Management Consulting Group PLC

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Management Consulting Group PLC
Interim Results

Management Consulting Group PLC ("MCG" or the "Group"), the global professional services group, today announces its results for the half-year ended 30 June 2018.

Key points

- Reported revenues of £13.8m – down 31% year-on-year (H1 2017 restated*: £21.0m) but up 11% on H2 2017 (H2 2017 restated*: £12.7m)
- Underlying** operating loss of £2.8m – an improvement on both H1 and H2 2017 (H1 2017 restated*: loss £3.9m, H2 2017 restated*: loss £3.1m)
- Retained loss for the half-year of £11.6m (H1 2017 restated*: £6.0m)
- Loss from continuing operations for the half-year of £5.4m (H1 2017 restated*: £5.1m)
- Equity issue successfully completed in July increasing cash by £8.6m (net of expenses)

Nick Stagg, Chief Executive, commented:

"*The first half of the year has seen the Group complete a series of critical actions - finalise the senior Proudfoot leadership team in the US, complete a fundraising with strong shareholder support and continue to manage our cost base. While revenues were down year-on-year, this reflects the time needed to ramp up our activities in the US and, encouragingly, overall we grew revenues compared to the second half of last year. The Board remains confident of delivering its expectations for the full year."*

For further information please contact:

Nick Stagg	Chairman and Chief Executive	020 7710 5000

Notes to Editors

Management Consulting Group PLC (MMC.L) provides professional services across a wide range of industries and sectors. For further information, visit www.mcgplc.com.

** restated for discontinued operations*

*** refer note 3 for definition*

Chairman and Chief Executive's Statement

Proudfoot is now the single go to market brand within the Group following the sale of the Kurt Salmon businesses. The continued investment in and execution of Proudfoot's 2017 transformation strategy was the focus of the first six months of 2018. This three year plan started at the beginning of 2017 with Asia and then Europe and in 2018, the focus moved to the United States where we made good progress in the first six months of the year in building the local leadership team to drive the transformation. In addition, the Group has substantially strengthened its balance sheet and continued to reduce its cost base.

Fundraising and cost base

The Group successfully raised £8.6m of new funding through a placing and open offer in July this year. This enables us to continue to invest in Proudfoot, its talent, expertise and brand awareness, to support its return to growth and profitability. Our major shareholders, representing approximately 75% of the share capital, supported this offer with irrevocable commitments, the offer was oversubscribed and raised net new funds of £8.6m with positive take-up by the majority of shareholders. This new funding gives the Group additional flexibility in managing the residual activities related to the Kurt Salmon disposals in previous years. As announced in July, further progress was made in resolving the uncertainties around the liability claims relating to these disposals. The Board is confident as to the Group's overall position in terms of these claims and so expects to secure the release of additional funds in due course.

The effect of these post balance sheet events of net new funds of £8.6m and the release of £2.2m from the Kurt Salmon escrow funds has significantly contributed to the improvement of the Group cash position of £11.0m at 30 June to £21.0m at 3 August, which includes £4.4m of cash retained to support certain contingent creditors of the Group.

The Proudfoot transformation programme has already delivered significant cost efficiencies. There is now a simplified operating structure which moves all operations to hubs in Atlanta, London and Hong Kong. Back-office activities are merged between the Group and Proudfoot.

Proudfoot

Proudfoot has now moved away from the generalist consulting services of the past into specialist sector verticals. Flexible service offerings and contracting options now enable Proudfoot to deliver exceptional work and real value-add to our clients, as evidenced by client testimonials. Moreover, the new focus has allowed Proudfoot to target a new client base while providing incentives for current clients to contract additional work. This strategy has now established Proudfoot credentials in its selected four verticals and has positioned it as an industry expert.

Led by Proudfoot's Chief Executive, Pamela Hackett, the Proudfoot Europe and Asia (EMEAA) management teams, successfully installed a new engagement model during 2017 and installation in the US is now well underway. This new approach is a blend of the 'client/partner' relationship model, Proudfoot's deep sector expertise and Proudfoot's boots-on-the-ground implementation focus. The US rollout of this model commenced this year following recent success in Europe and Asia. Repeat business levels rising to 68% overall, up from 54% in Europe and approximately 30% in Americas, indicates client satisfaction with the transformation. The Global Proudfoot Scorecard was also introduced and only uses results agreed by clients. The scorecard shows consistent high performance against client goals.

The success of the new Proudfoot engagement model is evidenced by one of many client testimonials. The CEO and President of Santa Monica Seafoods, Mr Roger O'Brien, said "Our owners and our bankers were amazed at

Chairman and Chief Executive's Statement (continued)

the significant EBITDA improvement Proudfoot helped us achieve. The Proudfoot project meant we had caught up with our growth and expansion and were well poised to take on more M&A projects and facility expansions - both of which we've since done". Mr O'Brien then awarded Proudfoot their annual Best Service Provider Award.

Clients and peers are also recognising the value that Proudfoot can deliver. A project with Rio Tinto at their Oyu Tolgoi (OT) mine in Mongolia was awarded the prestigious Highly Commended in the Management Consultancy Associations' 2018 Best International Project category. This project has also been nominated for the coveted Rio Tinto Ground Breaker award. Furthermore, Proudfoot also entered the Forbes annual list of Best Consulting Firms in America for the first time.

As noted in the 2017 Annual Report, the final step of the Proudfoot transformation strategy was the introduction of a new leadership team in the US. The team was recruited and put in place over the course of the first half of this year but the time taken to recruit has had an impact on revenues from the US, reflected in our H1 2018 results. However, new client relationships are already demonstrating that the team can be successful. The combination of success in EMEA and Asia, the client testimonies noted earlier, and the continued ability to identify cost reduction opportunities underpins the Board's confidence in Proudfoot's potential.

There is no change to the Groups 2018 outlook.

Group Financial Review

The commentary below on the results to 30 June 2018 reflect the continuing Proudfoot business and exclude the results of the Brazilian business that was sold to local management in May 2018. The results of the Brazilian business have been reclassed as discontinued operations in both the current and comparative income statements.

Proudfoot's reported revenue for the first half of 2018 was £13.8m, 9% higher than the preceding six-month period (H2 2017 restated: £12.7m) and 31% lower than the same period in 2017 (H1 2017 restated: £20.0m). The Group reported an underlying operating loss of £2.8m in the first half of 2018 compared with restated losses of £3.3m for the second half of 2017 and £3.9m for the first half of 2017.

Proudfoot operates as a single business and it generates revenues and deploys resources globally. The performance in geographic areas differed in the period. Whilst North America continues its turnaround with new management changes implemented in the first half of the year, first half revenues are still subdued at £4.2m (H1 2017 restated: £8.2m). Europe stabilised its revenue at £8.0m for the period compared with £8.3m in the corresponding period in 2017. Asia and Africa revenues decreased from £3.5m in H1 2017 to £1.7m in H1 2018 reflecting a poor performance in Africa. Asia revenues showed a small dip compared to H1 2017 however work continues to be won in this geography.

Global headcount is 153 at 30 June 2018, down from 197 at 31 December 2017, reflecting the impact of rationalising the back-office staff structure, changes in the management structure and the disposal of the Brazilian business.

Disposal of Brazil

In May 2018, the Group disposed of its Brazilian business, Alexander Proudfoot Servicos Empresariais Ltda. The results of this entity up to its sale to local management are disclosed in note 10. Of the loss attributable to discontinued operations of £6.2m, £1.4m represents the loss after tax for the period with £4.8m representing a loss on disposal, principally arising from the recycling of the historic foreign exchange reserve on disposal.

Exchange rates

A significant portion of Group revenue and costs are derived in foreign currencies. As a result, the impact of currency movements on the Group operating results for the period is not significant. However, the strengthening of Sterling over the period had a negative impact on cash balances, the majority of which are held in US Dollars.

The closing exchange rates to Sterling used in balance sheet translation at 30 June 2018 were £1 = $1.32 (H1 2017: $1.30*)* and £1 = €1.13 (H1 2017: €1.14).

Underlying operating loss from continuing operations

Despite lower revenue, the underlying operating loss of £2.8m for the period was 15% lower compared to the previous 6 months (H2 2017 restated: £3.3m) and 28% against H1 2017 (H1 2017 restated: £3.9m), reflecting the cost saving initiatives that commenced in 2017 and continue to progress in 2018 in line with our expectations.

The £2.5m (H1 2017 restated: £0.6m) of non-underlying expense comprises £1.4m of advisory fees associated with the raising of capital, £0.3m in relation to restructuring which can be broken down further to £0.2m of restructuring related redundancy costs and £0.1m of advisory fees, and £0.8m in connection with expenses

Group Financial Review (continued)

incurred in relation to the disposal Kurt Salmon business, of which £0.7m relates the recognition of expected credit losses in relation to restricted cash and £0.1m of unprovided legacy costs.

Interest

The net interest expense was £0.3m (H1 2017 restated: £0.3m). In accordance with IAS 19, the reported net interest charge for H1 2018 includes an imputed charge in relation to defined benefit pensions of £0.3m (H1 2017 restated: £0.3m).

Taxation

The tax credit on operations was £0.1m (2017: tax charge £0.3m). The tax credit for the half year reflects project specific withholding taxes and the tax charges in taxable non-UK jurisdictions where there are no losses available to shelter the income (£0.1m) offset by adjustments to prior year balances (£0.24m).

Loss for the period

The loss for the period from continuing operations including the underlying loss from operations, non-underlying expenses, taxation and interest was £5.4m (H1 2017 restated: £5.1m).

Losses per share

The basic loss per share for continuing operations was 1.1p (H1 2017 restated: 1.0p per share) and the underlying basic loss per share was 0.6p (H1 2017 restated: 0.9p per share).

Going Concern

As reported in note 2, Subsequent Events, on 18 July 2018, the Group completed a placing and open offer to raise £10m gross of new equity capital (£8.6 million of net proceeds after expenses). Through this fundraising, the Board addressed the risks and uncertainties to the Group's short-term funding position highlighted in the 2017 Annual Report and in the prospectus published on 29 June 2018. As part of the preparation of the prospectus, the Board conducted a review of the Group's working capital requirements and concluded that, taking into account the net proceeds of the placing and open offer receivable by the Company, the Group has sufficient working capital for its present requirements. In addition, the Group prepares regular business forecasts and monitors its projected cash flows, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties 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 costs incurred by the Group.

Balance Sheet

The net assets of the Group decreased from £2.1m at 31 December 2017 to net liabilities of £4.4m at 30 June 2018 due to the loss for the period.

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.

Directors' responsibility statement

The directors are responsible for the maintenance and integrity of corporate and financial information. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that, to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

(b) the Chairman and Chief Executive's Statement and the Group Financial Review include a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Chairman and Chief Executive's Statement and the Group Financial Review include a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board.

At the date of this statement, the directors are those listed in the Group's 2017 annual report and accounts, with the exception of Michael Comras, who resigned on 9 May 2018, and Pamela Hackett, who was appointed on 18 July 2018.

Nick Stagg
Chairman and Chief Executive
13 August 2018

Cautionary statement

The Chairman and Chief Executive's Statement and the Group Financial Review have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. They should not be relied on by any other party or for any other purpose.

They contain certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Condensed Group statement of profit and loss
for the six months ended 30 June 2018

	Notes	**Unaudited six months ended 30 June 2018 £'000**	Unaudited six months ended 30 June 2017 £'000 (restated)*
Continuing operations			
Revenue	4	**13,778**	20,011
Cost of sales		**(6,716)**	(11,228)
Gross profit		**7,062**	8,783
Administrative expenses – underlying		**(9,830)**	(12,668)
Loss from operations – underlying	4	**(2,768)**	(3,885)
Administrative expenses – non-underlying	5	**(2,457)**	(603)
Total administrative expenses		**(12,287)**	(13,271)
Loss from operations	4	**(5,225)**	(4,488)
Investment income		**52**	55
Finance costs		**(338)**	(360)
Loss before tax	4	**(5,511)**	(4,793)
Tax	7	**136**	(311)
Loss for the period from continuing operations		**(5,375)**	(5,104)
Loss from discontinued operations	10	**(6,215)**	(944)
Loss for the period		**(11,590)**	(6,048)

*restated for the disposal of the Brazil. Refer to note 10 of the accounts for further information.

Loss per share – pence			
From loss from continuing operations for the period			
Basic and diluted	8	**(1.1)**	(1.0)
Basic and diluted – underlying	8	**(0.6)**	(0.9)
From the loss for the period			
Basic and diluted	8	**(2.3)**	(1.2)
Basic and diluted – underlying	8	**(0.9)**	(1.1)

Condensed Group statement of comprehensive income
for the six months ended 30 June 2018

	Unaudited six months ended 30 June 2018 £'000	Unaudited Six months ended 30 June 2017 £'000 (restated)
Loss for the period	**(11,590)**	(6,048)
Items that will not subsequently be reclassified to profit and loss		
Remeasurement of defined benefit pension schemes	**1,132**	1,686
Tax on items taken directly to comprehensive income	**-**	(542)
Items that may subsequently be reclassified to profit and loss		
Exchange differences on translation of foreign operations	**(231)**	(672)
Total comprehensive expense for the period attributable to owners of the Company	**(10,689)**	(5,576)

Condensed Group statement of changes in equity
for the six months ended 30 June 2018

	Share capital £'000	Share premium £'000	Share compensation reserve £'000	Shares held by employee benefit trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2017	**5,111**	**8,023**	**226**	**(108)**	**(3,376)**	**7,064**	**15,672**	**32,612**
Total comprehensive expense for the period	-	-	-	-	(672)	-	(4,904)	(5,576)
Share-based payments	-	-	23	-	-	-	-	23
Vesting of share awards	-	-	(5)	-	-	-	-	(5)
Shares transferred from ESOP	-	-	-	5	-	-	-	5
Unaudited balance at 30 June 2017	**5,111**	**8,023**	**244**	**(103)**	**(4,048)**	**7,064**	**10,768**	**27,059**
Total comprehensive expense for the period	-	-	-	-	1,315	-	(26,144)	(24,829)
Share-based payments	-	-	(86)	-	-	-	-	(86)
Audited balance at 31 December 2017	**5,111**	**8,023**	**158**	**(103)**	**(2,733)**	**7,064**	**(15,376)**	**2,144**
Total comprehensive expense for the period	-	-	-	-	(231)	-	(10,458)	(10,689)
Transition to IFRS 9	-	-	-	-	-	-	(374)	(374)
Recycling of historic foreign exchange reserve arising on disposal of Brazil	-	-	-	-	4,479	-	-	4,479
Share-based payments	-	-	37	-	-	-	-	37
Unaudited balance at 30 June 2018	**5,111**	**8,023**	**195**	**(103)**	**1,515**	**7,064**	**(26,208)**	**(4,403)**

Condensed Group statement of financial position
as at 30 June 2018

	Note	**Unaudited 30 June 2018 £'000**	Audited 31 Dec 2017 £'000
Non-current assets			
Intangible assets and goodwill		**86**	151
Property, plant and equipment		**258**	358
Investments		**-**	395
Deferred tax assets		**192**	79
Total non-current assets		**536**	983
Current assets			
Trade and other receivables	11	**5,733**	4,075
Current tax receivables		**150**	965
Cash and cash equivalents	11	**11,006**	20,979
Total current assets		**16,889**	26,019
Total assets		**17,425**	27,001
Current liabilities			
Trade and other payables		**(11,420)**	(11,390)
Current tax liabilities		**(1,192)**	(1,391)
Total current liabilities		**(12,612)**	(12,781)
Net current assets		**4,277**	13,238
Non-current liabilities			
Retirement benefit obligations		**(6,623)**	(7,320)
Deferred tax liabilities		**(22)**	(24)
Long-term provisions		**(2,571)**	(4,732)
Total non-current liabilities		**(9,216)**	(12,076)
Total liabilities		**(21,828)**	(24,857)
Net (liabilities)/assets		**(4,403)**	2,144
Equity			
Share capital		**5,111**	5,111
Share premium account		**8,023**	8,023
Share compensation reserve		**195**	158
Shares held by employee benefit trust		**(103)**	(103)
Translation reserve		**1,515**	(2,733)
Other reserves		**7,064**	7,064
Retained earnings		**(26,208)**	(15,376)
Equity attributable to owners of the Company		**(4,403)**	2,144

Condensed Group statement of cash flows
for the six months ended 30 June 2018

	Note	**Unaudited six months ended 30 June 2018 £'000**	Unaudited six months Ended 30 June 2017 £'000
Net cash outflow from operating activities	9	**(7,911)**	(9,246)
Investing activities			
Interest received		**52**	46
Purchases of property, plant and equipment		**8**	(83)
Purchases of intangible assets		**-**	(46)
(Expenses)/proceeds from disposals of subsidiaries		**(773)**	790
Net cash (used by)/generated from investing activities		**(713)**	707
Financing activities			
Net cash outflow from financing activities		**-**	-
Net decrease in cash and cash equivalents		**(8,624)**	(8,539)
Cash and cash equivalents at beginning of period		**19,482**	38,067
Effect of foreign exchange rate changes		**148**	(1,091)
Cash and cash equivalents at end of period	11	**11,006**	28,437

Notes

1. General information

The results for the six months ended 30 June 2018 and 30 June 2017 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 2017 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 included a reference by way of emphasis of matter that a material uncertainty existed that might cast significant doubt on the Group’s and Company’s ability to continue as a going concern at that time. In relation to the current year financial statements, an update to the risks and uncertainty relating to going concern is provided in note 2 below.

2. Subsequent events – fundraising

On 18 July 2018 the Group completed a placing and open offer to raise £10m gross of new equity capital (£8.6m of net proceeds after expenses). The fundraising attracted strong shareholder support with approximately 82% take-up of open offer entitlements and an oversubscribed excess application facility. Through this fundraising, the Board addressed the risks and uncertainties to the Group's short-term funding position highlighted in the 2017 Annual Report and in the prospectus published on 29 June 2018. The Group has also continued to manage negotiations concerning those contingent liabilities, notably with Wavestone and since 30 June has secured the release of approximately £2.2m of funds previously held in escrow. These subsequent events, intervening after 30 June but before the formal approval of the half year accounts, have been fully taken into account in the establishing the basis of preparation of the half year accounts. (See Note 3. Significant Accounting Policies / Going concern and note 1. General Information).

3. 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. 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

The accounting policies, significant judgements and key sources of estimation adopted in the preparation of the Condensed set of Consolidated Financial Statements are consistent with those applied by the Group in its Consolidated Financial Statements for the year ended 31 December 2017 except for the adoption of new standards and interpretations effective as of 1 January 2018 listed below.

IFRS 9: Financial Instruments
IFRS 15: Revenue from Contracts with Customers
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Interpretation IFRIC 22: Foreign Currency Transactions and Advance Consideration
Amendments to ISA 40: Transfer of Investments Property
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
Annual improvements to IFRS Standards 2014-2016 Cycle (certain items effective from 1 January 2017)

3. Significant accounting policies (continued)

Except for the adoption of IFRS 9 and IFRS 15, the adoption of these standards and interpretations has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group. Other amendments to IFRS's effective for the period ending 30 June 2018 have no impact on the Group.

Full details of the Group's accounting policies can be found in note 2 to the 2017 Annual Report which is available on our website: www.mcgplc.com.

In the current financial year, the Group has adopted the following two accounting standards with the resulting change in accounting policy.

IFRS 9: Financial assets

The Group's financial assets are classified and measured at fair value, with changes in fair value recognized in profit and loss as they arise ("FVPL"). Trade receivables and restricted cash are tested for expected credit losses at each period end with the impairment recognised in the income statement. Under the "expected credit loss" model, the entity calculates the allowance for credit losses by considering the risk that an asset will not be recoverable rather than whether a loss has been incurred.

The adoption of IFRS 9 has impacted on assets and liabilities as at 1 January 2018. Refer to note 12, transition to IFRS 9 on page 19 of the half-yearly report for further information.

IFRS 15: Revenue

The Group follows the principles of IFRS 15 revenue in determining appropriate revenue recognition policies. Revenue represents amounts chargeable for services provided to third parties in the normal course of business. Revenue from services is recognised following the principles outlined in IFRS 15's five step model. Identifying the contract, the performance obligations in the contract and the price. The price is then allocated to performance obligations and revenue is recognised as the performance obligations are satisfied and control is passed.

The adoption of IFRS 15 in 2018 has not resulted in a change in revenue recognition.

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.

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.

3. Significant accounting policies (continued)

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

As reported in note 2, Subsequent Events, on 18 July 2018, the Group completed a placing and open offer to raise £10m gross of new equity capital (£8.6m of net proceeds after expenses). Through this fundraising, the Board addressed the risks to the Group's short-term funding position highlighted in the 2017 Annual Report and in the prospectus published on 29 June 2018. As part of the preparation of the prospectus, the Board conducted a review of the Group's working capital requirements and concluded that, taking into account the net proceeds of the placing and open offer receivable by the Company, the Group has sufficient working capital for its present requirements. In addition, the Group prepares regular business forecasts and monitors its projected cash flows, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties 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 costs incurred by the Group.

Taking into account all of the above, the Board has concluded that the Group should have adequate resources to continue in operational existence 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 half-yearly report.

Non-GAAP performance measures

The Group has adopted a number of alternative performance measures to provide additional information to understand underlying trends and the performance of the Group. These alternative performance measures are not defined by IFRS and therefore may not be directly comparable to other companies' alternative performance measures

Underlying profit/loss from operations

This is defined as operating profit or loss before non-underlying items.

Non-underlying

Non-underlying items are those significant charges or credits which, in the opinion of the directors, should be disclosed separately by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions that may give rise to non-underlying items include charges for impairment, restructuring costs, acquisition costs and profits/losses on disposals of subsidiaries. The Group exercises judgement in assessing whether items should be classified as non-underlying. This assessment covers the nature of the item and the material impact of that item on reported performance. Reversals of previous items are assessed based on the same criteria.

4. Segmental information

The Group's continuing operating segment is one professional services practice, Proudfoot. 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.

Revenue and underlying operating profit by geography

	Unaudited six months ended 30 June 2018			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue	**4,154**	**7,960**	**1,664**	**13,778**
Loss from operations – underlying	**(1,617)**	**(638)**	**(513)**	**(2,768)**
Non-underlying expenses	**(836)**	**(1,338)**	**(283)**	**(2,457)**
Loss from operations				**(5,225)**
Investment income				**52**
Finance costs				**(338)**
Loss before tax				**(5,511)**

	Unaudited six months ended 30 June 2017			
	Americas £'000 restated	Europe £'000 restated	Rest of World £'000 restated	Consolidated £'000 restated
Revenue – continuing operations	8,290	8,261	3,460	20,011
(Loss)/profit from operations – underlying	(2,908)	(1,079)	102	(3,885)
Non-underlying expenses	(608)	5	-	(603)
(Loss)/profit from operations	(3,516)	(1,074)	102	(4,488)
Investment income				55
Finance costs				(360)
Loss before tax				(4,793)

5. Non-underlying items

	2018 £'000 restated	2017 £'000 restated
Restructuring	**274**	603
Fundraising costs	**1,388**	-
Legacy Kurt Salmon expenses	**795**	-
	2,457	603

The £2.5m (H1 2017 restated: £0.6m) of non-underlying expense comprises £1.4m of advisory fees associated with the raising of capital, £0.3m in relation to restructuring which can be broken down further to £0.2m of restructuring related redundancy costs and £0.1m of advisory fees, and £0.8m in connection with expenses incurred in relation to the disposal Kurt Salmon business, of which £0.7m relates the recognition of expected credit losses in relation to restricted cash and £0.1m of unprovided legacy costs.

6. Dividends

The Company did not pay an interim or final dividend for 2017 and no interim dividend for 2018 will be payable.

7. Taxation

The tax credit on operations was £0.1m (H1 2017 restated: tax charge £0.4m). The tax credit for the half year reflects project specific withholding taxes and the tax charges in taxable non-UK jurisdictions where there are no losses available to shelter the income (£0.1m) offset by adjustments to prior year balances (£0.2m).

8. Loss per share

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

	Unaudited six months ended 30 June 2018 Total £'000	**Unaudited six months ended 30 June 2018 Continuing £'000**	**Unaudited six months ended 30 June 2018 Discontinued £'000**
Loss			
Loss for the purposes of basic and diluted loss per share being net loss for the period attributable to owners of the Company	**(11,590)**	**(5,375)**	**(6,215)**
Non-underlying items	**2,457**	**2,457**	**-**
Adjustment for loss on disposal	**4,806**	**-**	**4,806**
Tax on non-underlying items	**-**	**-**	**-**
Loss for purpose of basic earnings per share – underlying	**(4,327)**	**(2,918)**	**(1,409)**

	Unaudited six months ended 30 June 2017 Total £'000 represented	Unaudited six months ended 30 June 2017 Continuing £'000 represented	Unaudited six months ended 30 June 2017 Discontinued £'000 represented
Loss			
Loss for the purposes of basic and diluted earnings per share being net loss for the period attributable to owners of the Company	(6,049)	(5,105)	(944)
Non-underlying items	754	603	151
Tax on non-underlying items	(152)	(122)	(30)
Loss for purpose of basic earnings per share - underlying	(5,447)	(4,624)	(823)

8. Loss per share (continued)

	2018 Number million	2017 Number Million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**511.1**	511.1
Effect of dilutive potential ordinary shares:		
– share options and performance share plan	**0.3**	0.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**511.4**	511.4

	2018 All Pence	**2018 Continuing Pence**	**2018 Discontinued Pence**
Basic and diluted loss per share	(2.3)	(1.1)	(1.2)
Basic and diluted loss per share – underlying	(0.9)	(0.6)	(0.3)

	2017 All Pence	2017 Continuing Pence	2017 Discontinued Pence
Basic and diluted loss per share	(1.2)	(1.0)	(0.2)
Basic and diluted loss per share – underlying	(1.1)	(0.9)	(0.2)

The average share price for the six months ended 30 June 2018 was 5.0p (30 June 2017: 7.6p).

9. Notes to the cash flow statement

	Note	**Unaudited six months ended 30 June 2018 £'000**	Unaudited six months Ended 30 June 2017 £'000
Loss from continuing operations		**(5,225)**	(4,488)
Loss from discontinued operations	10	**(614)**	(894)
Loss from operations		**(5,839)**	(5,382)
Adjustments for:			
Depreciation of property, plant and equipment		**78**	171
Amortisation of intangible assets		**67**	110
Gain on disposal of plant and equipment		**(4)**	-
Adjustment for cost of share-based payments		**39**	29
Decrease in provisions		**(898)**	(420)
Other non-underlying items		**57**	(759)
Operating cash flows before movements in working capital		**(6,500)**	(6,251)
(Increase)/decrease in receivables		**(1,390)**	986
Increase/(decrease) in payables		**100**	(3,239)
Cash absorbed by operations		**(7,790)**	(8,504)
Income taxes paid		**(88)**	(712)
Interest paid		**(33)**	(30)
Net cash outflow from operating activities		**(7,911)**	(9,246)

10. Discontinued operations

The sale of the Brazilian entity was completed on 23 May 2018 for cash consideration of $80,000. The results of its operations and the loss on disposal are reported as discontinued operations in this half-yearly report. The comparatives for 2017 have been restated on the same basis in relation to discontinued operations. The disposed entity was presented in the geographical region of the Americas.

The loss after tax for Brazil for the first six months of the year was £1.4m. The loss on disposal before the effect of foreign exchange was £0.3m. The loss on disposal includes £4.5m of cumulative historic foreign exchange losses which crystallise on disposal and are therefore transferred from the translation reserve.

	Brazil June 2018 £'000	Brazil June 2017 £'000
Revenue	**460**	1,564
Cost of sales	**(344)**	(1,027)
Gross profit	116	537
Administrative expenses– underlying	**(730)**	(1,280)
Loss from operations – underlying	**(614)**	(743)
Administrative expenses – non-underlying	**-**	(151)
Total administrative expenses	**(730)**	(1,431)
Loss from operations	**(614)**	(894)
Finance costs	**-**	-
Loss before tax	**(614)**	(894)
Tax	**(795)**	(50)
Loss for the period attributable to owners of the Company	**(1,409)**	(944)
Loss on disposal from discontinued operations	**(327)**	-
Foreign exchange arising on disposal of Brazilian subsidiary	**(4,479)**	-
Net loss attributable to discontinued operations	**(6,215)**	(944)

Disposal of Subsidiary

The net assets of Proudfoot Brazil at the date of disposal were as follows:

	2018 £'000
Property plant and equipment	8
Trade and other receivables	75
Cash	589
Total assets disposed	672
Trade and other payables	(914)
Current tax liabilities	(150)
Total liabilities disposed	(1,064)
Net liabilities disposed	(392)
Disposal expenses - net	719
FX on disposal	4,479
Loss on disposal	4,806

10. Discontinued operations (continued)

The Brazil business contributed a net operating cash outflow of £0.05m (H1 2017: £1.0m). There were cashflows arising from investing activities in the current year of £0.3m (H1: 2017: £1.2m). There were no cash flows arising from financing activities in either the current or prior year. Cash balances transferred at completion totalled £0.5m.

11. Transition to IFRS 9

In the current year, the Group has applied IFRS 9 Financial Instruments in accordance with the transition provisions set out in IFRS 9. The table below illustrates the result of the adoption of IFRS 9 and the measurement impact on the respective categories of financial instruments.

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for the impairment of financial assets. The date of initial application is 1 January 2018. Accordingly, the Group has applied the requirements to IFRS 9 to assets as at 1 January 2018.

Impact on assets, liabilities and equity as at 1 January 2018

	Under IAS 39 £'000	IFRS 9 adjustments impacting opening reserves £'000	Under IFRS 9 £'000
Trade and other receivables	4,075	(115)	3,960
Cash	20,979	(1,496)	19,482

Impact on loss for the year

	2018	2017
(Decrease)/Increase in administration expenses	(88)	153
Increase in non-underlying expense	745	222

12. Transition to IFRS 15 Revenue

The adoption of IFRS 15 has no impact on revenue recognition.

13. 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.

INDEPENDENT REVIEW REPORT TO MANAGEMENT CONSULTING GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the statement of profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 3, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
13 August 2018