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Management Consulting Group PLC

Annual report and financial statements for the year ended

31 December 2023

Registered number 01000608

Docusign Envelope ID: 132A365B-D1F6-40F2-9287-A5E429897B72

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Company Information

Directors:
Mr N S Stagg (resigned 5 March 2024)
Mr N O'Brien
Mr M Capello
Ms F Czerniawska (resigned 6 May 2024)
Mr E Di Spiezio Sardo (resigned 6 May 2024)
Mr T Jamieson (appointed 21 May 2024)
Mr R Reinighaus (appointed 21 May 2024)
Mr G Thomas (appointed 21 May 2024)

Company Secretary:
Prism CoSec Ltd

Company Registration Number - 01000608

Registered Address:
St Pauls House
4th Floor
10 Warwick Lane
London
EC4M 7BP

Country of Incorporation – United Kingdom

External Auditor:
BDO LLP
55 Baker Street
Marylebone
London
W1U 7EU

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Strategic report

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Business environment

Proudfoot is a global leader in improving business and operational performance, delivering operational productivity improvements to clients based on deep industry expertise and utilising The Proudfoot System. We help our clients achieve a positive return on investment and excel in the areas that impact profitability and long-term sustainability. Our Services target Operational Excellence in the Natural Resources, Oil & Gas, and Manufacturing sectors.

Business review

As mentioned in the previous year's accounts, Neil O'Brien came on board as CEO in October 2022 from Accenture with a proven record of growing consulting businesses, and took on the roles of both Chairman and CEO in February 2024.

The priority in 2023 has been to adjust the business to the new strategy that focuses on a clear growth plan to achieve profitability and create value for shareholders. Following a review and refocus by the management team, the business moved away from a broad strategy and developed a sharp, focused and compelling 1-3-5 strategy that concentrates on one service (The Proudfoot System), three industries and five countries. We streamlined the business in 2023 by lowering our break-even point, enhancing sales productivity by 300%, and increasing utilisation across the business. A new flat and streamlined operating model has been rolled out that emphasises company values and behaviours, performance and talent management. Operations in Asia Pacific and South Africa have stopped while the business focus is on its core markets spread over North America and Europe.

As the business shifted to the revised strategy, revenues decreased by 23% to £15.4m (2022: £20.1m), with 43% of revenues billed in North America and 57% billed in Europe. Natural Resources remained strong with 58% of total revenues driven from this sector globally.

Operating loss of £1.7m (2022: loss of £0.9m), includes a net non-underlying credit totalling £0.2m (2022: £0.8m credit). The underlying operating loss was £1.9m (2022: £1.7m).

Non-underlying items comprise a £0.3m expense relating to restructuring, £0.1m costs incurred in relation to the application to the US Pension Benefit Guaranty Corporation for them to take over the running of the Proudfoot Defined benefit pension scheme and £0.1m of employee litigation costs offset by a £0.3m credit arising from the successful outcome of an employee tax litigation issue and £0.4m credit relating to historic accrual release related to prior year acquisitions.

The loss after tax for the year was £2.6m (2022: loss of £1.6m).

The financial position at year end shows net liabilities of £8.1m (2022: £6.0m). Cash and cash equivalents total £2.6m (2022: £5.1m).

Principal Risks and Uncertainties

Demand

Changes in demand for the Group’s services can significantly impact revenues and profits. Alexander Proudfoot, the only operating arm of the Group, operates in several industry sectors, and demand for consulting work can be affected by global, regional, or national macro-economic conditions and conditions within individual industry sectors. Proudfoot operates in a competitive environment, where other consulting firms seek to provide similar services to our clients.

The Group seeks to monitor demand for its services, to anticipate changes in demand and competitive pressures where possible, and to develop a strategy and offering to exploit opportunities for growth in sectors where demand is increasing. The Group operates across a diverse range of business sectors which provides some protection against adverse trends in individual sectors. The Group retains some flexibility in being able to deploy staff to areas of higher demand to optimise utilisation.

People

The Group is dependent on the recruitment and retention of key personnel to develop and maintain relationships with clients and to deliver high quality services. Any failure to attract and retain such personnel which results in their unforeseen departure from the business may have detrimental consequences on the Group’s financial performance.

The Group seeks to develop remuneration policies and structures that reward good performance and promote continued employment with the Group consistent with prevailing market levels of remuneration.

Intellectual Property

The intellectual capital of Alexander Proudfoot, the sole trading arm of the Group, including its methodologies, particularly The Proudfoot System, and its track record of successful sale and delivery of assignments to clients is a key asset. This must be maintained, continually developed and protected so that its offerings

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Strategic report (cont.)

Intellectual Property (continued)

remain distinctive and attractive to clients. It is possible that employees who exit the business may appropriate this intellectual capital for use by themselves or Alexander Proudfoot's competitors.

The Group protects its intellectual property through appropriate contractual arrangements with employees and others, and through legal action where necessary.

Events after the balance sheet date

Nick Stagg resigned as Chairman and CEO of Management Consulting Group on 5 March 2024. Neil O'Brien, the current CEO of Proudfoot assumed Chairman and CEO responsibilities for the Group.

In April 2024, the Group completed a successful capital raise, raising £1.2m before costs by issuing new C Preference shares to existing shareholders.

US Defined benefit pension scheme.

At the actuarial valuation date of 31 December 2022, the funding ratio of assets vs liabilities had dropped below 80%. The shortfall crystallises a funding requirement whereby the company is obliged to make significant contributions into the pension scheme over 2024 and 2025. The Group maintains sufficient working capital to ensure that the short and medium term solvency of the business is managed and the company has enough liquidity to meet its obligations. There would be a material impact on cash availability for the running of the business if the Group had to make these pension funding contributions. The Group applied to the Pension Benefits Guaranty Corporation "PBGC" for a distressed termination of the US pension scheme and for the PBGC to take over the Pension from the Group. In June 2024, the Group received formal notification that the application for a distressed termination had been approved. An agreement was signed on 1 July that ratifies the Pension termination and appoints the PBGC as its trustee and removes the US pension liability of £7.2m ($9.1m) from the balance sheet. The settlement agreement was signed on 27 November 2024 and the Group is required to make a payment of £361k ($459k) in respect of the pension termination which will be payable to the PBCG in February 2025. Refer to "Going concern" within the Directors Report for further consideration.

Outlook

The new focused strategy impacted short term revenues as the business concentrated on its key service and sectors. The economic uncertainty, caused by a number of macro-economic factors, combined with a reduction in consulting demand in 2023 impacted both revenue and orderbook. However, the revised strategy is focussing on longer term projects and as these contracts are signed it will give, in the future, more resilience to the short term macro-economic impacts. Taken together, we believe the business will move into sustained long-term profitability in 2024.

Approved by the Board of Directors and signed on its behalf by:

Signed by:
Neil O'Brien
7789746F3CFF468...

Neil O'Brien, Chairman & CEO Management Consulting Group PLC

13 December 2024

St Paul's House
10 Warwick Lane
London, EC4M 7BP

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Directors report

The directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report for the year ended 31 December 2023.

General information

Management Consulting Group PLC ("the Company") is a public Company and the Group's ultimate parent Company and is incorporated and domiciled in England under the Companies Act 2006.

Principal activity

The Group's principal activity during the year was the provision of management consultancy services.

Going concern

The Company is a holding entity and as such their going concern is dependent on the Group therefore, the going concern assessment for the Company was performed as part of the Group's assessment.

The Group's business activities, together with the factors likely to affect its future development, performance, and position, are set out in the Strategic Report. The Group prepares regular business forecasts which are reviewed by the Directors. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed to, and consideration is given to actions open to the Directors to mitigate the impact of these sensitivities.

The financial statements have been prepared on a going concern basis. Under the worst-case scenario considered, the Group remains liquid for a period of 12 months from the date of reporting and the Directors therefore believe, at the time of approving the financial statements that the Group is well placed to manage its business risk successfully and remains a going concern.

With available cash of £2.0m at 31 December 2023 and with no access to banking facilities, the Directors have had to assess going concern against working capital constraints and the need to turnaround the business to be profitable to shareholders. The board devised a budget for 2024 where topline growth is modest and reflects the implementation of a clear and focused 1-3-5 strategy, focusing on one service (The Proudfoot System), three industries (Mining, Oil & Gas and manufacturing), and five countries, (USA, Canada, UK, France, Germany). This creates a simple model where the business can streamline costs and create efficiencies.

The fundraise of further equity in April 2024 was completed successfully and raised £1.25m before advisor fees. The Group continues to manage the liabilities related to the disposals made in 2015 and 2016. Restricted cash remains at £0.5m. The Directors will review this balance periodically with the Trustees of the pension scheme with the aim of reducing the restricted cash further.

The Directors have prepared a number of scenarios and have produced a working capital model taking into account the change of strategy. This model reflects an increase in revenues for 2024 of 24% and factors in continued growth in revenues in 2025 which will see the Group returning to profit during 2024 with a substantially reduced cost base.

To assess the Group's ability to operate as a going concern, the Directors have also prepared a reasonable worse case working capital model, which reduces anticipated 2024 revenues by 10%. The Directors have not reflected any mitigation in the model apart from the corresponding reduction in cost of sales. The Directors have certain mitigating actions available, including (but not exhaustively); investment in technology and sales support will be scaled back and cost of sales will naturally reduce, as travel expenses and contractor costs are directly linked to revenue generation. Variable pay is now aligned to profitability, therefore outflows relating to variable pay will only take effect when certain levels of profit are achieved. Combined with the continued reductions in base operating costs over the past two years, this shows that the business, even under the worst case scenario, can maintain liquidity for the period of assessment of going concern under such tough trading conditions.

The Group has achieved a significant milestone in its restructuring by successfully completing the distress termination of the US defined benefit pension scheme, which was underfunded by £7.2m as at 31 December 2023. The Pension Benefit Guaranty Corporation (PBGC), a US government agency, has taken over the administration and liabilities of the scheme, and the Group is no longer responsible for making any future contributions. However, the Group is still liable to pay a settlement amount to the PBGC, which has been agreed at £361k ($459k) payable in February 2025. Even when this payment is included in the reasonable worse case working capital model, the directors have concluded that the Group will be able to operate as a going concern for the twelve months from the date of the signing of these financial statements and therefore the going concern basis of preparation is deemed appropriate.

Future Developments and Events after the Balance Sheet Date have been considered within the Strategic Report on page 3.

Employees

The Group employs its people in multiple geographies. Employment practices meet legal requirements in each country.

It is Group policy that all people be treated with dignity and respect. The Group is committed to providing and fostering a working environment that is free from harassment, discrimination, victimisation, or bullying.

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Directors report (cont.)

A high-performing organisation depends on the inclusion of people who come from diverse backgrounds. It is the Group's policy to ensure equal opportunities exist without discrimination for all employees, irrespective of their race, colour, creed, religion, gender, ancestry, citizenship, sexual preference, marital status, national origin, age, pregnancy, or any other reason prohibited by the law in the United Kingdom. This applies with respect to recruitment, promotion, remuneration, transfer, retention, training, and other employment actions. Wherever possible, the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

Employees have a written job description and are appraised by their manager semi-annually using a formal process. The Group is committed to providing support to help realise the full potential of all its employees, whilst recognising that the ultimate responsibility for personal development must rest with the individual. There are executive and management development programmes for the leaders and future leaders of the business, training programmes for client facing staff and an induction programme for all staff. Employee engagement and communication is a high priority for a geographically diverse workforce. The entire company is invited to an all-hands video call on a regular basis where they can interact with the management team.

Financial risk management

The Group does not use derivatives to manage its financial risks. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Group's business and the assets and liabilities contained within the Group's balance sheet, the only financial risk the Directors consider relevant to the Group is credit risk. This risk is mitigated by the Group's credit control policies.

The Group has operating, and financial policies and procedures designed to maximise value within a defined risk management framework. The key risks to which the Group is exposed are reviewed regularly by senior management and the Board.

The major risks the Group faces are related to the demand for consultancy services; maintaining and extending our client base; attracting and retaining talented employees; and not using our intellectual capital to full advantage. These risks are managed by anticipating consultancy trends; identifying new sectors which the Group might operate; maximising staff utilisation; having remuneration policies which reward performance and promote continued employment with the Group; and maintaining a comprehensive knowledge management system.

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.

Directors

The Directors who held office throughout the year and up to the date of this report were as follows:

Mr N S Stagg (resigned 5 March 2024)
Mr N O'Brien
Mr M Capello
Ms F Czerniawska (resigned 6 May 2024)
Mr E Di Spiezio Sardo (resigned 6 May 2024)
Mr T Jamieson (appointed 21 May 2024)
Mr R Reinighaus (appointed 21 May 2024)
Mr G Thomas (appointed 21 May 2024)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by

Signed by:
Neil O'Brien
7789746F3CFF468...

St Paul's House
10 Warwick Lane
London, EC4M 7BP

Neil O'Brien

Chairman & CEO Management Consulting Group PLC

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Directors' responsibilities statement

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent Auditor's Report to the Members of Management Consulting Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss and the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Management Consulting Group plc ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2023 which comprise the Group income statement, Group Statement of Comprehensive Income, Group Statement of Changes In Equity, Group Balance Sheet, Group Cash Flow Statement, Company Balance Sheet, Company Statement of Changes In Equity, Company Cash Flow Statement and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Independent Auditor's Report to the Members of Management Consulting Group plc (cont.)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company, the Group and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining an understanding of the Company's and the Group's policies and procedures regarding compliance with laws and regulations;

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Independent Auditor's Report to the Members of Management Consulting Group plc (cont.)

we considered the significant laws and regulations to be the financial reporting framework (UK adopted international accounting standards and Companies Act 2006) and regulations impacting labour regulations and taxation in the United Kingdom and overseas jurisdictions where subsidiaries of the Group operate.

The Company and the Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Enquiries regarding correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Assessing the impact of and discussing any material ongoing and closed tax investigations with management. We challenged managements judgements made in respect of the tax liabilities recorded and their compliance with tax legislation;
- Enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through obtaining direct confirmations from the company's lawyers to corroborate the status of material legal claims;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of financial statement disclosures and agreeing to supporting documentation.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's and the Group's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these; and
- Considering potential fraud drivers, including financial or other pressures, opportunity and personal or corporate motivations.

Based on our risk assessment, we considered the areas most susceptible to fraud to be key areas of estimation uncertainty or judgement, for example estimations of accrued income and revenue relating to work performed at period end, assumptions and conclusions reached in relation to the US pension scheme, estimates of the provision in place for legal claims and unusual journals or complex consolidation journals based on our knowledge of the entity.

Our tests included, but were not limited to:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing the appropriateness of revenue recognition through assessment of revenue earned by reference to time incurred on the project and comparison to engagement terms and invoicing;
- Assessing the appropriateness of conclusions reached in relation to the US pension scheme and funding by reviewing key documentation supporting the conclusions in relation to the pension scheme; and
- Assessing other significant estimates and judgements made by management for indication of bias including the reasonableness and completeness of provisions by reviewing the judgements made by management to develop the estimate.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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Independent Auditor's Report to the Members of Management Consulting Group plc (cont.)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Tim Neathercoat
4DBAD10598DC44F...

Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

13 December 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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Group income statement

for the year ended 31 December 2023

	Notes	**2023 £'000**	2022 £'000
Continuing operations			
Revenue	3	**15,411**	20,071
Cost of sales		**(8,268)**	(10,367)
Gross profit		**7,143**	9,704
Total administrative expenses	4	**(8,853)**	(10,619)
Administrative expenses – non-underlying other	4a	**(601)**	(3,866)
Administrative expenses – non-underlying credit	4a	**803**	4,652
Loss from operations – underlying*		**(1,912)**	(1,701)
Loss from operations	4	**(1,710)**	(915)
Investment revenues	6a	**15**	17
Finance costs	6b	**(868)**	(793)
Loss before tax	4	**(2,563)**	(1,691)
Tax	7	**(79)**	137
Loss for the year		**(2,642)**	(1,554)

*operating loss before non-underlying costs and credits, refer to definition on page 21.

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Group statement of comprehensive income

for the year ended 31 December 2023

	Notes	**2023 £'000**	2022 £'000
Loss for the year		**(2,642)**	(1,554)
Items that will not be reclassified subsequently to profit and loss			
Actuarial gains on defined benefit post-retirement obligations	15	**262**	1,783
		262	1,783
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**272**	(371)
		272	(371)
Total comprehensive expense for the year attributable to owners of the Company		**(2,108)**	(142)

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Group statement of changes in equity

for the year ended 31 December 2023

	Share Capital £'000	Share premium £'000	Share compensation reserve £'000	Shares held by employee benefit trust £'000	Translation reserve £'000	Capital redemption reserve £'000	Accumulated Deficit £'000	Total £'000
Balance as of 1 January 2022	**19,640**	**8,023**	**26**	**(101)**	**2,463**	**1,186**	**(39,202)**	**(7,965)**
Comprehensive expense for the period								
Loss for the period	—	—	—	—	—	—	(1,554)	(1,554)
Other comprehensive income	—	—	—	—	(371)	—	1,783	1,412
Total comprehensive expense for the period	—	—	—	—	(371)	—	229	(142)
Contributions by and distributions to owners								
Issue of new shares	2,077	—	—	—	—	—	—	2,077
Total transactions with owners	2,077	—	—	—	—	—	—	2,077
Balance on 31 December 2022	**21,717**	**8,023**	**26**	**(101)**	**2,092**	**1,186**	**(38,973)**	**(6,030)**
Comprehensive expense for the period								
Loss for the period	—	—	—	—	—	—	(2,642)	**(2,642)**
Other comprehensive income	—	—	—	—	272	—	262	**534**
Total comprehensive expense for the period	—	—	—	—	272	—	(2,380)	**(2,108)**
Revaluation of EBT shares	—	—	—	101	—	—	(101)	—
Recycling of share compensation reserve	—	—	(26)	—	—	—	26	—
Total transactions with owners	—	—	(26)	101	—	—	(75)	—
Balance on 31 December 2023	**21,717**	**8,023**	—	—	**2,364**	**1,186**	**(41,428)**	**(8,138)**

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Group balance sheet

as of 31 December 2023

	Notes	**2023 £'000**	2022 £'000
Non-current assets			
Property, plant and equipment	9	**22**	17
Right-of-use assets	10	**939**	1,172
Deferred tax asset	14	**71**	139
Total non-current assets		**1,032**	1,328
Current assets			
Trade and other receivables	12	**3,206**	4,725
Current tax receivables	14	**3**	2
Cash and cash equivalents	19	**2,552**	5,130
Total current assets		**5,761**	9,857
Total assets		**6,793**	11,185
Current liabilities			
Trade and other payables	13	**(3,860)**	(4,612)
Lease liabilities	10	**(374)**	(217)
Current tax liabilities	14	**(358)**	(383)
Total current liabilities		**(4,592)**	(5,212)
Net current assets		**1,169**	4,645
Non-current liabilities			
Retirement benefit obligations	15	**(8,263)**	(8,181)
Lease liabilities	10	**(698)**	(1,104)
Deferred tax liability		**—**	—
Long-term provisions	16	**(1,378)**	(2,718)
Total non-current liabilities		**(10,339)**	(12,003)
Total liabilities		**(14,931)**	(17,215)
Net liabilities		**(8,138)**	(6,030)
Equity			
Share capital	17	**21,717**	21,717
Share premium account		**8,023**	8,023
Share compensation reserve		**—**	26
Shares held by employee benefit trusts	18	**—**	(101)
Translation reserve	18	**2,364**	2,092
Capital redemption reserve		**1,186**	1,186
Accumulated deficit		**(41,428)**	(38,973)
Equity attributable to owners of the Company		**(8,138)**	(6,030)

The financial statements were approved by the Board of Directors and authorised for issue on the 13 December 2024. They were signed on its behalf by:

Signed by:
Neil O'Brien
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Neil O'Brien
Director

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Group cash flow statement

for the year ended 31 December 2023

	Group	
	2023 £'000	2022 £'000
Operating loss from continuing operations	**(1,710)**	(915)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use asset	**291**	300
(Decrease)/ increase in provisions	**(1,340)**	1,579
Adjustment for bonus accrual releases	**–**	(3,861)
Adjustments for foreign exchange	**(93)**	307
Operating cash flows before movements in working capital	**(2,852)**	(2,590)
Decrease/ (increase) in receivables	**1,519**	(197)
(Decrease)/ increase in payables	**(752)**	761
Cash used by operations	**(2,085)**	(2,026)
Income taxes (paid)/ refunds	**(16)**	167
Net cash outflow from operating activities	**(2,101)**	(1,859)
Investing activities		
Interest received	**6**	2
Purchase of property, plant and equipment	**(15)**	(6)
Movement in restricted cash	**500**	300
Net cash generated from investing activities	**491**	296
Financing activities		
Lease payments	**(353)**	(311)
Issue of new shares	–	2,005
Net cash (used in) / generated from financing activities	**(353)**	1,694
Net (decrease)/ increase in cash and cash equivalents	**(1,963)**	131
Cash and cash equivalents at beginning of the year	**4,091**	3,616
Effect of foreign exchange rate changes on cash	**(114)**	344
Cash and cash equivalents at end of year	**2,014**	4,091

Included within the 31 December 2023 cash balance of £2.6m (2022: £5.1m) is £0.5m (2022: £1m) of cash which is not available for use by the Group. This represents cash held in restricted bank accounts which is required to be retained to support indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon and in support of the Kurt Salmon UK Pension scheme, which remained a Group obligation following the sale of the Kurt Salmon retail and consumer goods operations.

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Company balance sheet

as of 31 December 2023

	Notes	**2023 £'000**	2022 £'000
Non-current assets			
Investments	11	**2,000**	**2,000**
Total non-current assets		**2,000**	**2,000**
Current assets			
Trade and other receivables	12	**8,427**	**14,199**
Cash and cash equivalents	19	**718**	**1,327**
Total current assets		**9,145**	**15,526**
Total assets		**11,145**	**17,526**
Current liabilities			
Trade and other payables	13	**(807)**	**(554)**
Total current liabilities		**(807)**	**(554)**
Net current assets		**10,338**	**14,972**
Non-current liabilities			
Retirement benefit obligations	15	**–**	**–**
Long-term provisions	16	**(811)**	**(964)**
Total non-current liabilities		**(811)**	**(964)**
Total liabilities		**(1,618)**	**(1,518)**
Net assets		**9,527**	**16,008**
Equity			
Share capital	17	**21,717**	**21,717**
Share premium account		**8,023**	**8,023**
Share compensation reserve		**–**	**26**
Shares held by employee benefit trusts		**–**	**(101)**
Capital redemption reserve		**1,186**	**1,186**
Accumulated deficit		**(21,399)**	**(14,843)**
Equity attributable to owners of the Company		**9,527**	**16,008**

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The movement in the Group income statement for the financial year includes a loss of £6.4m (2022: £2.4m profit) dealt with in the financial statements of the Company.

The financial statements were approved by the Board of Directors and authorised for issue on the 13 December 2024. They were signed on its behalf by:

Signed by:
Neil O'Brien
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Neil O'Brien **Company number**

Director **01000608**

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Company statement of changes in equity

for the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Share compensation reserve fund £'000	Shares held by ESOP £'000	Capital redemption reserve £'000	Accumulated deficit £'000	Total £'000
Balance on 1 January 2022	**19,640**	**8,023**	**26**	**(101)**	**1,186**	**(17,149)**	**11,625**
Comprehensive income for the period							
Profit for the period	–	–	–	–	–	2,368	2,368
Other comprehensive expense	–	–	–	–	–	(62)	(62)
Total comprehensive income for the period	–	–	–	–	–	2,306	2,306
Contributions by and distributions to owners							
Issue of new shares	2,077	–	–	–	–	–	2,077
Total transaction with owners	2,077	–	–	–	–	–	2,077
Balance on 31 December 2022	**21,717**	**8,023**	**26**	**(101)**	**1,186**	**(14,843)**	**16,008**
Comprehensive expense for the period							
Loss for the period	–	–	–	–	–	(6,451)	**(6,451)**
Other comprehensive expense	–	–	–	–	–	(30)	**(30)**
Total comprehensive expense for the period	–	–	–	–	–	(6,481)	**(6,481)**
Contributions by and distributions to owners							
Revaluation of EBT shares	–	–	–	101	–	(101)	–
Recycling of share compensation reserve	–	–	(26)	–	–	26	–
Total transactions with owners	–	–	(26)	101	–	(75)	–
Balance on 31 December 2023	**21,717**	**8,023**	**–**	**–**	**1,186**	**(21,399)**	**9,527**

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Company cash flow statement

for the year ended 31 December 2023

	Company	
	2023 £'000	2022 £'000
Operating (loss)/profit from continuing operations	**(6,451)**	2,368
Adjustments for:		
Depreciation of property, plant and equipment	**11**	11
(Decrease)/ increase in provisions	**(153)**	155
Non-cash Intercompany debt forgiveness	**4,234**	3
Unrealised foreign exchange loss/(gain)	**1,622**	(3,220)
Operating cash flows before movements in working capital	**(737)**	(683)
(Increase)/ decrease in receivables	**(38)**	48
increase in payables	**191**	65
Cash used by operations	**(584)**	(570)
Income taxes paid	–	–
Interest paid	–	–
Net cash outflow from operating activities	**(584)**	(570)
Investing activities		
Interest received	**15**	4
Movement in restricted cash	**500**	300
Cash advances to subsidiaries	**4**	(2,103)
Net cash generated from/ (used in) investing activities	**519**	(1,799)
Financing activities		
Proceeds from issuing of new shares	–	2,005
Net cash generated from financing activities	–	2,005
Net decrease in cash and cash equivalents	**(65)**	(364)
Cash and cash equivalents at beginning of the year	**288**	630
Effect of foreign exchange rate changes	**(5)**	22
Cash and cash equivalents at end of year	**218**	288

Included within the 31 December 2023 cash balance of £0.7m (2022: £1.3m) is £0.5m (2022: £1.0m) of cash which is not available for use by the Group. This represents cash held in restricted bank accounts which is required to be retained to support indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon and in support of the Kurt Salmon UK Pension scheme, which remained a Group obligation following the sale of the Kurt Salmon retail and consumer goods operations.

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Notes to the financial statements

For the year ended 31 December 2023

1. General information

Management Consulting Group PLC (the "Company") is a public company and the Group's ultimate parent company and is incorporated and domiciled in England under the Companies Act 2006. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in the Directors Report and in the Strategic Report.

2. Significant accounting policies

The following accounting policies have been applied consistently in the current and preceding year in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of Management Consulting Group PLC and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have also been prepared in accordance with UK adopted international accounting standards.

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the Company has elected not to present its own income statement. Its separate financial statements have been prepared in accordance with IFRS.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. The principal accounting policies adopted in the preparation of the parent company's financial statements are the same as those adopted in the consolidated financial statements except that the parent company's investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Going concern

The Company is a holding entity and as such their going concern is dependent on the Group therefore, the going concern assessment for the Company was performed as part of the Group's assessment.

The Group's business activities, together with the factors likely to affect its future development, performance, and position, are set out in the Strategic Report. The Group prepares regular business forecasts which are reviewed by the Directors. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed to, and consideration is given to actions open to the Directors to mitigate the impact of these sensitivities.

The financial statements have been prepared on a going concern basis. Under the worst-case scenario considered, the Group remains liquid for a period of 12 months from the date of reporting and the Directors therefore believe, at the time of approving the financial statements that the Group is well placed to manage its business risk successfully and remains a going concern.

With available cash of £2.0m at 31 December 2023 and with no access to banking facilities, the Directors have had to assess going concern against working capital constraints and the need to turnaround the business to be profitable to shareholders. The board devised a budget for 2024 where topline growth is modest and reflects the implementation of a clear and focused 1-3-5 strategy, focusing on one service (The Proudfoot System), three industries (Mining, Oil & Gas and manufacturing), and five countries, (USA, Canada, UK, France, Germany). This creates a simple model where the business can streamline costs and create efficiencies.

The fundraise of further equity in April 2024 was completed successfully and raised £1.25m before advisor fees. The Group continues to manage the liabilities related to the disposals made in 2015 and 2016. Restricted cash remains at £0.5m. The Directors will review this balance periodically with the Trustees of the pension scheme with the aim of reducing the restricted cash further.

The Directors have prepared a number of scenarios and have produced a working capital model taking into account the change of strategy. This model reflects an increase in revenues for 2024 of 24% and factors in continued growth in revenues in 2025 which will see the Group returning to profit during 2024 with a substantially reduced cost base.

To assess the Group's ability to operate as a going concern, the Directors have also prepared a reasonable worse case working capital model, which reduces anticipated 2024 revenues by 10%. The Directors have not reflected any mitigation in the model apart from the corresponding reduction in cost of sales. The Directors have certain mitigating actions available, including (but not exhaustively); investment in technology and sales support will be scaled back and cost of sales will naturally reduce, as travel expenses and contractor costs are directly linked to revenue generation. Variable pay is now aligned to profitability, therefore outflows relating to variable pay will only take effect when certain levels of profit are achieved. Combined with the continued reductions in base operating costs over the past two years, this shows that the business, even under the worst case scenario, can maintain liquidity for the period of assessment of going concern under such tough trading conditions.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

The Group has achieved a significant milestone in its restructuring by successfully completing the distress termination of the US defined benefit pension scheme, which was underfunded by £7.2m as at 31 December 2023. The Pension Benefit Guaranty Corporation (PBGC), a US government agency, has taken over the administration and liabilities of the scheme, and the Group is no longer responsible for making any future contributions. However, the Group is still liable to pay a settlement amount to the PBGC, which has been agreed at £361k ($459k) payable in February 2025. Even when this payment is included in the reasonable worse case working capital model, the directors have concluded that the Group will be able to operate as a going concern for the twelve months from the date of the signing of these financial statements and therefore the going concern basis of preparation is deemed appropriate.

Adoption of new and revised standards

The following standards and amendments to published standards, effective for periods on or after 1 January 2023, have been endorsed:

IFRS 17	*Insurance Contracts*
Amendments to IAS 1	*Presentation of Financial Statements*
Amendments to IAS 8	*Accounting policies, Changes in Accounting Estimates and Errors*
Amendments to IAS 12	*Income taxes*

The Group has considered the new or revised standards above and concluded that either they are not relevant to the Group or would not have a material impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IAS 1	*Non-current liabilities with covenants*
Amendments to IFRS 16	*Lease liability on sale and leaseback*

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Group's financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The discussion and analysis of the Group's financial position and results are based on the consolidated financial statements which have been prepared in accordance with IFRS. The preparation of the financial statements requires the development of estimates and judgements that affect the reported amount of assets and liabilities, revenues and costs and related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting judgements

Critical accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions. The Board considers that the Group's critical accounting policies are limited to those described below. The Group's management has discussed the development of the judgements and disclosures related to each of these matters with the Audit and Risk Committee.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

Non-underlying items and alternative performance measures

The Group applies judgement in identifying the significant non-underlying items of income and expense that are recognised as non- underlying to help provide an indication of the Groups adjusted business performance. 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.

Alternative 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. The definition of alternative performance measures are described below:

Adjusted profit/loss from operations

The Group's operating results are split between adjusted and non-underlying to better understand the performance of the group without distortion by items of income and expense that are non-underlying in nature. The definition of non-underlying is referred to below. Adjusted profit/loss is used by management internally to evaluate performance and to establish and measure strategic goals. Adjusted profit/loss is arrived at by removing non-underlying items from operating profit/loss as seen on the face of the income statement reconciled to gross and operating profit. Adjusted loss per share is reconciled to loss per share by removing non-underlying items from operating profit/loss.

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, employee severance, 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. Items charged to non-underlying are one-off in nature and typically comprise restructuring, impairments, disposals and acquisitions. None of these items form part of the ongoing operational costs of the business.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment in the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group has operations in multiple countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimates and judgement to reflect a variety of factors; these include the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement. The changing regulatory environment affecting all multinationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased co-operation between tax authorities and greater cross border transparency. The Group estimates and recognises liabilities of whether additional taxes will be due based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made. In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

Deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Recognition involves estimates regarding the forecasting of taxable profits of the business. Refer to note 14.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

Employee benefits

Accounting for pensions and other post-retirement benefits involves estimates about uncertain events, including, but not limited to, discount rates and life expectancy. Determination of the projected benefit obligations for the Group's defined benefit pension scheme and post-retirement plans are important to the recorded amount of the benefit expense in the income statement and the net liability recorded in the balance sheet. Actuarial valuations are conducted annually. These determine the expense recorded in the income statement, the net liability recognised in the balance sheet, and items to be recorded in the consolidated statement of recognised income and expense. Details of the assumptions used are included in note 15 to the financial statements.

Provisions

Provisions are estimates and are recognised when it is probable that an outflow of resources will be required to settle an obligation. Legal opinions from legal teams engaged on behalf of the Group on current litigation cases are provided which assist in assessing a reasonable provision. The Trustees of the Kurt Salmon retirement benefit obligation provide monthly updates on the ongoing costs to service the pension obligation and also costs associated to move the scheme towards closure. These costs depend on factors such as number of scheme members, and ongoing values of individual pension accounts. Other provisions in respect of restructuring of Group entities rely on estimates of costs to complete liquidations from reputable professional service providers however timescales to completion cannot always be reliably determined. An ongoing pension obligation which falls outside the scope of IAS19, to a former employee has been estimated using mortality tables to estimate future expenditure.

Financial Assets

IFRS 9 requires the Group to recognise expected credit losses (ECL) at all times, and to update the amount of ECL recognised at each reporting date to reflect changes in the credit risk of financial assets. Refer to note 12 on pages 35-36.

Leases

IFRS 16 requires the determination of an incremental borrowing rate (IBR) to measure lease liabilities. The Group has no external borrowings from which to base a calculation, therefore the IBR is sourced from external borrowing assumptions relative to the Group's historical financial performance and remaining lease terms, from which management then estimate an appropriate IBR for each class of leases by geography.

(b) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries") made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. This generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of subsidiaries acquired or disposed of during the period are included in the Group income statement from or to the effective date of acquisition or disposal, respectively. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. In the income statement the results of subsidiaries acquired during the period are classified as part of continuing operations from the date control is achieved. The results of subsidiaries that are disposed of during the period are classified within discontinued operations in the income statement.

Intra-group transactions and balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale which are recognised and measured at fair value less costs to sell. Acquisition-related costs are recognised in profit or loss as incurred. Where applicable the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. The measurement period is the period from acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

(d) Revenue

The Group follows the principles of IFRS 15 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 as detailed below:

- Identifying the contract

Upon acceptance of a proposal, a contract is entered into, to include details on the scope of work and each party's rights and obligations regarding the transfer of the service as well as payment terms for the service being transferred:

- Identifying the performance obligations in the contract

Key deliverables are stated in the contract and monitored on an ongoing basis against the agreed delivery timetable. The contract states our obligations to the client. In assessing performance obligations, consideration is given as to whether each identified key deliverable is a separate performance obligation, or a series of services that are substantially the same and have the same pattern of transfer to the customer so as to form one overall performance obligation. Where contracts have multiple workstreams to be delivered, those workstreams may work in conjunction with one another and therefore the client may be unable to benefit from each delivered workstream individually. In some circumstances, where the key deliverables achieve financial benefits in excess of those identified at the outset of the project, there may be scope to receive variable consideration, if such a mechanism was included in the contract. This typically means that variable consideration is not recognised until such time as the outcome of the financial benefits are quantified:

- Determining the transaction price

Each contract has a section describing fees and will state the invoicing profile (i.e., the value and frequency) of the invoices to be raised. The transaction price is developed during the proposal process through establishing the scope of the work and the staffing levels required to deliver that work. Upon acceptance the total fee value is stated in the contract and is also broken down into an invoicing schedule. It is not typical for contracts to include any variable consideration, however in the rare instances where there is variable consideration we consider revenue recognition based on the most likely amount we will receive. Invoicing is generally weekly and is in general designed to reflect the progress made on projects:

- Allocating the transaction price to separate performance obligations

Contracts typically include only one performance obligation and therefore the process of allocating the contract price is straightforward. In instances where more than one performance obligation is identified in the contract these contracts typically include separately agreed fees for each performance obligation. Allocation of the transaction price is therefore straightforward.

- Recognising revenue as performance obligations are satisfied

Revenue is recognised over time as the work is performed. Performance of the service does not create an asset with an alternative use, and we have enforceable right to payment for work performed to date. Throughout the delivery of a project the benefits to the client are delivered incrementally. This approach is considered to be a faithful depiction of the transfer of services because staff time is the primary element in our contracts.

Revenue is recognised on a weekly basis in accordance with time invested on the project i.e., based on hours recorded at charge out rates out of a total contracted hours.

Given that the Group always expects revenue contracts to last less than twelve months, the practical expedient not to disclose information about transaction price allocated to remaining performance obligations has been applied. The Group has also applied the practical expedient not to disclose the incremental costs of obtaining a contract.

(e) Goodwill

Goodwill arising in a business combination represents the excess of the cost of acquisition over the Group's interest in the net fair value of the recognised identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. Goodwill is not amortised but is tested annually for impairment or more frequently when there is indication of impairment and is carried at cost less accumulated impairment loss. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

Goodwill arising on acquisitions before 1 January 2004, the date of transition to IFRS, has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to equity prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

(f) Intangible assets

Acquired intangible assets (e.g. customer relationships, trademarks and licences) are capitalised and amortised on a straight-line basis over their useful economic lives. Purchased computer software licences are capitalised as intangible assets on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives, which do not exceed three years. Costs associated with developing software are capitalised as intangible assets when they are separable or arise from contractual or other legal rights. Costs associated with maintaining computer software programs are recognised as an expense as incurred. All other intangible assets are amortised from three years to a maximum of ten years depending on useful economic life.

(g) Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any recognised provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and intended use.

(h) Leasehold improvements

Leasehold improvements are held at cost less accumulated depreciation and any recognised provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition and intended use.

(i) Depreciation

Depreciation is calculated to write down the cost of the asset to their residual values, on a straight-line basis, using the following rates:

Property plant and equipment – three to five years

Leasehold improvements – three to ten years

(j) Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by cash-generating units, and Proudfoot is the Group's sole cash-generating unit.

(k) Dividend distribution

Dividends to holders of common shares are recognised as a liability in the Group and parent company's financial statements in the period in which the shareholders' right to receive payment has been established. For interim dividends the shareholders' right to receive payment is the same as the date of payment. For final dividends the shareholders have a right to receive payment once the proposed dividend has been approved at the AGM.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, which are held for short-term cash investment purposes. Restricted cash is recognised as cash on the balance sheet. For the purposes of the cashflow statement, restricted cash is not reflected in cash balances. Releases from restricted cash are then disclosed as movements in restricted cash under investing activities in the cashflow statement.

(m) Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially measured at transaction price and, where applicable, are subsequently measured at amortised cost. Financial assets are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

Financial assets are derecognised when and only when; a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial assets, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Expected credit losses on trade receivables are based on the Group's historic credit losses experienced over a three year period prior to the period end. The historical loss rates are then adjusted for current and forward -looking information.

Company only

Expected credit losses on intercompany receivables undergo an impairment review annually and a loss allowance is recognised where it is unlikely that a subsidiary will be able to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward-looking information, after taking into account revenue forecasts and subsidiaries own working capital needs.

(n) Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(o) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years or are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax is calculated at the tax rates which are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Provisions are categorised as litigation provisions or other provisions.

(q) Own shares

The Company shares held by the employee benefit trusts established in respect of certain share-based awards are presented as a reduction of equity.

(r) Investments

The investments in the parent company balance sheet represent equity holdings in subsidiary companies. These are carried at cost less impaired amounts and are reviewed annually for impairment.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

(s) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(t) Dividend income

Dividend income is recognised when the right to receive payment is established.

(u) Finance leases (lessor)

At the commencement of a finance lease, the lessor transfers the risks and rewards of ownership of the asset to the lessee. The amount due under the terms of the finance lease is recognised as a receivable. The principal amount is recorded as a net investment in the lease. During the term of the lease the rental payments received by the lessor is made up of repayments of principal and interest income on the principal outstanding. The repayment of principal reduces the amount due from the lessee in respect of the lease and interest income is recognised in the income statement.

(v) Retirement benefit costs

For defined contribution pension schemes, the amount charged to the income statement represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For defined benefit schemes, the amounts charged to the income statement are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost is calculated by applying a discount rate to the net defined liability or asset.

Actuarial gains and losses are recognised immediately in the Group statement of comprehensive income. The US defined benefit pension scheme is funded, with the assets of the scheme held separately from those of the Group in separate trustee administered funds. Pension scheme assets are measured at fair value. Liabilities in relation to the defined benefit schemes are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained at each balance sheet date. The resulting defined benefit liability is presented on the face of the balance sheet. When annual actuarial valuations result in a pension asset, the value of the asset is recognised as nil

(w) Share-based payments

Share awards are made to selected employees on a discretionary basis. Awards are measured at their fair value and are recognised as an expense on a straight-line basis over the vesting period. Where awards do not vest, a transfer is made from the share compensation reserve to retained earnings.

(x) Foreign currencies

The average monthly exchange rates used to translate the 2023 results were £1=$1.24 (2022: £1=$1.24) and £1=€1.15 (2022: 1=€1.17). The year-end exchange rates used to translate the 2023 balance sheet were £1=$1.27 (2022: £1=$1.21) and £1=€1.15 (2022: 1=€1.13).

The individual financial statements of each Group entity are drawn up in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the Company's functional and presentation currency. In preparing the financial statements, transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign company are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing at the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rate for the period unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

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Notes to the financial statements (cont.)

2. Significant accounting policies (continued)

Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When the Group disposes of a subsidiary, the cumulative historic foreign exchange gains and losses arising on consolidation are recycled through the statement of comprehensive income.

(y) Transactions with subsidiary undertakings

Where costs have been incurred by the Company which benefit subsidiary undertakings, income is recognised by the Company in respect of the expense recharged to the subsidiary. Expenses are recognised by the Company, when the subsidiary undertaking has incurred cost that will benefit the Company.

(z) Non-redeemable preference shares

Non-redeemable preference shares are recorded as part of share capital. Any return paid on such shares is treated as a distribution of profits and reported in the statement of changes in equity.

3. Revenue from Contracts with customers

	2023 £'000	2022 £'000
Consulting Services	**15,411**	20,071

All revenues are derived from the provision of professional services.

4. Loss before tax

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

	Notes	**2023 £'000**	2022 £'000
Net foreign exchange (gains)/ losses		**(93)**	146
Depreciation of property, plant and equipment		**10**	26
Depreciation of right-of-use assets		**281**	274
Non-underlying expense – other	4a	**601**	3,866
Non-underlying income	4a	**(803)**	(4,652)
Staff costs	5	**10,776**	12,930
Auditor's remuneration		**235**	283

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Notes to the financial statements (cont.)

4. Loss before tax (continued)

A detailed analysis of the auditors renumeration on a worldwide basis is provided below:

Auditor's remuneration	**2023 £'000**	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**192**	240
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries	**43**	43
Total audit fees	**235**	283
Taxation compliance services	–	–
Audit related assurance services	–	–
Taxation advisory services	–	–
Total non-audit fees	–	–
Total auditor's remuneration	**235**	283

4a. Non-underlying items

Expenses	**2023 £'000**	2022 £'000
Restructuring	**327**	905
Senior management restructuring	**22**	2,315
Employee litigation	**106**	245
Other litigation	**30**	235
Cost relating to capital raising	**4**	143
Costs relating to US DB Scheme	**102**	-
Additional costs relating to prior year disposals	**10**	23
	601	3,866

Income	**2023 £'000**	2022 £'000
Release of historic bonus accruals	**-**	(3,809)
Forgiveness of Covid related governmental reliefs	**-**	(410)
Income relating to successful outcome of employee litigation	**(267)**	-
Additional income relating to prior year disposals	**(369)**	(300)
Release of provisions	**(167)**	(133)
	(803)	(4,652)

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Notes to the financial statements (cont.)

4a. Non-underlying items (continued)

Items charged to non-underlying are one off in nature and typically comprise restructuring, impairments, disposals and acquisitions. None of these items form part of the ongoing operational costs of the Proudfoot business:

- £0.3m of restructuring costs of which £0.2m relates to employee restructuring and £0.1m of entity restructuring
- £0.1m of costs incurred in relation to the application to the US Pension Benefit Guaranty Corporation for them to take over the running of the Proudfoot Defined benefit pension scheme.
- £0.1m of employee litigation cost.
- £0.1m in relation to legacy issues
- £0.3m credit arising from the successful outcome of an employee tax litigation issue and £0.1m credits of provision releases

5. Staff numbers and costs

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

	2023 Number	2022 Number
Sales and marketing	**16**	29
Consultants	**36**	37
Support staff	**21**	24
Total	**73**	90

The number of Group employees at the year-end was 67 (2022: 86).

The aggregate payroll costs were as follows:

	2023 £'000	2022 £'000
Wages and salaries	**9,483**	11,475
Social security costs	**998**	1,125
Other including pension costs	**295**	330
	10,776	12,930

The average number of Company employees for the year was 6 (2022: 6). The payroll costs of the Company were £946,219 (2022: £870,156) for wages and salaries, £112,328 (2022: £117,478) for social security costs and £25,945 (2022: £34,542) for pension costs.

6a. Investment revenues

		2023 £'000	2022 £'000
Interest receivable on bank deposits and similar income		**6**	14
Finance income on retirement benefit plans	15	**9**	3
		15	17

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Notes to the financial statements (cont.)

b. Finance costs

	Note	2023 £'000
Finance costs on lease liabilities		**(63)**
Finance costs on retirement benefit plans	15	**(805)**
		(868)

7. Tax

Recognised in the income statement: **Income tax expense/(credit) on continuing operations**	**2023 Total £'000**	2022 Total £'000
Current tax		
Current year	**16**	15
Adjustment in respect of prior years	**-**	(44)
Current tax expense/(credit)	**16**	(29)
Deferred tax		
Current year	**80**	(54)
Adjustment in respect of prior years	**(17)**	(54)
Deferred tax expense/(credit)	**63**	(108)
Total income tax		
Income tax expense/(credit)	**79**	(137)

The income tax expense/(credit) for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 23.5% (2022: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

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Notes to the financial statements (cont.)

7. Tax (continued)

The tax expense/(credit) for the year can be reconciled to the pre-tax loss from continuing operations per the income statement as follows:

	2023			2022		
	Before Non-underlying items £'000	**Non-Underlying items £'000**	**Total £'000**	Before Non-underlying items £'000	Non-underlying items £'000	Total £'000
Loss before tax from continuing operations	**(2,765)**	**202**	**(2,563)**	(2,477)	786	(1,691)
Notional income tax expense/(credit) at the effective UK tax rate of 23.5% (2022: 19%)	(650)	47	(603)	(471)	149	(322)
Recognised tax losses	(6)	6	_	137	(137)	_
Unrelieved current year tax losses	1,275	29	1,304	1,041	(207)	834
Irrecoverable withholding tax	15	_	15	14	–	14
Effects of different tax rates of subsidiaries operating in other jurisdictions	(71)	3	(68)	228	(54)	174
Profits offset by losses not previously recognised	(103)	_	(103)	(592)	–	(592)
Other temporary differences not previously recognised	(196)	_	(196)	(217)	–	(217)
Permanent differences	(177)	(76)	(253)	13	58	71
Relating to prior years	(17)	_	(17)	(99)	–	(99)
Income tax expense/(credit) on continuing operations	70	9	79	54	(191)	(137)
Effective tax rate for the year	-3%	4%	-3%	-2%	-27%	8%

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Notes to the financial statements (cont.)

8. Intangible assets and goodwill

All intangibles in the Group and Company are fully amortised.

9. Property, plant and equipment

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
On 1 January 2023	**574**	29
Additions	**15**	_
Disposals	_	_
Exchange differences	**(53)**	_
On 31 December 2023	**536**	29
Accumulated depreciation		
On 1 January 2023	**557**	29
Charge for the year	**10**	_
Disposals	_	_
Exchange differences	**(53)**	_
On 31 December 2023	**514**	29
Carrying amount		
On 31 December 2023	**22**	_
On 31 December 2022	**17**	_

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Notes to the financial statements (cont.)

9. Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed for impairment and adjusted if appropriate.

Fixtures, fittings and equipment	Group £'000	Company £'000
Cost		
On 1 January 2022	**625**	109
Additions	**6**	–
Disposals	**(80)**	(80)
Exchange differences	**23**	–
On 31 December 2022	**574**	29
Accumulated depreciation		
On 1 January 2022	**587**	97
Charge for the year	**26**	12
Disposals	**(80)**	(80)
Exchange differences	**24**	
On 31 December 2022	**557**	29
Carrying amount		
On 31 December 2022	**17**	–
On 31 December 2021	**38**	12

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Notes to the financial statements (cont.)

10. Leases

The Group leases office space in the two major jurisdictions from which back-office support operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or to be reset periodically to market rental rates.

Right of Use Assets	Land and buildings £'000	Plant and machinery £'000	Total £'000
On 1 January 2023	**1,172**	**–**	**1,172**
Additions	**–**	**68**	**68**
Amortisation	**(274)**	**(7)**	**(281)**
Foreign exchange movements	**(17)**	**(3)**	**(20)**
On 31 December 2023	**881**	**58**	**939**

Lease liabilities	Land and buildings £'000	Plant and machinery £'000	Total £'000
On 1 January 2023	**(1,321)**	**–**	**(1,321)**
Additions	**–**	**(66)**	**(66)**
Interest expense	**(62)**	**(1)**	**(63)**
Lease payments	**341**	**12**	**353**
Foreign exchange movements	**23**	**2**	**25**
On 31 December 2023	**(1,019)**	**(53)**	**(1,072)**

The additions in the year relate to a lease contract with Lenovo for computers.

11. Investments

Company	**Shares £'000**	Total £'000
Investment in Group companies		
On 1 January 2023	**2,000**	**2,000**
Impairment	**-**	**-**
Increase in shareholding	**-**	**-**
On 31 December 2023	**2,000**	**2,000**
On 31 December 2022	**2,000**	**2,000**

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Notes to the financial statements (cont.)

11. Investments (continued)

The principal subsidiaries of MCG PLC, all of which have been included in the consolidated financial statements are listed in Note 22 on pages 60-61.

Impairments are the result of annual impairment reviews of the PLC Company investments to reflect the net asset values of the underlying investments.

The Group holds no external investments.

12. Trade and other receivables

	Group		Company	
Amounts due < 1 year	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Trade receivables – gross	**1,631**	2,351	–	–
Allowance for expected credit losses	**(135)**	(227)	–	–
Trade receivables – net	**1,496**	2,124	–	–
Amounts owed by Group undertaking	–	–	**8,145**	13,955
Other receivables	**1,197**	1,562	**15**	29
Contact assets	**120**	526	–	–
Prepayments	**393**	513	**267**	215
	3,206	4,725	**8,427**	14,199

Debtor days at the year-end were 20 days (2022: 41 days). No interest was charged on receivables. The directors consider that the carrying value of trade and other receivables approximates to their fair value (see note 20).

Reconciliation of contract assets and liabilities

	2023 £'000	2022 £'000
Opening contract assets	**525**	160
Opening contract liabilities	**(859)**	(133)
Net	**(334)**	27
Revenue recognised	**15,411**	20,071
Billings in year- over time	**(15,657)**	(20,432)
Subtotal	**(580)**	(334)
Closing contract assets	**120**	525
Closing contract liabilities	**(700)**	(859)
Net	**(580)**	(334)

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Notes to the financial statements (cont.)

12. Trade and other receivables (continued)

Movements in expected credit losses for trade receivables are as follows:

	2023 £'000	2022 £'000
Opening provision for impairment of trade receivables	**(227)**	(141)
Decrease/(Increase) during the year	**16**	(74)
Receivable written off during the year as uncollectible	**40**	–
Receivable collected	**29**	–
Foreign exchange	**7**	(12)
On 31 December 2023	**(135)**	(227)

The Group's exposure to credit risk has historically been low. The expected credit loss for trade receivables has been calculated at less than 1% of total Group revenue in 2023 and 2022. This is based on Group's historic credit losses experienced over a three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information.

Company only

Movements in expected credit losses from related parties and loans to related parties for the year ended 31 December 2023 are as follows:

	Receivables from related parties £'000
Opening provision for impairment	(31,367)
Increase during the year	(4,421)
Release during the year	154
Revaluation movement	–
On 31 December 2023	(35,634)

For the Company, receivables from its subsidiaries are not settled on a regular basis therefore the impairment allowance is recalculated at period end to establish an impairment allowance. Expected credit losses are recognised where it is unlikely that a subsidiary will be unable to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward-looking information, after taking into account revenue forecasts and subsidiaries own working capital needs.

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Notes to the financial statements (cont.)

13. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade payables	**560**	292	**226**	85
Amounts owed to Group undertakings	–	–	**110**	49
Other taxes and social security	**939**	966	**40**	41
Other payables	**135**	505	**136**	136
Contract liabilities	**700**	859	–	–
Accruals	**1,526**	1,990	**295**	243
	3,860	4,612	**807**	554

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2022: 30 days). The directors consider that the carrying amount of trade payables approximates to their fair value (see note 20).

14. Tax assets and liabilities

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current tax				
Current tax receivables	**3**	2	–	–
Current tax liabilities	**(358)**	(383)	–	–

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current year:

Group	**Pension funds and retirement provision £'000**	**Tax losses £'000**	**Other temporary differences £'000**	**Total £'000**
Net deferred tax				
On 1 January 2022	**–**	**27**	**–**	**27**
Foreign exchange	**–**	**4**	**–**	4
Recognised in Group statement of comprehensive income	**–**	**–**	**–**	–
Charged to Group income statement	**–**	**108**	**–**	108
On 31 December 2022	–	139	–	**139**
Foreign exchange	**–**	**(5)**	**–**	**(5)**
Credited to the Group income statement	**–**	**(63)**	**–**	**(63)**
On 31 December 2023	**–**	**71**	**–**	**71**

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Notes to the financial statements (cont.)

14. Tax assets and liabilities (continued)

	2023 £'000	2022 £'000
Deferred tax assets	**71**	139
Deferred tax liabilities	**–**	–
Total	**71**	139

On 31 December 2023 the Group recognised a deferred tax asset of £71,000 (2022: £139,000).

On 31 December 2023 the Group did not recognise deferred tax assets totalling £40.1m (2022: £41.1m), of which £30.0m (2022: £29.4m) are in respect of tax losses and £10.1m (2022: £11.7m) are in respect of other temporary differences. The Group believes there will not be sufficient future taxable profits to utilise the deductions arising from the reversal of these deferred tax assets.

No deferred tax liability is recognised in relation to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of the temporary differences which would give rise to the liability, and it is probable that they will not reverse in the foreseeable future. The unrecognised deferred tax liability on 31 December 2023 of £0.8m (2022: £0.8m) is in respect of the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of tax due in overseas intermediate holding companies and dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate.

Company

The Company did not recognise deferred tax assets in either 2023 or 2022. The Company has an unrecognised deferred tax asset of £9.8m (2022: £9.2m).

15. Retirement benefit obligations

Defined contribution scheme

The Group operates a number of defined contribution pension schemes throughout the world. The total cost charged to the income statement in respect of defined contribution schemes was £320,000 (2022: £330,000), representing contributions payable to these schemes by the continuing Group at rates specified in the rules of the plans.

Defined benefit schemes

The retirement benefits obligation reflected in the Group balance sheet on 31 December 2023 relates to the net liability under a part-funded US defined benefit pension scheme of £7.2m, an unfunded French retirement obligation of £0.3m, a German defined benefit pension scheme of £0.7m and a legacy Kurt Salmon UK defined pension scheme which shows a closing asset position of £0.2m, for purposes of these accounts, the asset is not recognised on the balance sheet.

The retirement benefit obligations are summarised below:

	2023 £'000	2022 £'000
US defined benefit pension scheme	**(7,205)**	(7,190)
Proudfoot French statutory obligation	**(326)**	(293)
UK defined benefit pension scheme	–	–
Proudfoot German defined benefit pension scheme	**(732)**	(698)
All schemes	**(8,263)**	(8,181)

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(A) US schemes

The funded US defined benefits pension scheme was closed to new entrants with effect from 1 February 2001 and further benefit accruals ceased for all members with effect from 31 December 2001. Benefits are linked to final average pay. A Pensions committee is responsible for ensuring the scheme is compliant with US regulations. A sub-committee, the Investments committee, appointed Bank of America Merrill Lynch to manage the investment fund portfolio, and AON as actuaries advise on compliance with US regulations. The investment performance and liability experience are actively reviewed by the pension committee and its advisers, and monitors its exposure to changes in interest rates and equity markets. These measures are considered when deciding whether significant changes in investment strategy is required and to determine the optimal investment mix bearing in mind the Group's tolerance for risk and the longer-term objective that over time the deficit will reduce accordingly. During 2023 the fund was managed on a basis to reduce (as far as possible) the deficit between liabilities and assets whilst maintaining an appropriate risk profile.

The scheme represents 87% of the Group's pension obligations (2022: 89%). US liabilities are backed by USD assets to minimise any currency risk. Any class of holdings in non-US listed stocks are held by way of an ADR (American depositary receipt) which are denominated in US dollars. All equity investments are in quoted stocks.

At the actuarial valuation date of 31 December 2022, the funding ratio of assets vs liabilities had dropped below 80%. The shortfall crystallises a funding requirement whereby the company is obliged to make significant contributions into the pension scheme over 2024 and 2025. The Group maintains sufficient working capital to ensure that the short and medium term solvency of the business is managed and the company has enough liquidity to meet its obligations. There would be a material impact on cash availability for the running of the business if the Group had to make these pension funding contributions. The Group applied to the Pension Benefits Guaranty Corporation "PBGC" for a distressed termination of the US pension scheme and for the PBGC to take over the Pension from the Group. In June 2024, the Group received formal notification that the application for a distressed termination had been approved. An agreement was signed on 1 July that ratifies the Pension termination and appoints the PBGC as its trustee and removes the US pension liability of £7.2m ($ 9.1m) from the balance sheet. The settlement agreement was signed on 27 November 2024 and the Group is required to make a payment of £361k ($459k) in respect of the pension termination which will be payable to the PBCG in February 2025. Refer to "Going concern" within the Directors Report for further consideration.

No contributions are required in 2024. (2023: £nil).

The pension deficit has increased in 2023 by £15,000 (2022: £149,000 decrease).

The principal assumptions used for the recent actuarial valuations were:

	2023	2022
Discount rate	**4.85%**	5.09%
General inflation assumption	**n/a**	n/a
Mortality table	Pri-2012(scale MP-2021)	Pri-2012(scale MP-2021)

	2023		2022	
	Male	**Female**	Male	Female
Life expectancy at age 75	9.5	10.3	13.6	15.1

The US defined benefits pension scheme has historically adopted the latest mortality assumptions issued by the Society of Actuaries (SOA) prior to the measurement date. On October 19 2022, the SOA issued some additional mortality data and information but decided not to issue a Scale MP-2022. In November 2022, AON prepared an updated "endemic" version of US Mortality Improvement Scale MP-2021 that includes adjustments for COVID-19 and selected the same underlying parameters as those selected by the SOA's Retirement Plans Experience Committee (RPEC) for the construction of Mortality Improvement Scales MP-2021. In November 2023, AON's "endemic" version of Scale MP-2021 was updated to reflect more current information.

There are neither guaranteed nor discretionary increases to benefits after retirement.

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(i) Components of amounts recognised in the income statement

	2023 £'000	2022 £'000
Service costs	**411**	418
Interest expense on plan obligations	**1,933**	1,418
Interest income on plan assets	**(1,578)**	(1,109)
Total charge to income statement	**766**	727

All items charged to the income statement have been recognised as finance costs or income as appropriate.

(ii) Components of amounts recognised in the other comprehensive income statement

	2023 £'000	2022 £'000
Liability loss/(gain) due to changes in assumptions	**632**	(8,898)
Liability experience loss/(gain) arising in the year	**545**	(65)
Asset (gain)/ loss arising during the year	**(1,531)**	7,519
Total gain recognised in the other comprehensive income statement	**(354)**	(1,444)

(iii) The amount included in the balance sheet arising from the Group's obligations in respect of the US defined benefit pension scheme is as follows:

	Notes	**2023 £'000**	2022 £'000
Present value of defined benefit obligations	15(iv)	**(38,700)**	(41,590)
Fair value of scheme assets	15(iv)	**31,495**	34,400
Liability recognised in the balance sheet		**(7,205)**	(7,190)

The weighted average duration of the obligation is approximately 9 years.

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(iv) Movements in balance sheet amounts

Changes in the present value of the defined benefit obligations are as follows:

	2023 £'000	2022 £'000
Opening defined benefit obligation	**(41,590)**	(47,503)
Interest cost	**(1,933)**	(1,418)
Service cost	**(411)**	(418)
Actuarial (loss)/gain – Financial assumption changes	**(626)**	8,448
Actuarial (loss)/gain – Demographic assumption changes	**(6)**	450
Actuarial (loss) /gain – Unexpected experience	**(545)**	65
Benefits paid	**4,264**	4,438
Exchange differences	**2,147**	(5,652)
Closing defined benefit obligation	**(38,700)**	(41,590)

Changes in the fair values of the plan assets are as follows:

	2023 £'000	2022 £'000
Opening fair value of plan assets	**34,400**	40,462
Interest income	**1,578**	1,110
Return on plan assets excluding interest income	**1,531**	(7,520)
Benefits paid	**(4,264)**	(4,438)
Exchange differences	**(1,750)**	4,786
Closing fair value of plan assets	**31,495**	34,400
Net retirement benefit obligation	**(7,205)**	(7,190)

(v) The fair value of plan assets at the balance sheet date are analysed as follows:

	2023 £'000	2022 £'000
Equities	**9,585**	8,332
Bonds	**17,431**	20,442
Cash	**4,299**	5,430
Other	**180**	196
	31,495	34,400

The plan assets held are traded in liquid markets.

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(vi) Sensitivities on key assumption

US DB pension

A 1% decrease in the discount rate would increase the benefit obligation by £2,829,004 an increase of 7%.

A one-year increase in life expectancy would increase the benefit obligation by £1,487,876 an increase of 4%.

The sensitivities applied are in line with recent experience and sensitivity on discount rate is the sole sensitivity run by the actuaries on the pension valuation.

(vii) Estimated future benefit payments

	2023 £'000	2022 £'000
In one year	**3,993**	4,249
In two years	**3,908**	4,174
In three years	**3,759**	4,073
In four years	**3,614**	3,912
In five years	**3,457**	3,750
In six to ten years	**14,710**	16,096

(B) French schemes

The IDR (Indemnités de Départ en Retraite) is a post retirement lump sum paid to an employee upon retirement. The benefit depends on final salary and years of service within the company. If the employee leaves the company before retirement age the benefit is forfeited. It is a mandatory benefit defined by collective agreement (different for each activity area) with a minimum imposed by French law. Due to the long-term nature of the commitment, this benefit falls under the scope of IAS19. Since the lump sum is a one-off payment paid at retirement age, it is not appropriate to illustrate life expectancies. The valuation assumes that members retire at age 65. There are neither guaranteed nor discretionary increases to benefits after retirement.

Unfunded French retirement obligation

The principal assumptions used for the recent actuarial valuation of the French retirement scheme were:

	2023	2022
Rate of increase in salaries	**2.5%**	2.5%
Discount rate	**2.95%**	3.6%
Mortality tables	**TPGF05/TPGH05**	TPGFO5/TPGHO5

(i) Components of amounts recognised in the income statement

	2023 £'000	2022 £'000
Service costs	**12**	14
Interest expense on plan obligations	**10**	**2**
Total charge to income statement	**22**	16

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(ii) Amounts recognised in the other comprehensive income statement

	2023 £'000	2022 £'000
Liability loss due to changes in assumptions	**17**	4
Total loss recognised in the other comprehensive income statement	**17**	4

(iii) The amount included in the balance sheet arising from the Group's obligations in respect of the French post-retirement benefit scheme is as follows:

	2023 £'000	2022 £'000
Present value of defined benefit obligations	**(326)**	(293)
Fair value of scheme assets	**–**	–
Liability recognised in the balance sheet	**(326)**	(293)

(iv) Movements in balance sheet amounts

Changes in the present value of the French defined benefit obligation are as follows:

	2023 £'000	2022 £'000
Opening defined benefit obligation	**(293)**	(259)
Service cost	**(12)**	(14)
Actuarial loss	**(17)**	(4)
Interest cost	**(10)**	(2)
Foreign exchange difference	**6**	(14)
Closing defined benefit obligation	**(326)**	(293)

The French obligation is unfunded and holds no plan assets.

There are no experience adjustments in relation to the French post-retirement scheme in the period since acquisition.

(v) Sensitivities on key assumptions

The impact of a movement on a discount rate of 0.25% would be insignificant.

Life expectancy sensitivity is not required for a lump sum on retirement only scheme.

(C) UK schemes

The UK Scheme relates to a legacy Kurt Salmon defined pension scheme. The scheme operates on a defined benefit contribution basis with final benefits subject to a minimum value based on final pay. Benefits are linked to final pay and ceased to accrue with effect from 13 August 2007 and is closed to new members. The plan is subject to the regulatory requirements that apply to UK Pension plans. Independent trustees are responsible for ensuring that the plan operates in a manner that is compliant with UK regulations.

UK retirement obligation

The principal assumptions used for the recent actuarial valuation of the UK retirement scheme were:

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

Life expectancy

Since a new funding calculation has not been completed since last years disclosures, the same underlying mortality tables have been used as last year, (90% of S3PXA) with an assumed 1.5% pa long term rate of improvement for males, and 1% pa for females. CMI mortality projects following (and including) the year 2022 allows a smoother parameter to determine how much weight is placed on recent mortality experience. As the long-term effect of COVID-19 on life expectancies remains uncertain, no weighting is placed on data for 2020 and 2021 and 100% weight on all other years. The discount rate used is 4.3%.

Life expectancies from age 65 using these tables are as follows:

Assumption of Valuation date	31/12/2023	31/12/2023	31/12/2022	31/12/2022
Mortality projection table	**2023**	**2023**	2022	2022
Gender	**Male**	**Female**	Male	Female
Age now at 65	**22.5**	**24.5**	22.9	24.9
Age now at 45	**24.1**	**25.7**	24.5	26.1

(i) Amounts recognised in income statement in respect of the UK post-retirement scheme are as follows:

Components of amounts recognised in the income statement:

	2023 £'000	2022 £'000
Interest income on plan liabilities	**62**	32
Interest expense on plan assets	**(71)**	(35)
Total credit to the income statement	**(9)**	(3)

(ii) Amounts recognised in other comprehensive income statement

Amounts recognised in the other comprehensive income statement:

	2023 £'000	2022 £'000
Liability loss/ (gain) due to change in assumption	**53**	(283)
Asset (gain)/ loss arising during the year	**(23)**	275
Actuarial loss to reduce asset value to match liability	**-**	71
Total loss recognised in the other comprehensive income statement	**30**	63

There are no expected contributions payable for the next annual reporting period.

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(iii) The amounts included in the balance sheet arising from the Group's obligations in respect of the UK post-retirement benefit scheme are as follows:

	2023 £'000	2022 £'000
Present value of defined benefit obligations	**(1,357)**	(1,416)
Fair value of scheme assets	**1,520**	1,601
Adjustment to reduce asset value to match liability	**(163)**	(185)
Asset recognised in the balance sheet	**–**	–

The weighted average duration of the obligation is approximately 23 years.

Changes in the present value of the defined benefit obligations are as follows:

Changes in the fair values of the plan assets are as follows:

	2023 £'000	2022 £'000
Opening fair value of plan assets	**1,601**	1,781
Interest income	**71**	35
Settlements	**(174)**	–
Company contributions	**-**	60
Return on plan assets excluding interest income	**23**	(275)
Closing fair value of plan assets	**1,521**	1,601

(iv) The fair value of plan assets at the balance sheet date are analysed as follows:

	2023 £'000	2022 £'000
Equities	**1,354**	1,416
Bonds	**128**	145
Cash	**35**	26
Other	**4**	14
	1,521	1,601

All equity investments are in quoted stocks.

(iv) Sensitivities on key assumptions

A 0.5% decrease in the discount rate would increase the benefit obligation by £52,200.

A 0.5% increase in the rate of inflation would increase the benefit obligation by £35,000.

The sensitivities applied are in line with recent experience.

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(D) German scheme

The German Company, Alexander Proudfoot GmbH, has a commitment to pay out a pension to its employees. The scheme is closed to new entrants. A valuation is undertaken in respect of the liability. The assets to support the pension scheme take the form of a re-insurance policy to ensure that the company has the required funds to meet its future obligations. The reinsurance policies are not qualified as plan assets under IAS19, because they are not pledged to the beneficiaries.

German retirement obligation

The principal assumptions used for the recent actuarial valuation of the German retirement scheme were:

	2023	2022
Discount rate	**3.59%**	4.23%
Inflation	**2**	2%
Mortality table	**Heubeck**	Heubeck
	RT2018G	RT2018G

(i) Amounts recognised in income statement in respect of the German post-retirement scheme are as follows:

Components of amounts recognised in the income statement:

	2023 £'000	2022 £'000
Interest expense on plan liabilities	**29**	15
Total charge to the income statement	**29**	15

(ii) Amounts recognised in other comprehensive income statement

	2023 £'000	2022 £'000
Liability loss/ (gain) due to change in assumptions	**45**	(405)
Total loss/ (gain) recognised in the other comprehensive income statement	**45**	(405)

There are no expected contributions payable for the next annual reporting period.

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Notes to the financial statements (cont.)

15. Retirement benefit obligations (continued)

(iii) The amounts included in the balance sheet arising from the Group's obligations in respect of the German post-retirement benefit scheme are as follows:

	2023 £'000	2022 £'000
Present value of defined benefit obligations	**(734)**	(698)
Liability recognised in the balance sheet	**(734)**	(698)

Changes in the present value of the defined benefit obligations are as follows

	2023 £'000	2022 £'000
Opening defined benefit obligation	**(698)**	(1,036)
Interest cost	**(29)**	(15)
Benefits paid	**26**	6
Actuarial (loss)/ gain – financial assumptions	**(66)**	405
Actuarial gain – experience adjustments	**21**	–
Exchange differences	**14**	(58)
Closing defined benefit obligation	**(732)**	(698)

(iv) Sensitivities on key assumptions

A 1% decrease in the discount rate would increase the benefit obligation by £124,000.

The sensitivities applied are in line with recent experience.

16. Long-term provisions

	Group		
	Litigation £'000	Other provision £'000	Total £'000
On 1 January 2023	**732**	**1,986**	**2,718**
Utilised	**(146)**	**(1,195)**	**(1,341)**
Released	**(51)**	**(61)**	**(112)**
Charge	**96**	**52**	**148**
Foreign exchange movement	**(41)**	**6**	**(35)**
On 31 December 2023	**590**	**788**	**1,378**

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Notes to the financial statements (cont.)

16. Long-term provisions (continued)

	Company		
	Litigation £'000	Other provision £'000	Total £'000
On 1 January 2023	**122**	**840**	**962**
Utilised	**–**	**(157)**	**(157)**
Released	**–**	**(46)**	**(46)**
Charge	**–**	**52**	**52**
Foreign exchange movement	**–**	**–**	**–**
On 31 December 2023	**122**	**689**	**811**

	Group		
	Litigation £'000	Other provision £'000	Total £'000
On 1 January 2022	**117**	**951**	**1,068**
Utilised	**–**	**(238)**	**(238)**
Released	**–**	**(71)**	**(71)**
Charge	**589**	**1,344**	**1,933**
Foreign exchange movement	**26**	**–**	**26**
On 31 December 2022	**732**	**1,986**	**2,718**

	Company		
	Litigation £'000	Other provision £'000	Total £'000
On 1 January 2022	**117**	**692**	**809**
Utilised	**–**	**(169)**	**(169)**
Charge	**–**	**317**	**317**
Foreign exchange movement	**5**	**–**	**5**
On 31 December 2022	**122**	**840**	**962**

Provisions are expected to be utilised over the period to 2023 and are discounted if material.

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Notes to the financial statements (cont.)

16. Long-term provisions (continued)

Litigation provisions relate to a number of legal disputes in which the Group is currently involved in relation to former employees of the Group and also in relation to the Kurt Salmon disposal. The amount provided represents management's best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court, or if not whether the Group is successful in defending any action. Due to the nature of the claims, management have not disclosed current or future information on the basis that this may be prejudicial to the Group's position in defending the cases brought against it.

Other provisions relate to additional pension payments to a former Proudfoot employee which do not meet the definition of a pension in accordance with IAS 19, costs relating to the ongoing servicing of the Kurt Salmon Retirement benefit pension, and costs associated with the restructuring and liquidation of group companies.

17. Share capital

(a) Called up share capital

	2023 £'000	2022 £'000
Issued and fully paid		
1,516,528,424 (2022: 1,516,528,424) shares of 1p each	**15,165**	15,165
1,945,319,013 (2022: 1,945,319,013) non-redeemable preference shares (existing Prefs) of 0.0023p each	**4,474**	4,474
3,461,847,437 (2022: 3,461,847,437) non-redeemable preference shares (New B Prefs) of 0.0006p each	**2,077**	2,077
	21,717	21,717

Non-redeemable preference shares are a new class of shares and carry voting rights equivalent to those of Ordinary shares. The non- redeemable preference shares (Existing Prefs) have a preferential right to receive dividends over the rights attaching to the Ordinary shares until such time as dividends equal in value to the subscription value of the non-redeemable preference shares have been paid by the Company. Following this occurrence these shares will rank equally with the Ordinary shares with respect to dividend entitlements.

New B Prefs are non-redeemable preference B shares and carry voting rights equivalent to those of the ordinary shares (one vote per share) and the Preference shares issued in 2022 (the "Existing Prefs") The new B Prefs, alongside the Existing Prefs, will have a preferential right to receive dividends over the rights attaching to the Ordinary Shares until such time as dividends equal in value to the subscription value to the New B Prefs have been paid by the Company. Following such occurrence, the New B Prefs will rank equally with the Ordinary Shares with respect to dividend entitlements.

No expense has been recognised in the year in respect of share awards. The cumulative share compensation reserve on 31 December 2023 is £nil (2022: £26,000) based on the revaluation of shares based on current market price. No awards were granted in the year.

(b) Share awards

Conditional awards

The Performance Share Plan was introduced during 2008. Any employee (including an executive director) of the Company and its subsidiaries is eligible to participate in the Plan at the discretion of the Remuneration Committee (the "Committee").

The Committee may grant awards as conditional shares, a nil (or nominal) cost option with a short exercise period or as forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash.

The vesting of awards is subject to performance conditions set by the Committee.

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Notes to the financial statements (cont.)

17. Share capital (continued)

Restricted awards

Share awards to employees other than directors may be made on a restricted basis. These awards are normally only subject to an employment condition and can be satisfied with either market purchase shares or from up to nine million of new shares following a shareholder resolution passed on 17 December 2015. Executive directors are not eligible to participate in restricted share plans.

	Number of shares
Outstanding on 1 January 2023	**205,579**
Granted during the year	**-**
Forfeited during the year	**-**
Satisfied during the year	**-**
Outstanding on 31 December 2023	**205,579**
Exercisable on 31 December 2023	**205,579**

The awards outstanding on 31 December 2023 have an exercise price of nil.

18. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares
Shares held by employee benefits trusts	Weighted average cost of own shares held in treasury and by the ESOP trust
Translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling
Accumulated deficit	All other net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere

The share compensation reserve represents the net credit arising from the charge for share awards less amounts transferred to retained earnings following the lapse of share awards. Shares held by the employee benefit trusts represent 244,000 shares (2022: 244,000). The value of these shares held in reserves is £nil (2022: £101,000).

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Notes to the financial statements (cont.)

18. Reserves (continued)

The translation reserve of £2,075,000 represents all foreign currency differences arising from the translation of the financial statements of foreign operations plus any foreign currency difference arising from the group's net investments in foreign operations.

Shares held by ESOP/Treasury shares	**2023 Number**	**2023 £'000**	2022 Number	2022 £'000
Ordinary shares held by the ESOP	244	-	244	101

The shares held by the ESOP are expected to be transferred to employees during 2024. The shares have been revalued based on current market price. The shares have a nil value.

19. Notes to the cash flow statement

The Group had financing liabilities arising from cash flow activities in the year ended 31 December 2023, in respect of lease liabilities held on the balance sheet following the adoption of IFRS16. These total £1.1m, refer to note 10 for further information.

Company Only

Reconciliation of financial liabilities

	Opening balance at 1/1/23 £'000	Intercompany debt forgiveness £'000	Intercompany cash outflows £'000	Translation £'000	Closing balance at 31/12/23 £'000
Intercompany receivables	13,954	(4,245)	82	(1,646)	8,145
Intercompany payables	(49)		(61)	–	(110)
Total	**13,905**	**(4,245)**	**21**	**(1,646)**	**8,045**

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Notes to the financial statements (cont.)

19. Notes to the cash flow statement (continued)

Reconciliation of net cash and debt position

	Bank borrowings (£'000)	*Cash and cash equivalents (£'000)*	*Leases (£'000)*	*Total (£'000)*
Net cash/(debt) held on 1 January 2022	**–**	**3,616**	**(656)**	**2,960**
Cash flow	**–**	**131**	**311**	**442**
Interest	**–**	**–**	**(49)**	**(49)**
Additions	**–**	**–**	**(866)**	**(866)**
Foreign exchange movements	**–**	**344**	**(61)**	**283**
Net cash/(debt) held on 31 December 2022	**–**	**4,091**	**(1,321)**	**2,770**
Cash flow	**–**	**(1,963)**	**353**	**(1,610)**
Interest	**–**	**–**	**(63)**	**(63)**
Additions	**–**	**–**	**(66)**	**(66)**
Foreign exchange movements	**–**	**(114)**	**25**	**(89)**
Net cash/(debt) held on 31 December 2023	**–**	**2,014**	**(1,072)**	**942**

Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement.

	Group		**Company**	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cash at bank and in hand	**2,552**	5,130	**718**	1,327
Restricted cash	**(538)**	(1,038)	**(538)**	(1,038)
Cash and cash equivalents for cash flow	**2,014**	4,092	**180**	289

Included within the 2023 Group cash balance of £2.5m and Company cash balance of £0.7m is £0.5m (2022: £1m) of cash which is not available for use by the Group. This represents cash held in restricted bank accounts which is required to be retained to support indemnity obligations to Wavestone, the acquirer of the French and related operations of Kurt Salmon and in support of the Kurt Salmon UK pension scheme, which became PLC Company's obligation following the sale of the Kurt Salmon retail and consumer goods operations.

20. Financial instruments

Capital structure and treasury policies

Review of treasury policies

The Group and Company are financed by shareholders' equity. The Group and Company's capital structures are reviewed regularly to ensure that each remains relevant to the business and its planned development. There are established treasury policies that are reviewed regularly to ensure that they remain relevant to the business.

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

Risk management

The objective of the Group and Company's treasury policies is to provide liquidity for the Group and Company at minimum risk and minimum cost and to hedge known financial exposures, when economically efficient. The main treasury risks faced by the Group and Company are country-specific liquidity risks. The Group and Company's objectives regarding exchange rate risk, and liquidity risk are, respectively, to minimise interest charges; minimise realised exchange losses on foreign currency transactions; ensure that the Group and Company only deal with creditworthy customers; and ensure that the Group and Company have sufficient resources available to meet their liabilities as they fall due. Investment of the Group and Company's cash is made within policies that cover counterparty risk and liquidity. Surplus cash is invested generally in overnight deposits.

The Group and company's exposure to credit risk has historically been low. The impairment allowance for trade receivables (refer note 12) is based on the Group's historic credit losses experienced over a three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information. For the Company, receivables from its subsidiaries are not settled on a regular basis therefore the impairment allowance is recalculated at period end to establish an impairment allowance. Expected credit losses are recognised where it is unlikely that a subsidiary will be unable to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward-looking information, after taking into account revenue forecasts and subsidiaries own working capital needs.

The most important foreign currencies for the Group and the Company are the US Dollar and the Euro. The relevant exchange rates to Sterling were:

	2023		2022	
	Average	Closing	**Average**	Closing
£1 = US Dollar	**1.24**	**1.27**	1.24	1.21
£1 = Euro	**1.15**	**1.15**	1.17	1.13

Interest rate and currency profile of financial assets and financial liabilities at the year-end – Group

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

Currency	Note	**2023 Floating rate £'000**	2022 Floating rate £'000
Financial assets			
Sterling		**1,195**	1,812
US Dollar		**562**	1,327
Euro		**392**	1,164
Other		**403**	827
Cash and cash equivalents	19	**2,552**	5,130
Sterling		**812**	816
US Dollar		**73**	1,234
Euro		**1,382**	1,486
Other		**939**	1,189
Trade and other receivables	12	**3,206**	4,725
Financial liabilities			
Sterling		**(2,593)**	(2,742)
US Dollar		**(499)**	–
Euro		**(768)**	(1,088)
Other		**–**	(782)
Trade and other payables	13	**(3,860)**	(4,612)
Sterling		**(671)**	(836)
US Dollar		**(401)**	(485)
Lease liabilities		**(1,072)**	(1,321)

The cash and cash equivalents, including short-term deposits, attract interest rates based on Libor, US Dollar Libor and Euribor for periods of up to three months. The carrying value of these assets approximates their fair value.

Exposure to credit risk – Group

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2023 £'000**	2022 £'000
Cash and cash equivalents	19	**2,552**	5,130
		2,552	5,130

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

		Carrying amount	
	Note	**2023 £'000**	2022 £'000
Europe		**485**	556
United Sates		**11**	695
Rest of the World		**870**	820
United Kingdom		**130**	53
	12	**1,496**	2,124

The Group's most significant customer accounted for 51% of the trade receivables carrying amount on 31 December 2023 (2022: 33%).

	Note	**2023 £'000**	2022 £'000
Not past due		**1,476**	1,554
Past due 0–30 days		**10**	256
Past due 31–120 days		**10**	314
	12	**1,496**	2,124

The credit quality of trade receivables not past due is believed to be A-.

Liquidity risk – Group

The following are the contractual maturities of financial liabilities:

31 December 2023	Note	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6–12 Months £'000**	**1–2 years £'000**
Non-derivative financial liabilities						
Trade and other payables	13	**(3,860)**	**(3,860)**			
Lease liabilities	10	**(1,072)**	**(1,072)**	**(185)**	**(191)**	**(696)**
		(4,932)	**(4,932)**	**(185)**	**(191)**	**(696)**

31 December 2022	Note	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6–12 Months £'000**	**1–2 years £'000**
Non-derivative financial liabilities						
Trade and other payables	13	(4,612)	(4,612)			
Lease liabilities	10	(1,321)	(1,321)	(104)	(113)	(1,103)
		(5,933)	(5,933)	(104)	(113)	(1,103)

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

Currency risk – Group

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2023		31 December 2022	
	Euro £'000	**US Dollar £'000**	Euro £'000	Dollar £'000
Trade receivables	**486**	**92**	670	828
Trade payables	**(53)**	**(151)**	(282)	(2)
Gross balance sheet exposure	**433**	**(59)**	388	826
Notional current year sales	**3,667**	**2,314**	5,830	5,529
Notional current year purchases	**(1,839)**	**(1,514)**	(2,912)	(2,813)
Gross and net exposure	**1,828**	**800**	2,918	2,716

Sensitivity analysis – Group

A 5% strengthening of Sterling against the following currencies on 31 December 2023 would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. 5% is the annual exchange rate movement that is deemed reasonably probable for the two most significant currencies in the Group based on recent experience. 2022 sensitivities were prepared on a 5% currency movement.

	Equity £'000	Profit or loss £'000
2023		
US Dollar	**3**	(38)
Euro	**(21)**	(87)
2022		
US Dollar	(39)	(129)
Euro	(19)	(139)

A 5% weakening of Sterling against the following currencies on 31 December 2023 would have (decreased)/ increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. 5% is the annual exchange rate movement that is deemed reasonably probable for the two most significant currencies in the Group based on recent experience. 2022 sensitivities were prepared on a 5% currency movement.

	Equity £'000	Profit or loss £'000
2023		
US Dollar	**(3)**	42
Euro	**70**	96
2022		
US Dollar	**43**	143
Euro	**48**	154

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

The Group has variable or fixed rate financial assets or financial liabilities.

Fair values versus carrying amounts – Group

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		31 December 2023		31 December 2022	
	Note	**Carrying amount £'000**	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Trade and other receivables	12	**3,206**	**3,206**	4,725	4,725
Cash and cash equivalents	19	**2,552**	**2,552**	5,130	5,130
Trade and other payables	13	**(3,860)**	**(3,860)**	(4,612)	(4,612)
Lease liabilities	10	**(1,072)**	**(1,072)**	(1,321)	(1,321)

Interest rate and currency profile of financial assets and financial liabilities at the year-end – Company

Currency	Note	**2023 Floating rate £'000**	2022 Floating rate £'000
Financial assets			
Sterling		**557**	1,220
US Dollar		**119**	49
Euro		**42**	58
Cash and cash equivalents	19	**718**	1,327
Sterling		**7,295**	12,186
US Dollar		**356**	1,551
Euro		**776**	462
Trade and other receivables	12	**8,427**	14,199
Financial liabilities			
Sterling		**(780)**	(548)
US Dollar		**(27)**	(6)
Trade and other payables	13	**(807)**	(554)

The cash and cash equivalents, including short-term deposits, attract interest rates based on Libor, US Dollar Libor and Euribor for periods of up to three months. The carrying value of these assets approximates their fair value.

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

Exposure to credit risk – Company

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2023 £'000	2022 £'000
Cash and cash equivalents	**718**	1,327

The Company has no exposure to credit risk for trade receivables. The Company is exposed to credit risk for intercompany receivables. Where it is likely that intercompany balances will not be repaid, the Company provides for these receivables. The Company also recognises on expected credit loss against outstanding intercompany receivable balances at the end of the period. The Company mitigates against credit risk by moving surplus cash in the subsidiaries in the Company via repayment of intercompany debts.

Liquidity risk – Company

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2023	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**
Non-derivative financial liabilities			
Trade and other payables	**(807)**	**(807)**	**(807)**
	(807)	**(807)**	**(807)**

31 December 2022	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**
Non-derivative financial liabilities			
Trade and other payables	(554)	(554)	(554)
	(554)	(554)	(554)

Currency risk – Company

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2023		31 December 2022	
	Euro £'000	**US Dollar £'000**	Euro £'000	US Dollar £'000
Intercompany receivables	**776**	**207**	870	3,574
Intercompany payables	–	**(26)**	–	(6)
Gross balance sheet exposure	**776**	**181**	870	3,568

The Company's exposure to foreign currency risk relates to intercompany balances with other companies within the Group.

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Notes to the financial statements (cont.)

20. Financial instruments (continued)

Sensitivity analysis – Company

A 5% strengthening of Sterling against the following currencies on 31 December 2023 would have decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity assumes exchange rate effects that are reasonably possible for the USD and Euro currencies based on recent experience. 2022 sensitivities were prepared on a 5% currency movement.

	Equity £'000	Profit or loss £'000
2023		
US Dollar	(9)	(9)
Euro	(37)	(37)
2022		
US Dollar	(170)	(170)
Euro	(41)	(41)

A 5% weakening of Sterling against the following currencies on 31 December 2023 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity assumes exchange rate effects that are reasonably possible for the USD and Euro currencies based on recent experience. 2022 sensitivities were prepared on a 5% currency movement.

	Equity £'000	Profit or loss £'000
2023		
US Dollar	10	10
Euro	41	41
2022		
US Dollar	188	188
Euro	46	46

The Company has variable or fixed rate financial assets or financial liabilities.

Fair values versus carrying amounts – Company

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2023		31 December 2022	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £'000	Fair value £'000
Cash and cash equivalents	**718**	**718**	1,327	1,327
Trade and other receivables	**8,427**	**8,427**	14,199	14,199
Trade and other payables	**(807)**	**(807)**	(554)	(554)

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Notes to the financial statements (cont.)

21. Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Except as disclosed below and in Note 22, no Group company entered into a transaction with a related party that is not a member of the Group. Goods and services purchased from related parties are on normal commercial terms and conditions.

During the year, the Group entered into the following transactions with related parties:

Nicholas Stagg, a director of the Company in the period, is an adviser to the Board of Wedlake Bell LLP. No services were provided by Wedlake Bell at fair market rates (2022: £4,000). I-Global, a subsidiary of Wedlake Bell provided services at fair market rates to Alexander Proudfoot (Europe) Limited valued at £7,500 (2022: £15,000) and at year end there was no outstanding liability due to I-Global (2022: £5,000).

All transactions with pension trustees have been disclosed in note 15.

Remuneration of key management personnel

The aggregate remuneration of the key management personnel of the Group is set out below. Key management personnel are the executive directors.

	2023 £'000	2022 £'000
Short-term employee benefits	**1,445**	1,257
Post-employment benefits	**85**	80
	1,530	1,337

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Notes to the financial statements (cont.)

22. Subsidiary undertakings

On 31 December 2023, the Company had the following subsidiary undertakings, with all trading subsidiaries being engaged in the provision of management consultancy services. The shareholdings were 100% of the subsidiary undertakings' ordinary shares and were held indirectly except where indicated. Each of the subsidiaries is included in the consolidation.

	Registered address	Countries of incorporation/ operation
Management Consulting Group Overseas Limited[*]	St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Proudfoot Trustees Ltd[*]	St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
MCG Company No 1 Ltd[*]	St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Alexander Proudfoot (Europe) Ltd[*]	St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Kurt Salmon Associates Ltd	St Paul's House, 4th Floor, 10 Warwick Lane, London, EC4M 7BP	United Kingdom
Management Consulting Group Holdings LLC	6 Concourse Parkway, Suite 2650, Atlanta, GA 30328, USA	United States
Alexander Proudfoot Company	6 Concourse Parkway, Suite 2650, Atlanta, GA 30328, USA	United States
Alexander Proudfoot Inc	Canada Trust Tower, 161 Bay Street, 27th Floor, PO Box 508, Toronto, Ontario M5J 2S1	Canada
Alexander Proudfoot GmbH	c/o Regus Business Centre, An der Welle 4, 60322 Frankfurt am Main Germany	Germany
Alexander Proudfoot GmbH*	LandstraBer HauptstraBe 71/2 1030 Wien, Austria	Austria
Alexander Proudfoot France SAS	168 Avenue Charles de Gaulle, 92200 Neuilly sur Seine, France	France
Alexander Proudfoot Europe SA	523 Avenue Louise, Brussels 1050, Belgium	Belgium
Alexander Proudfoot SA	Capitan Haya 60, 2nd Floor, 28020 Madrid, Spain	Spain
MCG Overseas Holdings BV	Van der Valk Boumanlaan 13 l, 3446 GE Woerden, The Netherlands	Netherlands
Proudfoot (Netherlands) BV	Van der Valk Boumanlaan 13 l, 3446 GE Woerden, The Netherlands	Netherlands
Alexander Proudfoot Japan K.K	Ark Mori Building, 1-12-32 Akasaka, Tokyo, Japan	Japan
Proudfoot (Malaysia) SDN BHD	1 Sentral, Level 16, Jalan Stesen Sentral 5, KL Sentral, Kuala Lumpur, 50470, Malaysia	Malaysia
Proudfoot (Singapore) Pte	8 Marina Boulevard #05-02, Marina Bay Financial Centre Tower 1, Singapore 018981	Singapore
Alexander Proudfoot SPA (Chile)	Avenida Isidora Goyenechea 3000 #, Piso 24, Las Condes, Santiago CP 755-0098, Chile	Chile
Ap Sucursal del Peru	Av. Camino Real 456, Torre Real, Piso 12, San Isidro, Lima 27,	Peru

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Notes to the financial statements (cont.)

22. Subsidiary undertakings (continued)

	Registered address	Countries of incorporation/ operation
Proudfoot (de Mexico) SC	Río Guadiana No. 11, Col. Cuauahtémoc, 06500 México, D.F.	Mexico
Alexander Proudfoot South Africa (Pty) Ltd	PO Box 225, Highlands North 2037, Johannesburg,	South Africa
Alexander Proudfoot Africa (Pty) Ltd	PO Box 225, Highlands North 2037, Johannesburg,	South Africa
Alexander Proudfoot Kazakhstan LLP	Floor 3, Block A, Business Centre, 10D Kunaeva Street, Esil District, Sur-Sultan, Kazakhstan	Kazakhstan

The following subsidiaries of the Company are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of a parental guarantee in accordance with s479A:

Management Consulting Group Overseas Ltd. Company registration number 02170154

MCG Company No 1 Ltd. Company registration number 04897584

Company

Amounts owed by subsidiary undertakings. These amounts are net of impairment.

	2023 receivable £'000	2022 receivable £'000
Alexander Proudfoot (Europe) Limited	**7,375**	8,027
MCG Company No. 1 Limited	**-**	349
Alexander Proudfoot GmbH (Germany)	**121**	-
Alexander Proudfoot Inc	**378**	4
Alexander Proudfoot SA	**53**	1
Alexander Proudfoot Company	**-**	3,276
Alexander Proudfoot France SAS	**128**	7
Alexander Proudfoot GmbH (Austria)	**-**	6
Management Consulting Group Holdings LLC	**-**	2,236
Ending balance	**8,055**	13,906

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Notes to the financial statements (cont.)

22. Subsidiary undertakings (continued)

Transactions with subsidiary undertakings

	2023 income £'000	2022 income £'000
Alexander Proudfoot GmbH (Germany)	**121**	**-**
Alexander Proudfoot Inc	**378**	**-**
Alexander Proudfoot Europe SA	**22**	**-**
Alexander Proudfoot Company	**307**	**1,443**
Alexander Proudfoot SA	**48**	
Alexander Proudfoot France SAS	**126**	**-**
Alexander Proudfoot GmbH (Austria)	**9**	**-**
Ending balance	**1,562**	**1,443**

23. Post balance sheet events

US Defined benefit pension scheme.

The Group applied to the Pension Benefits Guaranty Corporation "PBGC", a US government agency, for a distressed termination of the US pension scheme. The pension scheme, was underfunded by £7.2m as at 31 December 2023.

In June 2024, the Group received formal notification that the application for a distressed termination had been approved. An agreement was signed on 1 July that ratifies the Pension termination and appoints the PBGC as its trustee. The PBGC has taken over the administration and liabilities of the scheme, and the Group is no longer responsible for making any future contributions.

A settlement agreement was signed with the PBCG on 27 November 2024 and The Group is required to make a payment in respect of the pension termination and £361k ($459k) will be payable to the PBCG in February 2025.

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We encourage shareholders to register for copies of corporate communications on our investor relations website at www.mcgplc.com.

Investor relations
The Group welcomes contact with its shareholders.
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London office: +44 20 7710 5000
Enquiries and notifications concerning dividends, share certificates or transfers and address changes should be sent to the Registrar at the address shown.

Operational contacts
We welcome clients introduced by shareholders. Shareholders wishing to provide introductions to potential clients should contact Neil O'Brien (see contact details above).

Shareholder online Services
Signal Shares is a secure online site where you can manage your shareholding quickly and easily. You can:

View your holding and get an indicative valuation

Change your address

View your dividend payment history

Register your proxy voting instruction

Download a stock transfer form

To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Should you have any queries please contact Link Group helpline on 0871 664 0300, from overseas on +44 371 664 0300 (calls outside of the UK will be charged at the applicable international rate). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. You can also contact the registrar by email at enquiries@linkgroup.co.uk.

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