation of acquired intangibles** | | | **(2,889)** |
| **Profit from operations** | | | **25,458** |
| **Investment income** | | | **99** |
| **Finance costs** | | | **(2,406)** |
| **Profit before tax** | | | **23,151** |

| | Alexander Proudfoot | Ineum Consulting | Kurt Salmon Associates | Kurt Salmon | Total |
|---|---|---|---|---|---|
| Year ended 31 December 2010 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue - continuing operations | 62,252 | 128,884 | 79,290 | 208,174 | 270,426 |
| Underlying operating profit | 4,898 | 9,188 | 9,182 | 18,370 | 23,268 |
| Non-recurring expenses and amortisation of acquired intangibles | | | | | (5,270) |
| Profit from operations | | | | | 17,998 |
| Investment income | | | | | 132 |
| Finance costs | | | | | (3,802) |
| Profit before tax | | | | | 14,328 |

### 5. Profit before tax

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

| | Note | **2011** | 2010 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Net foreign exchange (gains) / losses | | **(48)** | 112 |
| Amortisation of intangible assets | | **3,754** | 4,198 |
| Depreciation of property, plant and equipment | | **817** | 1,521 |
| (Gain) / loss on disposal of fixed assets | | **(56)** | 19 |
| Non-recurring items | | **247** | 2,569 |
| Staff costs | 7 | **182,748** | 166,552 |

Non- recurring items in 2011 comprise £4.4m in relation to Kurt Salmon merger expenses (2010: £2.3m), £1.1m in relation to property costs (2010: £2.2m), £0.2m of acquisition related costs (2010: nil) and a £5.5m release in respect of a legal claim (2010: £3.0m). 2010 also included £1.1m in relation to redundancy and related expenses.

### 6. Dividends

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts recognised as distributions to equity holders in the year | | |
| Final dividend for the year ended 31 December 2010 of 0.30p per share (2009: nil) | **1,317** | - |
| Interim dividend for the year ended 31 December 2011 of 0.20p (2010: 0.15p) per share | **962** | 657 |
| | **2,279** | 657 |

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 2011 (in respect of the interim dividend for the year ended 31 December 2011) was £25,046 (2010: £12,491).

The 2010 final dividend of 0.30p per share was paid on 6 July 2011.

The 2011 interim dividend of 0.20p per share was paid on 6 January 2012. The directors propose a final dividend of 0.55p per share for the year ended 31 December 2011.

## 7. Staff numbers and costs

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

| | **2011 Number** | 2010 Number |
|---|---|---|
| Sales and marketing | 102 | 96 |
| Consultants | 1,400 | 1,335 |
| Support staff | 244 | 253 |
| | 1,746 | 1,684 |

The number of Group employees at the yearend was 1,741 (2010: 1,678).

The aggregate payroll costs of these persons were as follows:

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **147,589** | 132,348 |
| Social security costs | **30,950** | 30,746 |
| Other pension costs | **4,209** | 3,458 |
| | **182,748** | 166,552 |

## 8. Investment revenues and finance costs

| Investment revenues | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Interest receivable on bank deposits and similar income | 99 | 132 |

| Finance costs | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Interest payable on bank overdrafts and loans and similar charges | **(2,193)** | (3,468) |
| Finance costs on retirement benefit plans | **(213)** | (334) |
| | **(2,406)** | (3,802) |

## 9. Tax

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Tax in respect of current year | | |
| Foreign tax | **12,016** | 7,323 |
| Deferred tax - acquired intangible assets | **(767)** | 122 |
| Deferred tax - temporary differences and other | **328** | (1,800) |
| Deferred tax - tax losses | **(362)** | 1,593 |
| Deferred tax - US goodwill | **264** | 270 |
| Total deferred tax | **(537)** | 185 |
| Total current year tax | **11,479** | 7,508 |
| Prior year current taxation | **(2,057)** | (1,308) |
| Total tax expense on underlying profit | **9,422** | 6,200 |
| Tax in respect of items excluded from underlying profit: | | |
| Foreign tax | **(1,742)** | (763) |
| Deferred tax - temporary differences and other | **(960)** | (340) |
| Total tax expense | **6,720** | 5,097 |

UK corporation tax is calculated at 26.5% (2010: 28%) of the estimated assessable profit for the 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 | **2011** **£'000** | 2010 £'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 | **16,431** | 9,231 |
| Non-recurring items | **247** | 2,569 |
| Amortisation of acquired intangibles | **2,642** | 2,701 |
| Taxation on non-recurring items and amortisation of acquired intangibles | **(2,702)** | (1,103) |
| Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles | **16,618** | 13,398 |

| 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 | **441.5** | 384.4 |
| Effect of dilutive potential ordinary shares: | | |
| - warrants and performance share plan | **8.3** | 5.0 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **449.8** | 389.4 |

| | **Pence** | Pence |
|---|---|---|
| Basic and diluted earnings per share attributable to owners of the company | **3.7** | 2.4 |
| Basic earnings per share - excluding non-recurring items and amortisation of acquired intangibles | **3.8** | 3.5 |
| Diluted earnings per share - excluding non-recurring items and amortisation of acquired intangibles | **3.7** | 3.4 |

The average share price for the year ended 31 December 2011 was 35.5p (2010: 23.4p).

## 11. Notes to the cash flow statement

| | **2011** | 2010 |
|---|---|---|
| | **£'000** | £'000 |
| Profit from operations | **25,458** | 17,998 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **817** | 1,521 |
| Amortisation of intangible assets | **3,754** | 4,198 |
| (Profit)/loss on disposal of plant and equipment | **(56)** | 19 |
| *Adjustment for pension funding | **(2,789)** | - |
| Adjustment for share awards | **1,719** | (1,260) |
| Other non cash movements | **(1,221)** | (1,389) |
| (Decrease)/increase in provisions | **(629)** | 2,250 |
| Operating cash flows before movements in working capital | **27,053** | 23,337 |
| (Increase)/decrease in receivables | **(430)** | 1,530 |
| Increase/(decrease) in payables | **5,879** | (7,761) |
| Cash generated by operations | **32,502** | 17,106 |
| Income taxes paid | **(6,224)** | (6,680) |
| Net cash inflow from operating activities | **26,278** | 10,426 |

*The adjustment for pension funding represents additional cash contributions made to the Group's closed US defined benefit pension scheme to maintain the funding position at the required level.