AMENDING ACCOUNTS

A stronger business

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COMPANIES HOUSE

Management Consulting Group PLC

Annual report and accounts 2010

Company number

1000608

About us

Developing a stronger investment proposition

Management Consulting Group now operates through two distinct independently managed practices, Alexander Proudfoot and Kurt Salmon, which are leaders in their fields This structure has created highly focused businesses and provides a firm foundation for delivering profitable growth and enhanced shareholder value

Our strategy

- We will exploit the platform provided by our existing businesses to drive organic revenue and margin growth
- We are committed to continuing to deliver efficiencies in the Group's operations at both the divisional and head office levels and to enhancing financial discipline across the Group
- We seek to align the performance of employees in each of our businesses with objectives that are consistent with value creation for our shareholders
- We will communicate clearly, regularly and fairly with our shareholders and with all stakeholders in our business

"It has been a transformational year with several important changes, which have combined to establish Management Consulting Group PLC as a far stronger investment proposition."

Alan Barber, Chairman

Read more about our new structure on P8

In this report

Our year in brief

Our business

MCG's businesses responded well to challenging trading conditions during 2010, ending the year in an encouraging position for the future

We recapitalised the Group and significantly reduced our net indebtedness

Kurt Salmon was established on 1 January 2011 as a result of the merger of Ineum Consulting and Kurt Salmon Associates, creating a strong new global consulting firm

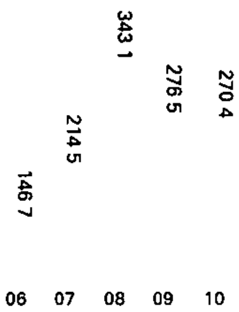
The year also saw the appointment of our new Chief Executive Nick Stagg, and Finance Director Chris Povey

It is our firm belief that MCG is now better positioned than ever to capitalise on its market position and deliver long-term value to shareholders

Group highlights

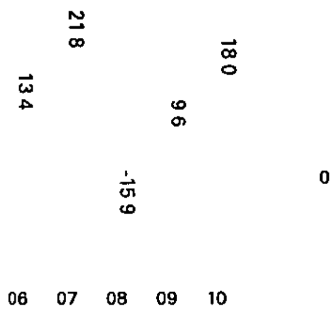
Revenue (£m)

-2%



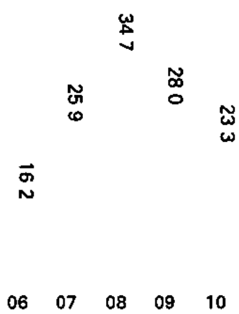
Profit from operations (£m)

+88%



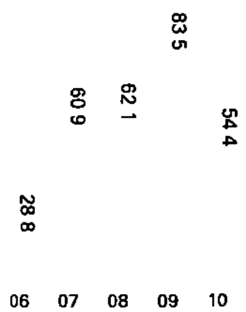
Underlying operating profit (£m)*

-17%



Net debt (£m)

-35%



3.5p

Underlying earnings per share (2009 5 0p)

2.4p

Basic earnings per share (2009 0 4p)

0.45p

Total dividend (2009 0 4p)

Get to know Nick Stagg
Read our Chief Executive's Q&A on P11

* as reconciled on the income statement

Chairman's statement

"2010 was another demanding year for the Group, but one in which we took decisive action to make MCG a more robust business, by strengthening our balance sheet and establishing a solid platform for profitable organic growth."

Alan Barber Chairman

In summary

- **Revenues overall were sustained at a level close to the prior year, in a difficult economic environment**
- **Net indebtedness was reduced significantly as a result of the capital raising and cash generated from operations**
- **Alexander Proudfoot recovered strongly in the second half and entered 2011 with a strong order book**
- **The Kurt Salmon merger has created a larger more integrated global practice, and we are seeing benefits in terms of increasing business opportunities**
- **MCG is well placed to benefit as economic conditions improve**

Overview

2010 was another demanding year for Management Consulting Group PLC ('MCG' or 'the Group'), but one in which we took decisive action to make MCG a more robust business with improved prospects, by strengthening our balance sheet and establishing a solid platform for profitable organic growth

After the challenging economic conditions experienced in 2009 the global economic environment in 2010 again provided a difficult backdrop for our clients and our businesses In many of the sectors and geographies in which we operate the recovery was slower and more fragile than had previously been expected Each of our businesses performed creditably in these circumstances and our overall revenues for 2010 were sustained at a level close to those of the previous year In 2009 we made significant efforts to manage costs to mitigate the influence of lower revenues on bottom line profits In 2010 it proved more difficult to maintain margins in parts of our business that experienced declining revenues during some periods of the year, and this affected our profitability

We looked again at our strategy during the first half of 2010 and concluded on the need to recapitalise our balance sheet With the difficult post-financial crash trading conditions experienced in 2009 it had become clear to us that the level of indebtedness of the Group was too high to allow us the financial flexibility needed to deliver future organic growth, which is our key objective We raised £25m (before expenses) in a Firm Placing, Placing and Open Offer at 22p in June 2010 Some £17m of the equity funds were subscribed by BlueGem Capital Partners LLP, as a new cornerstone investor with a 17% stake in MCG following completion of the capital raising Our existing shareholders were supportive, and the Open Offer element of the capital raising was oversubscribed applications being scaled back by 35% Forty-six employees who were not shareholders were able to participate in the Placing and to take up shares in MCG demonstrating their support and commitment to our equity story We remain focused on promoting broader ownership of shares amongst the senior management and staff of MCG to further align their interests with those of our other investors

The capital raising in the first half of 2010 delivered a substantial reduction in our indebtedness and this will decrease further as our businesses generate operating cash flows as they benefit from improving economic conditions Indebtedness was reduced by a further £20m in the second half through strong positive operating cash flow and we reported net debt at the end of the year of £54 4m We will continue to focus on cash generation in 2011

As part of the capital raising, the Company issued warrants which are convertible into ordinary shares during 2011 at an exercise price of 22p If all the warrants were converted the cash raised as a result in 2011 would be £11 4m

-2.2%

Total revenue down to £270 4m (2009 £276 5m)

+88%

Profit from operations up to £18 0m (2009 £9 6m)

MCG has a ***balance*** of businesses in terms of geographies, industries and sectors

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Alexander Proudfoot

Alexander Proudfoot experienced a significant decline in revenues in the first half of the year as the business felt the effects of slowing activity in the second half of 2009 and a low order book at the end of that year First half revenues in 2010 were slightly more than half those of the same period in 2009 and the business recorded a small trading loss Results in the second half, however, improved significantly with revenues 54% higher than the same period in 2009, restoring the business to profitability for the year as a whole albeit still well below historic levels The performance in Europe in the second half of 2010 and into 2011 has been particularly encouraging, and the business worldwide has benefited from increased demand from clients in the natural resources sector Alexander Proudfoot has delivered outstanding results and strong margins in the recent past It entered 2011 with a strong order book and we are confident that its performance will continue to improve

Ineum Consulting/Kurt Salmon Associates

Ineum Consulting was more robust than our other businesses during the difficult trading conditions experienced in 2009 reflecting the strength of its large French business In broad terms these strengths were again evident in 2010, although its performance was mixed, with some areas performing very well, and others experiencing reduced demand and pressure on margins Overall, Ineum Consulting revenues decreased by 9% in 2010 In France Ineum Consulting s offering in financial services showed excellent progress, and the public sector practice remained strong However revenues from mainstream French corporate clients in the manufacturing and services sectors suffered, particularly over the summer and autumn periods Outside France, the business performed well in the Benelux markets, and increased the profile of its financial sector led practice in the United States Overall profitability was adversely affected by the poorer performing business sectors in France, and by a weak second half performance in the UK Towards the end of the year, there were encouraging signs of increased activity in most parts of the business

Kurt Salmon Associates had suffered badly in 2009 but was showing positive signs of recovery towards the end of that year, and this continued throughout 2010 The business benefited from a slow but steady improvement in demand for its core consulting offerings in the global retail and consumer products sector, as some confidence returned to these markets in the United States and Europe There was also improvement in the US healthcare consulting practice, as large private hospital groups who are our clients were able to operate in a more secure environment In overall terms, Kurt Salmon Associates revenues in 2010 increased by more than 25% from 2009, and its profit margin more than doubled The improved performance provides an excellent basis for success in 2011

Much effort during the year was devoted to bringing together the Ineum Consulting and Kurt Salmon Associates businesses in a merged operation which, since 1 January 2011, has been trading as Kurt Salmon We implemented the merger in the knowledge that the two businesses already shared a similar business culture and an operating model Their complementary industry and geographic focus provides an opportunity to develop a unified practice that is a stronger competitor in the world market, attracting new talent and delivering enhanced results to all stakeholders The larger and more integrated global practice that has resulted will increase our scope of services across many geographies We are already seeing the benefits in terms of increasing business opportunities

The merger provided an opportunity for us to further review costs in these businesses and, in addition, we have looked again at costs in our head office We have been able to implement a number of savings, including property rationalisation and some restructuring of back office operations There are

Chairman's statement

continued

Revenue by division

Alexander Proudfoot £62 2m

Ineum Consulting £128.9m

Kurt Salmon Associates £79 3m

23%
Alexander Proudfoot

48%
Ineum Consulting

29%
Kurt Salmon Associates

Read our financial review P14

Ineum Consulting/Kurt Salmon Associates continued

some non-recurring costs in 2010 related to achieving this ongoing reduced cost base We will continue to look at opportunities to run our operations more efficiently and to improve financial discipline across the Group The initiatives undertaken in 2010 are expected to deliver annual savings from 2011 of approximately £5m, but will be offset by investment for organic growth in the merged Kurt Salmon business which is designed to drive revenue growth and profitability in 2011 and beyond In particular we are looking at selective recruitment following a period in which investment for growth has necessarily been constrained

Summary of trading performance

Total revenue for the year ended 31 December 2010 was £270 4m, 2% down on the previous year (2009 £276 5m) MCG is a global business and around 92% of our revenue in 2010 came from outside the UK

Underlying operating profit in 2010 was down 17%, or £4 7m, to £23 3m (2009 £28 0m) This reflects the impact of the first half loss in Alexander Proudfoot and weaker overall profit performance in Ineum Consulting in the second half, mitigated by the second half recovery in Alexander Proudfoot and a strong performance throughout the year by Kurt Salmon Associates

The Group is reporting net non-recurring costs of £2 6m (2009 £15 7m), associated with the implementation of the Kurt Salmon merger, further property rationalisation and some personnel restructuring These initiatives should give rise to benefits to the business in 2011 and beyond

The charge for amortisation of acquired intangibles was unchanged from the prior year at £2 7m Consequently the overall profit from operations increased by 88% to £18 0m (2009 £9 6m) The net interest expense, net of investment income increased to £3 7m (2009 £3 3m) The profit before tax was up 129% to £14 3m (2009 £6 3m)

With an underlying effective tax rate of 36% (2009 34%) underlying earnings per share were 3 5p (2009 5 0p), reflecting the dilutive effect of the capital raising and the lower underlying earnings for the year Basic earnings per share were 2 4p (2009 0 4p)

The Board has resumed dividend payments starting with the 2010 interim dividend of 0 15p per share paid in January 2011 The Board is recommending, subject to shareholder approval a total dividend for the year of 0 45p per share (2009 0 4p per share) The directors therefore recommend subject to shareholder approval a final dividend of 0 3p per share to be paid on 6 July 2011 to shareholders on the register at 10 June 2011 Subject to the Group's financial position, the Board intends to pursue a progressive dividend policy

The Group raised net proceeds of £23 6m from the equity raising in June 2010 which significantly reduced net indebtedness Cash generated by operations was £17 1m very substantially higher than in the previous year (2009 -£13 5m) As a result net debt at the end of 2010 reduced significantly to £54 4m (2009 £83 5m)

Group structure and strategy

The business is now organised as two trading divisions Alexander Proudfoot and Kurt Salmon, each of which reports directly to the Group Chief Executive Kurt Salmon comprises the former businesses of Ineum Consulting and Kurt Salmon Associates, which merged with effect from 1 January 2011 Going forward MCG will report its segmental results on these two divisional lines

MCG has a balance of businesses in terms of geographies, industries and sectors The strategy of MCG is to exploit the platform provided by our existing businesses, which are leaders in their fields, in order to drive organic revenue and margin growth We have no current intention to make further significant acquisitions

The geographical spread of our businesses and our global office infrastructure will support an increase in operational activity The merger of Ineum Consulting and Kurt Salmon Associates to form Kurt Salmon enhances our ability to execute this strategy

We are committed to continuing to deliver efficiencies in the Group's operations at both the divisional and head office levels and to enhancing financial discipline across the Group We seek to align the performance of employees in each of our businesses with objectives that are consistent with value creation for our shareholders We will communicate clearly, regularly and fairly with our shareholders and with other stakeholders in our business

People

I announced two years ago that I intended to stand down as Executive Chairman of MCG in 2010 I am pleased that the Board was able to put in place a process that enabled a smooth transition to a new Chief Executive during the year

Nick Stagg joined the Board as an Executive Director in October 2009 and we announced in April 2010 that he would be appointed Chief Executive of the Group with effect from 1 July 2010 Nick has a long and successful history in managing and developing businesses which rely heavily on the motivation and talent of their employees, demonstrating in his previous roles an ability to create significant value for shareholders

I continued to act as Executive Chairman until the end of 2010, and from that date I have held the role of Non-Executive Chairman

On 18 June 2010 we welcomed two new non-executive directors to our Board from our new cornerstone equity investor, BlueGem Capital Partners LLP Marco Capello and Emilio Di Spiezio Sardo have already made a valuable contribution to the Board and I look forward to their continued support

Craig Smith left the Board on 31 October 2010 I would like to take this opportunity to thank Craig, who had been Group Finance Director since April 2007, for his contribution to the Group during this period

Chris Povey joined the Board as Group Finance Director on 31 October 2010 Chris joined MCG in 2005 and knows the Group and its operations well as our former Head of Corporate Finance

Janet Cohen will step down from the Board at the AGM on 19 April 2011 Janet is our Senior Independent Director and has served on our Board since 2003 I would like to thank her on behalf of all of the directors, for her contribution to the Company during this period

Marco Lopinto will also step down from the Board at the AGM on 19 April 2011 following the completion of his term under the Ineum purchase agreement I would like to thank him on behalf of all the directors, for his contribution to the Company during his period as a Director Marco will continue in his role as head of the Kurt Salmon strategy practice

Stephen Ferriss will be our Senior Independent Director from 19 April 2011 Julian Waldron will take over as Chairman of the Audit Committee on the same day

During the year the Financial Reporting Council published the new UK Corporate Governance Code which recommends the annual re-election of directors for FTSE 350 companies I support this approach and, as shareholders may be aware, have voluntarily offered myself for annual re-election at the AGM over the past few years The Board has now agreed that all directors should seek re-election each year and accordingly resolutions to this effect will be put at the forthcoming AGM

The success of MCG is built upon our people, many of whom have now experienced a further difficult year for their businesses, with the consequent pressure to perform and deliver results to our clients

I would like to take this opportunity to thank everyone who worked for MCG during 2010 for their support and commitment to the Group during the year

Summary and outlook

Following a very difficult year for the professional services industry in 2009, parts of our business experienced considerably improved trading conditions in 2010, particularly in the second half, whilst other areas saw the continuing effects of uncertainty in the markets in which we and our clients operate I am pleased that in these testing conditions we maintained our overall revenues at broadly the same level as the previous year whilst delivering an increased profit before tax

We ended the year with some very considerable achievements Having refinanced the Group we now have the flexibility to invest in our businesses as market conditions improve We also have a strong and supportive new cornerstone investor and a new Chief Executive who is determined to deliver improved results The merger of our two complementary consulting businesses to form Kurt Salmon allows us to develop a powerful global business to serve our clients, and we are already seeing benefits in terms of business and recruitment opportunities

With a more robust balance sheet, a focused team and an encouraging pipeline, we entered 2011 in a much stronger position than a year previously Whilst the risks of instability in the global economy remain, our businesses will benefit as economic conditions improve We have a sound platform for improving our performance and delivering value to our shareholders

Alan Barber
Non-Executive Chairman
7 March 2011

Group at a glance:
Alexander Proudfoot

Rapidly delivering measurable and sustainable benefits

Alexander Proudfoot helps clients to rapidly improve their operations resulting in the achievement of their growth targets, revenue objectives, and profit goals

Alexander Proudfoot has completed projects across the globe, in virtually all business sectors, transforming operational performance and helping clients' management to run their businesses more effectively

Alexander Proudfoot creates a legacy of sustainable operational improvement that enables clients to deliver substantial business improvement long after the assignment ends

"We had a challenging first half of 2010, but the fundamental strength of the Alexander Proudfoot proposition showed through with a strong rebound in the second half. Clients want and need our services and we provide what others can't."

Luiz Carvalho
Chief Executive of Alexander Proudfoot

"The Alexander Proudfoot business model is powerful and compelling for its clients and, I believe, a key contributor to MCG's strength."

Nick Stagg
Chief Executive of MCG

Key data

Alexander Proudfoot

1946
founded in the United States

16,000
projects completed

De Beers

Key areas of expertise

- Cost optimisation
- Process improvement
- Procurement
- Productivity
- Revenue enhancement
- Supply chain management
- Post-merger integration
- Call centre optimisation

Key areas of industry focus

- Natural resources
- Manufacturing
- Financial services
- Food and beverages
- Communications
- Healthcare
- Services
- Utilities
- Construction
- Private equity
- Automotive
- Retail
- Transport and logistics

Jim Gowans, President and CEO,
De Beers Canada, Inc.

"Proudfoot assisted my people in executing faster and at a higher level – at all levels of the organisation. Most importantly, we worked together in developing rapid change."

Alexander Proudfoot has worked with De Beers in its operations in Southern Africa, South East Asia and North America to help management drive operational efficiencies

£62.2m

2010 revenues

£4.9m

2010 operating profit

For more information on Alexander Proudfoot visit www.alexanderproudfoot.com

Group at a glance:
Kurt Salmon

A new force in global consulting

Kurt Salmon is a global management consultancy of 1,400 consultants in 15 countries across four continents

By joining corporate heritages, workforces and capabilities, the combination of industry and functional expertise and geographic spread makes Kurt Salmon a leading new force in global consulting

Kurt Salmon is independent and entrepreneurial As a trusted adviser, Kurt Salmon works with clients to design and then drive strategies and solutions that make a lasting and meaningful impact

"The merger process is complete. We are already seeing benefits from increased client opportunities, operational efficiencies, and in recruitment. We now have a powerful message to communicate to the marketplace."

Chiheb Mahjoub
Chief Executive of Kurt Salmon

"Our unique proposition continues to be one of industry specialisation. Our large and vertically organised practices in the consumer and retail sector and in the financial services sector are clear global leaders."

Mark Wietecha
Chairman of Kurt Salmon

Key data

Kurt Salmon

Ineum Consulting
- Founded in 2003 in France
- 958 employees at 31 December 2010
- 2010 revenues – £128 9m
- 2010 operating profit – £9 2m

Kurt Salmon Associates
- Founded in 1935 in the United States
- 404 employees at 31 December 2010
- 2010 revenues – £79 3m
- 2010 operating profit – £9 2m

2011
launched globally

1,400
employees currently

Charming Shoppes

Key areas of expertise

- Financial services
- Retail and consumer products
- Media and communications
- Healthcare
- Energy and utilities
- Strategy and transactions
- CIO advisery
- Financial performance management
- Operations management

Integrated Kurt Salmon team delivers advanced store clustering solution

Charming Shoppes Inc , a multi-brand apparel retailer specialising in women's plus-size apparel, operates more than 2,000 stores in the United States An integrated Kurt Salmon team developed a plan for Charming Shoppes' transformation to a leading vertical specialty retailer, which included an advanced store clustering solution, expected to help this leading retailer to improve gross margins The project combined consulting capabilities from the legacy Kurt Salmon Associates and Ineum Consulting operations, and established a successful template for integrated service delivery that is being applied to new client engagements

£208.1m
2010 pro-forma revenues

£18.4m
2010 pro-forma operating profit

For more information on Kurt Salmon visit www kurtsalmon com

Business review

Q&A

With Chief Executive Nick Stagg

Q: You took over as CEO in 2010. What attracted you to the role?

A MCG employs many talented people, leaders in their respective fields dedicated to delivering high quality projects MCG also has a superb base of global blue chip clients These two factors attracted me in the first instance The two underlying businesses Alexander Proudfoot and Kurt Salmon, are well run truly international and with strengths in key markets I know there are opportunities to further improve operational and financial discipline, to better share expertise between geographies and practices and to maximise the returns from our infrastructure and real estate

I believe we now have a platform that provides a firm foundation for delivering profitable, organic growth and enhanced shareholder value We are at an inflection point in the economic cycle and I am convinced that as we focus resources on the key areas of our operations, our businesses will be able to capitalise on increasing client confidence and demand for our services

Q. What is the new strategic direction you have set?

A. When we looked at our strategy during 2010 we drew on the views and experience of people across the Group The world has changed significantly over the last two years but there are significant growth opportunities available by focusing on our core strengths in specific industries, capabilities and geographies In particular

- we are focusing on the organic growth opportunities in our current businesses and prioritising investment in key geographies and industries,
- having merged Ineum Consulting and Kurt Salmon Associates we can now leverage the expected synergies and new business opportunities from the combined Kurt Salmon business in 2011 and beyond,
- we can improve operational efficiency and make the most of our offering As we have previously announced, we reviewed the Group s cost base during 2010 and took actions which are expected to deliver annual cost savings, principally in back office operations, of approximately £5m starting this year, and
- we are focusing on financial discipline and cash generation We reduced net indebtedness from approximately £75m at the half year after the capital raising to £55m at the year end

Q: What challenges did the Group face in 2010?

A. At the start of 2010 the level of debt that the Group had accumulated was significant and was weighing on our results and was a key reason for the underperformance of our share price We needed to get into a position where we could manage the business for the future to exploit the benefits emerging from economic recovery

It was a key priority to address this problem We took the decision to bring in BlueGem as a new cornerstone investor The firm placing placing and open offer completed in June 2010 gave us an injection of £25m of new equity capital Our key shareholders supported the capital raising and the open offer was significantly oversubscribed In addition forty six employees became new shareholders in MCG which shows the internal enthusiasm for the potential the Group now has

From a trading perspective, Alexander Proudfoot started 2010 with a low order book and this produced the poor performance in the first half I am very pleased that the management of the business was able to guide Alexander Proudfoot to a strong recovery in the second half In Kurt Salmon, there were already signs of improvement at the beginning of 2010 and these were sustained throughout the year Ineum Consulting faced some difficult conditions in the second half but recent signs of activity have been encouraging

Q. What are the Group's prospects in 2011 and beyond?

A The funds received from our capital raising in June last year have significantly strengthened MCG s balance sheet allowing us to focus and support the organic growth of our businesses Alongside this renewed focus on organic growth we will continue to improve financial discipline across the Group and to deliver operational improvements and efficiencies at head office and divisional level

Alexander Proudfoot is performing well and shows encouraging signs for 2011 The merger of Ineum and KSA has been successfully completed and the business is now trading as Kurt Salmon The combined business is working effectively to deliver a greater range of services to its clients in key geographies

With a strengthened balance sheet, a lean business model and two focused businesses, we are now well placed to benefit from global economic recovery

Business review

"With a strengthened balance sheet, a lean business model, and two focused businesses, we are now well placed to benefit from global economic recovery."

Nick Stagg, Chief Executive

Nick Stagg Chief Executive

Chris Povey Finance Director

Operational review

Alexander Proudfoot

Alexander Proudfoot delivers measurable financial benefits to its clients by developing and installing processes and programmes to improve its clients operations These help companies to rapidly improve their operating performance by increasing productivity reducing costs and generating incremental cash flow Alexander Proudfoot differentiates itself from its competitors by working side-by-side with client management and front-line workers to implement the changes which deliver improved performance

Alexander Proudfoot works with clients across a broad range of sectors and has developed a particularly strong expertise in the mining, financial services and manufacturing industries Alexander Proudfoot has a wealth of experience and expertise across a number of different functional areas including production, supply chain operations and management, procurement capital expenditure sales and revenue enhancement

Clients begin to realise the real cash benefits of the changes implemented during the early stages of the engagement process The annualised return on investment that clients obtain from working with Alexander Proudfoot is typically two to three times the cost of the project

Alexander Proudfoot is headquartered in Atlanta in the US and has offices in London, Paris, Frankfurt, Johannesburg, Toronto and São Paulo

Given the nature of its offering to clients, Alexander Proudfoot tends to perform well both in upswings or downturns in the economic cycle In the second half of 2009 levels of activity declined, as clients adopted a "wait and see" approach and chose to protect their liquidity by deferring expenditure on activities and projects where Alexander Proudfoot would typically be engaged As a result order intake was depressed and Alexander Proudfoot started 2010 with a low order book

This resulted in a very weak first half of trading for Alexander Proudfoot in 2010 with revenues of £23 9m being only slightly more than half those in the same period during 2009, and a trading loss in a business that has historically generated higher margins than other businesses in the MCG Group

Signs of improving demand from clients for Alexander Proudfoot s services were evident from the second quarter of the year and the order intake improved strongly towards the half year This underpinned a very strong performance in the second half, with an increase in revenues of 60% to £38 3m compared to the first half of the year

Management made efforts to reduce costs in the first half but was conscious of the need to prepare for the expected recovery in revenues which emerged later in the year The remuneration model of Alexander Proudfoot has a large element of variable pay which, when demand is slow provides some protection for the bottom line profit

In summary

- **Signs of improving demand from clients for Alexander Proudfoot's services were evident from the second quarter of the year and the order intake improved strongly towards the half year.**
- **Ineum Consulting was more robust in the immediate aftermath of the financial crisis than other parts of the MCG Group but the parts of the business performed less well in 2010 than in 2009.**
- **Kurt Salmon Associates showed very strong growth in the first half and continuing improvement in the second half.**

The number of staff employed by Alexander Proudfoot has increased during the year from 270 at the end of 2009 to 293 at the end of 2010

Overall revenues for the year were £62 2m 12 5% lower than the previous year (2009 £71 2m) In spite of the first half loss Alexander Proudfoot reported a profit for the year as a whole of £4 9m The profit margin of 7 9% for the year is well below the level achieved in the past, but the strong second half suggests that margins will recover further At constant exchange rates, revenue for the full year was 16% below 2009

The Europe and Africa business units performed particularly strongly towards the end of 2010, while the recovery in the North America business has developed more slowly The order intake in the latter part of the 2010 financial year provided a very encouraging starting point for 2011

Ineum Consulting

From 1 January 2011 Ineum Consulting and Kurt Salmon Associates have merged These businesses now trade globally as Kurt Salmon, and are managed as one business In 2010 Ineum Consulting and Kurt Salmon Associates operated as separate brands and under separate management Accordingly this business review deals with each of the businesses and their results for the year in turn From 2011 the Group will report the results of the combined Kurt Salmon business

Ineum Consulting has provided consultancy services to both the private and public sectors through its in depth knowledge of issues relevant to specific industries Those served include banking and financial services, the public sector utilities, manufacturing, telecommunications, media and transportation Other groups have provided complementary consultancy services to support management in clients' finance and IT functions across industries

Ineum Consulting has used its broad range of service capabilities to work with clients to resolve issues of strategic importance, organisational design information system management and project management in order to achieve sustainable performance improvement

Ineum Consulting has had its headquarters in Paris, France, with offices across Continental Europe London New York California, and North Africa The number employed by the division at the end of 2010 was 958 broadly unchanged from the position at the end of the previous year (2009 960)

Chiheb Mahjoub was appointed as Chief Executive of Ineum Consulting in November 2009 and joined the Board of Directors of MCG at the same time From 2011 Chiheb Mahjoub is the Chief Executive of Kurt Salmon, the merged businesses of Ineum Consulting and Kurt Salmon Associates

Trading in Ineum Consulting was more robust in the immediate aftermath of the financial crisis than other parts of the MCG Group In overall terms it remained strong during 2010 and Ineum Consulting retained a leading position in its core markets However parts of the business performed less well in 2010 than in 2009, and revenues overall were 9 4% lower than the previous year In Ineum Consulting's largest market in France, the performance was patchy An improving performance in some parts of the business, in the financial services sector in particular, was offset by weakness in others, notably manufacturing and the middle market, reflecting pressure on the mainstream corporate sector in France Revenues from the French public sector practice, which represents about one-fifth of the French business overall, remained strong, but were lower overall than the previous year Outside France the Benelux practices showed growth and the New York office focusing on financial services continued to develop its presence in the US market

Alexander Proudfoot

£62.2m

Revenue (2009 £71 2m)

£4.9m

Underlying operating profit (2009 £12 0m)

7.9%

Underlying operating margin (2009 16 9%)

Ineum Consulting

£128.9m

Revenue (2009 £142 2m)

£9.2m

Underlying operating profit (2009 £12 5m)

7.1%

Underlying operating margin (2009 8 8%)

Kurt Salmon

£79.3m

Revenue (2009 £63 1m)

£9.2m

Underlying operating profit (2009 £3 5m)

11.6%

Underlying operating margin (2009 5 5%)

Business review
continued

Operational review continued

Ineum Consulting continued

The UK practice performed poorly in the second half reflecting weaker demand and intensified competition The Australian practice struggled to achieve acceptable profitability and towards the end of the year a decision was taken to close this practice

As a result of the mixed performance of the business in the French market, management found it difficult to transfer specialist resource, particularly at higher levels of seniority, from sectors of lower demand to those of higher demand This restricted the ability to manage profitability and this had an adverse impact on the overall margins of the business in 2010

In total Ineum Consulting reported revenue of £128 9m (2009 £142 2m), operating profit of £9 2m (2009 £12 5m) and an operating margin of 7 1% (2009 8 8%) At constant exchange rates, revenue was 6 9% below 2009

Ineum Consulting s performance in the core French market suffered in particular in the third quarter of the year, experiencing weaker than expected demand after the end of the summer holiday period, when activity levels have historically moved higher Towards the end of the year more encouraging signs had developed in parts of the business where performance had been weak in the second half of 2010

Kurt Salmon Associates

As noted above, from 2011 the Group will report the results of the combined Kurt Salmon business This business review for 2010 deals with Ineum Consulting and Kurt Salmon Associates separately

Kurt Salmon Associates was founded over 70 years ago and has delivered consultancy services to the retail and consumer products sector as well as the health care provider sector The retail and consumer products group has worked globally solving client problems that often require the co-ordination and integration of several disciplines The health care group has created tailored solutions for strategic, facility development and activation and the information technology planning needs of the hospital industry in the US Kurt Salmon Associates has also provided focused corporate finance services delivering financial and strategic advisery services to retail and consumer products companies Kurt Salmon Associates has had its headquarters in Atlanta, US with offices in North America Europe and Japan

Both the retail and consumer products and the health care provider sectors were adversely affected by the impact of the financial crisis, and in 2009 Kurt Salmon Associates experienced a substantial slowdown across all its businesses Kurt Salmon Associates has historically seen demand for its services in the retail and consumer products sector return early in the cycle of economic recovery and this was the case during 2010 The perception of reduced uncertainty in the US health care sector, and an improved credit market, also provided a more positive backdrop in 2010 for the Kurt Salmon Associates health care practice As market conditions in these sectors stabilised, the business experienced improving demand during 2010, first reflected in growing order intake the later months of 2009

These effects benefited 2010 revenues, which showed very strong growth in the first half and continuing improvement in the second half With the exception of the Asia Pacific region, which had experienced particularly strong revenues in 2009 all areas of the business showed revenue growth in during the year

Management made significant reductions to costs during 2009, including office closures These initiatives produced some positive benefits for profitability in 2010 in terms of leveraging a more efficient cost base The number employed by Kurt Salmon Associates was 404 at the end of 2010, an increase on the 390 at the beginning of the year

Revenue for the division in 2010 was 25 8% higher than in 2009 at £79 3m (2009 £63 1m) If translated at constant exchange rates, revenue was 25 0% above 2009 levels Operating profit was £9 2m (2009 £3 5m) Operating margin was 11 6% (2009 5 5%)

At the end of 2010 Kurt Salmon Associates continued to show a slow but steady improvement in activity levels across geographies, providing an encouraging starting point for 2011

Financial performance

Exchange rates

MCG derives the vast majority of its revenue and profit from outside the United Kingdom As results are presented in Sterling, average exchange rates, particularly those of the US Dollar and the Euro to Sterling, can have a significant effect in the translation of those results In 2010 on average Sterling weakened by 1 4% against the US Dollar but strengthened by 3 5% against the Euro, and this had a slightly adverse effect overall on revenue The average exchange rates used to translate the 2010 results were £1=$1 5456 (2009 £1=$1 5672) for the US Dollar and £1=€1 1625 (2009 £1=€1 1233) for the Euro

Employees

There were 1,678 people employed in the Group at the end of 2010 compared to 1,641 at the end of 2009 The average number of people employed by the Group during the year was 1,684 (2009 1,768)

Revenue

Total revenue for the year ended 31 December 2010 was down 2 2% on the previous year to £270 4m (2009 £276 5m) The slight overall decline in revenue reflects the continued weakness in trading conditions experienced in parts of the Group during 2010, exacerbated by the net effect of exchange rates encountered during the year At 2009 average exchange rates revenue would have been £271 4m

Caceis Bank Deutschland

Caceis is a leading global banking group, part of the Credit Agricole Group, dedicated to institutional and corporate clients Alexander Proudfoot assisted Caceis with efforts to improve revenue growth and cash flow

"As a result of the Proudfoot review of all Caceis Bank Deutschland divisions we have witnessed key cultural changes in terms of rationalisation and efficiency."

Christoph Wetzel
Managing Director, Caceis Bank Deutschland

-16.8%

Underlying operating profit down to £23 3m (2009 £28 0m)

-30%

Underlying earnings per share down to 3 5p (2009 5 0p)

Alexander Proudfoot reported first half 2010 revenues very significantly below those of the same period in 2009 but it showed a strong recovery in the second half of 2010, ending the year with revenue of £62 2m (2009 £71 2m) Ineum Consulting performed patchily during the year and was weaker in the second half, reporting revenue of £128 9m (2009 £142 2m) Kurt Salmon Associates saw improved demand from the beginning of the year, and steady but slow improvement throughout, to reach revenue for the year of £79 3m (2009 £63 1m) Alexander Proudfoot accounted for 23 0% of Group revenue (2009 25 8%) Ineum Consulting for 47 7% (2009 51 5%) and Kurt Salmon Associates 29 3% (2009 22 8%)

Geographically, the American businesses reported a 3 4% increase in revenue to £96 5m (2009 £93 4m) Revenue from the Americas accounted for 35 7% of Group revenue (2009 33 8%) Revenues from Europe decreased by 5 4% to £158 8m (2009 £168 0m), reducing its share of the Group total to 58 8% (2009 60 7%) The Rest of the World with revenues predominantly from Africa Japan and Australia, accounted for 5 6% of Group revenue (2009 5 5%) with £15 1m (2009 £15 2m) Revenue from the Group's operations in the UK accounted for 8% of total Group revenue in 2010 (2009 5%)

Operating profit

Underlying operating profit in 2010 was down £4 7m or 16 8% to £23 3m (2009 £28 0m) This chiefly reflects a poor performance by Alexander Proudfoot in the first half of the year and a weaker second half performance from Ineum Consulting After the success of the cost-reduction programme implemented by management throughout 2008 and 2009 it proved more difficult during 2010 to reduce costs further in those parts of the business that suffered from lower revenues As a result the underlying operating profit margin for the Group as a whole fell from 10 1% in 2009 to 8 6% in 2010

The operating profit performance of the three divisions was mixed and largely predicated by revenue performance Alexander Proudfoot, where revenue in the first half of 2010 was significantly lower than in the same period in 2009, saw its operating profit fall to £4 9m (2009 £12 0m) Given that for the first half of 2010 Alexander Proudfoot reported a loss of £0 2m, this represented a strong recovery in the second half Ineum Consulting weakened in the third quarter of the year and this impacted its profit performance in the second half Ineum Consulting reported operating profit of £9 2m (2009 £12 5m), a margin of 7 1% (2009 8 8%)

Business review

continued

"We are at an inflection point in the economic cycle and I am convinced that our businesses will be able to capitalise on increasing client confidence and demand for our services."

Nick Stagg, Chief Executive

Financial performance continued

Operating profit continued

Kurt Salmon Associates showed a strong revenue recovery during 2010 and benefited from the full year impact of the cost saving programmes implemented in 2009

Kurt Salmon Associates reported operating profit for the full year of £9 2m (2009 £3 5m), a margin of 11 6% in 2010 (2009 5 5%)

Operating profit in 2010 reflects a £1 4m credit relating to lapsed share awards granted in 2008

Amortisation of acquired intangibles was £2 7m (2009 £2 7m)

Non-recurring costs

The merger of Ineum Consulting and Kurt Salmon Associates and other restructuring initiatives undertaken by Group management gave rise to certain non-recurring costs A net total of £2 6m (2009 £15 7m) is reported as non-recurring costs for the 2010 Around £2 0m of this will result in cash outflows in 2011

Non-recurring costs of £2 3m were incurred in relation to the merger of Ineum Consulting and Kurt Salmon Associates These include personnel and property changes arising from the merger and merger implementation costs related to branding and other matters Ineum Consulting and Kurt Salmon Associates staff now work in the same office in all locations where they had previously occupied separate properties, notably the key offices in Paris and New York These changes will deliver benefits to the merged business in 2011 and beyond

Management has continued to review property costs across the Group having made significant reductions in the number of offices during 2008 and 2009 The Group s head office in London is larger than the business now requires and management is exploring opportunities to reduce and sublet the space used Non-recurring costs of £2 2m relating to property restructuring chiefly relate to future lease rental costs for excess space in the London head office

In October Craig Smith, formerly the Finance Director of MCG left the Group As a result costs of £0 4m were incurred Further redundancy and related costs of £0 7m have been incurred as a result of other personnel restructuring initiatives at the Group and divisional level, including the closure of the Ineum Consulting practice in Australia

The reported net non-recurring costs also reflect income of £3 0m related to the release of part of a legal provision created on the acquisition of Kurt Salmon Associates that is no longer required

Taking into account the non-recurring items, there was an overall profit from operations of £18 0m (2009 £9 6m)

Revenue by geography

Americas
£96.5m

Europe
£158 9m

Rest of the World
£15 1m

36%
Americas

59%
Europe

5%
Rest of the World

Interest

The total interest payable on borrowings was £3 5m (2009 £3 3m) Adjusting for interest received on bank deposits and the finance cost on retirement benefit plans the total net finance charge was £3 7m (2009 £3 3m) The interest margin paid on the outstanding balance of the debt drawn under the multi-currency facility depends on the outcome of the most recent leverage covenant calculation When net debt is calculated as higher than two times adjusted EBITDA, a margin of 1 5% is paid above Euribor and US Dollar Libor and when this ratio is between one and two times, the margin is 1 15% During 2010 MCG paid a margin of 1 5%

Taxation

The total taxation charge for the year was £5 1m (2009 £4 9m) After adjusting for non-recurring items and the amortisation of acquired intangibles, the underlying effective tax rate was 36% (2009 34%) The Group has tax losses in various jurisdictions and the underlying tax rate has benefited from the utilisation of these The ability to utilise those remaining is uncertain and dependent on trading profitability

Earnings per share

Basic and diluted earnings per share were 2 4p (2009 0 4p)

Underlying earnings per share, after adjusting for non-recurring items and the amortisation of acquired intangibles was down 30% to 3 5p (2009 5 0p) as a result of the capital raising in 2010 and the reduction in underlying operating profit

Net assets

The Group holds the vast majority of its assets and liabilities in currencies other than Sterling, particularly the US Dollar and the Euro, and translates the value of these into Sterling at the year end exchange rate Comparing exchange rates at the beginning and the end of 2010 Sterling weakened by 2 9% against the US Dollar and strengthened 4 7% against the Euro This had the net effect of inflating the Sterling value of assets held in US Dollars at the end of 2010, and deflating the value of assets held in Euros The year-end exchange rates used to translate the 2010 balance sheet were £1=$1 5504 (2009 £1=$1 5971) for the US Dollar and £1=€1 1620 (2009 £1=€1 1100) for the Euro

During 2010 net assets increased by 16% to £175 8m (2009 £151 5m) This increase is predominantly due to the capital raising in June 2010, which is described in more detail below The largest item on the balance sheet is the intangible asset recognised on the acquisition of Ineum Consulting and Kurt Salmon Associates This is held in US Dollars and Euros

Net trade receivables increased by £3 6m to £48 6m (2009 £45 0m) The vast majority of the Group's receivables are held in currencies other than Sterling and their value in Sterling is dependent on the exchange rates prevailing at the date of the translation Debtor days at the end of 2010 were 44 days (2009 47 days)

Pension funds

The Group's retirement benefits liability relates to the closed US defined benefit pension scheme the closed US post-retirement medical benefits plan, French statutory retirement provisions, and an unfunded German retirement obligation acquired with Kurt Salmon Associates The Group actively manages the potential liabilities arising from these schemes, regularly reviewing performance in conjunction with qualified independent actuaries and making changes where appropriate

The net post-retirement obligation from these schemes increased from £23 2m at 31 December 2009 to £25 7m at 31 December 2010 Cash contributions to these schemes amounted to £1 4m in 2010 (2009 £0 8m)

+16%

Net assets increased to 175 8 (2009 151 5)

Visit the investor section of our website www mcgplc com/investors

Business review

continued

Sanofi-Aventis

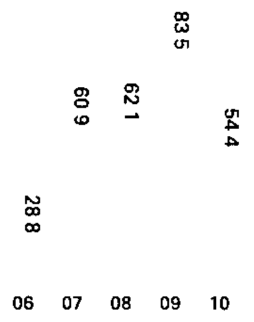
Kurt Salmon is helping Sanofi-Aventis to transform its finance and procurement functions, including building shared services on transactional processes to support the client's business units across Europe

"This is a large and complex project requiring business processes redesign, experience on BPO and advice on Outsourcer Provider selection. I trust the Kurt Salmon team to deliver on time what we need."

Olivier Lafont
Project Director, Sanofi-Aventis

Net debt (£m)

-35%



Financial performance continued

Liquidity and capital resources

Capital raising

The Group's capital structure is reviewed regularly to ensure that it remains relevant to the business and its planned development In June 2010 the Group completed an equity issue, raising £23 6m proceeds net of expenses from the issue of 113 7m new ordinary shares at a price of 22p The net proceeds were applied to reduce the net indebtedness of the Group

As part of the capital raising in June 2010, the Group issued 53 1m warrants to the subscribers for the new ordinary shares issued Each of the warrants is convertible into one Ordinary Share at a price of 22p at any time up to 31 December 2011 During 2010, 1 2m warrants were converted, generating £0 3m in cash proceeds to MCG At 31 December 2010, 51 9m warrants were outstanding In the event that all of the outstanding warrants are exercised before they lapse on 31 December 2011 the cash proceeds payable to MCG during 2011 would be £11 4m

Net debt

The Group ended the year with net debt of £54 4m (2009 £83 5m) The reduction in net debt reflects the impact of the equity issue in June 2010, immediately after which the Group reported net debt at 30 June 2010 of £74 8m Cash generation continued to be a key focus during the year and the net debt was further significantly reduced from operating cash flows in the second half of 2010

The Group is financed by a multi-currency facility expiring in September 2012 When negotiated, the facility consisted of term loans amounting to $50 6m and €37 0m and revolver loans of $60 7m and €44 5m Draw downs under the facility allow for interest maturities of up to six months in US Dollars and Euros Scheduled repayments of the term loans were made in December 2009 and 2010 of $7 6m and €5 6m in total

The facility has two covenants, which were calculated at 30 June and 31 December during 2010 The first of these is that interest cover must be greater than four times at the calculation dates At 31 December 2010 the interest cover covenant ratio was 7 9 times (31 December 2009 12 7 times) The second covenant is a leverage covenant, which is that net debt divided by adjusted EBITDA must remain below 2 75 times at the calculation dates Adjusted EBITDA is defined as underlying operating profit plus certain non-cash items such as depreciation At 31 December 2010 the leverage covenant ratio was 2 06 (31 December 2009 2 62)

The total facility remaining at the end of 2010, at year-end exchange rates, was £130 4m, and the gross debt drawn down under the facility at that date was £80 1m, leaving headroom at that date of £50 3m

Further repayments of the term loans of $10 1m and €7 4m are due in September 2011 and the balance of the term loans and the revolver loans is due in September 2012

At the appropriate time, the Group will engage in discussions with lenders in relation to the refinancing of its banking facilities on their expiry in September 2012

Foreign exchange exposure

The Group's foreign exchange exposure is primarily a translation risk as the vast majority of the Group's business is transacted in Euros and US Dollars The goodwill arising on acquisitions is also denominated in these currencies Both the term loan and the revolver facilities are drawn down in US Dollars and Euros to provide a partial hedge against these In 2010 the Group projected that it would have a surplus of Euros and a shortfall in Sterling and so established forward contracts to sell Euros and purchase Sterling during the year In total £13 5m of Sterling was purchased at an average exchange rate of £1 = €1 14138 There were no outstanding contracts at 31 December 2010

Treasury activities are managed on a day-to-day basis by a treasurer and finance staff, reporting to the Group Finance Director There are established treasury policies that are reviewed regularly to ensure that they remain relevant to the business The objective of these policies is to provide liquidity across the Group at minimum risk and cost and to hedge known financial exposures The Group's net debt position is closely monitored and there are effective forecasting procedures in place

Cash flow

The Group's cash flows in 2010 benefited from the receipt of the proceeds of the capital raising in June 2010 which was applied to reduce net debt Cash generated by operations was substantially higher than in 2009 at £17 1m (2009 a £13 5m outflow)

Dividend

The Board concluded that it was prudent not to declare a final dividend for the 2009 financial year given the Group s financial position The Board had stated in the 2009 annual report its intention to resume dividends starting with the 2010 interim dividend An interim dividend for the 2010 financial year of 0 15p per share was paid to shareholders on 6 January 2011 The directors recommend, subject to shareholder approval, a final dividend of 0 3p per share to be paid to shareholders on the register at 10 June 2011 The recommended total dividend for the 2010 financial year is therefore 0 45p per share (2009 0 4p per share)

Business resources and investment in the future

The Group's key assets are its client relationships, its people and its intellectual property Client relationships are strengthened by the regular review of every engagement in conjunction with the client throughout its duration This enables timely resolution of any issues so that the client remains highly satisfied with our performance It is our objective that every client becomes a reference for future clients

The remuneration policies of the Group are designed to retain key individuals by rewarding performance and deferring the payment of a portion of incentive pay contingent on continued employment The performance of each employee is regularly reviewed and plans are established to deal with any performance issues Evaluation systems are in place throughout the Group The training requirements of employees are also reviewed and tailored training programmes have been established for each of the core functions The headcount needs of the business are reviewed in view of the projected requirements of the business as indicated by the order book and prospects

The Group has developed knowledge management systems that capture the intellectual property that has been developed through many years of assisting clients Client needs are regularly reviewed and new services developed in accordance with these Appropriate steps are taken to safeguard the security of the Group's intellectual property and legal or other action is taken as necessary to protect this

The Group continues to invest in its client relationships its people and its intellectual property to ensure that the Group is prepared to face its challenges and to focus client awareness on the Group's brands and the services offered

Principal risks and uncertainties

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

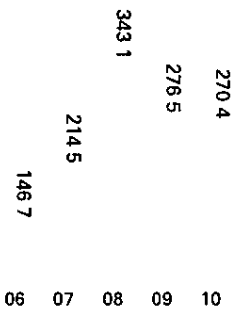
The major risks facing the business relate to the demand for services provided by the Group in the markets and sectors in which it operates, the management of its client base, the recruitment and retention of talented employees and the optimisation of the Group's intellectual capital These risks are managed by anticipating market trends, maximising staff utilisation, developing remuneration policies that reward good performance and promote continued employment

Business review

continued

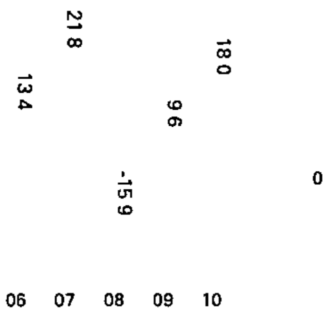
Revenue (£m)

-2%



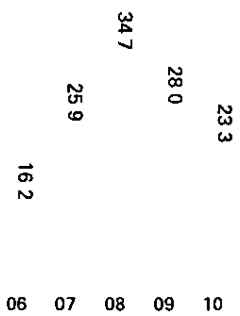
Profit from operations (£m)

+88%



Underlying operating profit (£m)

-17%



Financial performance continued

Principal risks and uncertainties continued

with the Group and maintaining a knowledge management system Potential contractual liabilities arising from client engagements are managed through control of contractual conditions and insurance arrangements The directors are aware of no material outstanding litigation against the Group not covered by an appropriate level of insurance or provision in the financial statements

Going concern

The Group's business activities, together with the factors likely to affect its future development performance and position, are set out in the Business Review The financial position of the Group is described in this Financial Review In addition, note 23 of the Consolidated Financial Statements includes the Group's objectives policies and processes for managing its capital and its exposures to risk

The Group s committed borrowing facilities are detailed under the Liquidity and capital resources section of this Financial Review The Group prepares regular business forecasts and monitors its projected compliance with these covenants which are reviewed by the Board Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed, and consideration given to actions opens to management to mitigate the impact of these sensitivities In particular this includes the discretionary nature of a significant amount of the costs incurred by the Group

The Board has concluded that the Group has adequate resources to be able to operate within the level of its current facility and remain compliant with the terms of the facility for the foreseeable future For this reason the going concern basis has been adopted in preparing the financial statements For further details please refer to note 2 to the Consolidated Financial Statements

Key performance indicators

The key performance indicators used by the Board to monitor progress are revenue growth, operating profit, operating margin net debt earnings per share growth staff retention, and client satisfaction These key performance indicators are used to monitor performance as they indicate achievement against the Group s objectives of delivering shareholder value and profit and margin growth

Critical accounting policies

The discussion and analysis of the Groups financial position and results are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") This preparation requires estimates and judgements that affect the reported level of assets and liabilities, revenues and costs, and the related disclosure of contingent assets and liabilities at the date of the financial statements Critical accounting policies are those that are reflective of significant judgements and

MCG will continue to look at ***operational efficiencies*** across the Group uncertainties and potentially result in materially different results under different assumptions and conditions It is believed that the Group's critical accounting policies are limited to those described on the opposite page

Revenue

Revenue is measured at the fair value of the consideration received or receivable for services provided to third parties in the normal course of business Revenue from services is recognised when the service has been provided and the right to consideration earned When a service has been provided to third parties but no billing made the amount receivable is estimated This estimate is based on the nature of the service supplied and the terms of the contract

Goodwill and other intangible fixed assets

Under IFRS goodwill is capitalised and tested for impairment annually or when events or changes in circumstance indicate that the carrying value may not be recoverable Intangible assets with finite lives are capitalised and amortised over their remaining useful economic lives

Employee benefits

Accounting for pensions and other post-retirement benefits involves judgement about uncertain events including discount rates, life expectancy, future pay inflation and the expected rate of return on plan assets Determination of the projected benefit obligations for the Group's defined benefit pension scheme and post-retirement plans are relevant to the recorded amounts in the Statement of Recognised Income and Expense and the liability recorded in the balance sheet

Income taxes

The Group is subject to income taxes in numerous jurisdictions There are transactions and calculations for which the ultimate tax determination is uncertain until agreed with the tax authorities Where the final outcome is different from the initial estimate, these adjustments will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made

Summary of critical accounting policies

The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee Additional discussion of the application of these estimates and other accounting policies is provided in note 2 to the Consolidated Financial Statements

Nick Stagg
Chief Executive

Chris Povey
Finance Director
7 March 2011

Board of Directors

Chairman **
A J Barber

Alan Barber aged 63 joined the Board in April 2005 as a non-executive director and was appointed Executive Chairman on 19 February 2008 He relinquished his executive duties on 31 December 2010 and is now non-executive Chairman He is a non-executive director of JP Morgan Japanese Investment Trust PLC Western & Oriental PLC Witan Pacific Investment Trust PLC and Impax Asian Environmental Markets PLC He is a former non-executive director of lastminute com PLC and Teather & Greenwood Holdings PLC and was a partner in KPMG s London office until 2004 He is a member of the Nominations Committee

Chief Executive Officer
N S Stagg

Nicholas Stagg aged 51 was appointed Executive Director on 21 October 2009 and Chief Executive with effect from 1 July 2010 He graduated in physics at University College, London and joined Thomson McLintock in 1981, where he qualified as a Chartered Accountant He worked in property investment companies before becoming group managing director of Lambert Smith Hampton PLC Subsequently he was managing director of W S Atkins International PLC and then first COO and then CEO of Teather & Greenwood Holdings PLC, where he was responsible for the development of the business and its eventual sale to Landsbanki in 2005 and then Straumur in 2008

Finance Director
C J Povey

Chris Povey aged 50, was appointed Finance Director on 31 October 2010 having previously been the group's Head of Corporate Finance He graduated in history from Brasenose College, University of Oxford in 1982 and joined KPMG where he had a career of over 20 years first qualifying as a Chartered Accountant and subsequently in the unit providing transaction support services to clients He joined Management Consulting Group PLC in 2005

Executive Director
L H Carvalho

Luiz Carvalho, aged 53, was appointed an Executive Director on 19 March 2008 He has dual US and Brazilian citizenship and resides in the US After attending Pontificia Universidade Católica de São Paulo he joined Alexander Proudfoot in 1982 and following a series of promotions and international assignments was appointed President of the Proudfoot American operations in 1999 and Chief Executive of Alexander Proudfoot worldwide in 2002 He is a member of the World Presidents organisation

Non-Executive Director * **
M Capello

Marco Capello aged 50 joined the Board on 18 June 2010 He is the founder and managing partner of BlueGem Capital Partners LLP From 2002 to 2006 he was a managing director of Merrill Lynch Global Private Equity Previously he worked for over 18 years at First Boston, Wasserstein Perella and since 1994 at Merrill Lynch During his career in investment banking he worked primarily in mergers and acquisitions both in New York and London Mr Capello holds an MBA from Columbia University in New York He graduated in Civil Engineering from the Politecnico di Torino He is a board member of Olicar S p A , The Private Clinic Limited, Fintyre S p A and Neomobile S p A He is a member of the Remuneration Committee and the Nominations Committee

Non-Executive Director * # **
Baroness Cohen of Pimlico

Baroness Cohen aged 70 joined the Board in August 2003 She was originally a solicitor followed by a career in the Department of Trade and Industry and subsequently as a corporate financier and adviser in the Charterhouse Group She sits as a Labour peer in the House of Lords She is a non-executive director of the London Stock Exchange PLC She is the Senior Independent Director and a member of the Remuneration Committee, the Audit and Risk Committee and the Nominations Committee

Non-Executive Director * # **
S A Ferriss

Stephen Ferriss, aged 65 joined the Board on 3 March 2006 He is a US citizen residing in London He spent 17 years at Bank of America working in the United States of America and latterly in London and Madrid In 1987 he joined Bankers Trust and served in various roles including managing director and partner of the Bankers Trust s Global Investment Bank in London and New York He spent three years from 1999 to 2002 as president and chief executive of Santander Central Hispano Investment Securities Inc He is a non-executive director of several privately owned companies He is Chairman of the Audit and Risk Committee and of the Nominations Committee and a member of the Remuneration Committee

Non-Executive Director
E Di Spiezio Sardo

Emilio Di Spiezio Sardo aged 34 joined the Board on 18 June 2010 He is a partner of BlueGem Capital Partners LLP Before joining BlueGem as a partner, in 2007 he worked in London as a hedge fund manager at York Capital Management a global multi-strategy hedge fund with approximately US$10 billion under management Before that he worked for six years in investment banking at Merrill Lynch in London and Rome Mr Di Spiezio Sardo graduated summa cum laude in Economics and Finance from Bocconi University in Milan He is a board member of Olicar S p A , The Private Clinic Limited Fintyre S p A and Neomobile S p A

Executive Director
M E Lopinto

Marco Lopinto, aged 48, was appointed Executive Director on 15 December 2009 He has dual French and Italian nationality He is a graduate of the Lyon Business School (EM Lyon-France) He began his career at Arthur Andersen where he became a partner in Arthur Andersen Business Consulting Subsequently he worked for A T Kearney and Carrefour before joining Ineum Consulting in 2005 as a partner in the Communication Media and Technology practice He is currently in charge of the strategy practice and the business development of Kurt Salmon

Executive Director
C Mahjoub

Chiheb Mahjoub aged 47 was appointed Executive Director on 10 November 2009 and is Chief Executive of Kurt Salmon having previously been Chief Executive of Ineum Consulting He has dual French and Tunisian nationality and holds an MBA and MS from the Ecole Nationale des Ponts et Chaussées and Ensimag in Paris After working in the derivatives market he helped to establish Summit Systems, a leading trading software company He joined Deloitte Consulting in 1995 and was a founding partner when it became Ineum Consulting in 2003 He was responsible for the development of the global financial services practice while being instrumental in the international development of Ineum Consulting as a whole

Executive Director
M Wietecha

Mark Wietecha aged 53 was appointed an Executive Director on 19 March 2008 He is a US citizen and holds both MSc and MBA degrees He is Chairman of Kurt Salmon having previously held that position with Kurt Salmon Associates and has served in multiple leadership roles including Managing Director of the Health Services practice in his 25 years with the company He is a prominent consulting practitioner in the health care sector in the US He has served on the boards of the Institute for Bilingual Children the Shepherd Spinal Center and the Medical Heritage Foundation

*
Member of the Remuneration Committee

#
Member of the Audit and Risk Committee

**
Member of the Nominations Committee

Non-Executive Director * # **
A H Simon OBE

Andrew Simon aged 65, joined the Board on 3 March 2006 He spent 23 years as the managing director chief executive and chairman of the Evode Group PLC He holds an MBA from Wharton School of Finance in Philadelphia and has a diversified range of non-executive director and chairman positions He is a non-executive director of Exova Group plc and Travis Perkins PLC in the UK and of Finning International Inc in Canada He sits on the supervisory board of SGL Carbon SE in Germany He is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and the Nominations Committee

Non-Executive Director * # **
J D Waldron

Julian Waldron aged 46 joined the Board on 8 October 2008 He is a UK citizen residing in France He is currently chief financial officer of Technip a French listed group providing project management, engineering and construction services for the oil and gas industry which he joined in October 2008 Prior to this he was a managing director in corporate finance at UBS Warburg and the chief financial officer of Thomson SA He is a member of the Remuneration Committee the Audit and Risk Committee and the Nominations Committee

Company Secretary
C W Ansley

Charles Ansley aged 60 was appointed Company Secretary in April 2007 having joined the Group in 2001 He graduated in Law at the University of Sheffield and subsequently worked in the London office of KPMG He is a qualified Chartered Accountant

Directors' report

The directors present their annual report, incorporating their reports on corporate governance, audit and risk and remuneration, together with the audited financial statements for the year ended 31 December 2010 These will be laid before the shareholders at the Annual General Meeting on 19 April 2011

Activity

The principal activity of the Group is the provision of professional services Details of the Group's principal subsidiary undertakings through which it carries out its activities, are set out in note 26 to the financial statements

Business Review

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2010, the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a "Business Review") The information that fulfils the requirements of the Business Review can be found in the Financial Performance section of the annual report

Group results

The Group's profit before taxation for the year ended 31 December 2010 amounted to £14 328,000 (2009 £6,288 000)

Dividends

An interim dividend of 0 15p per share was paid on 6 January 2011 The directors recommend the payment of a final dividend of 0 30p (2009 interim dividend of 0 40p final dividend of nil) per share to be paid on 6 July 2011 to shareholders on the register on 10 June 2011

Directors

The names and brief biographical details of the current directors are shown on pages 22 and 23 During 2010 Mr Barber Mr Stagg, Mr Carvalho Mr Lopinto, Mr Mahjoub Mr Wietecha Baroness Cohen Mr Ferriss, Mr Simon and Mr Waldron held office throughout the year Mr Smith stood down as a director on 31 October 2010 Mr Capello and Mr Di Spiezio Sardo were appointed directors on 18 June 2010 Mr Povey was appointed a director on 31 October 2010

Baroness Cohen and Mr Lopinto have announced they will stand down at the forthcoming Annual General Meeting and will not seek re-election The Articles require that only one third of the directors shall retire by rotation at the Annual General Meeting together with any directors appointed since the last Annual General Meeting However, the Board has agreed that directors should stand for re-election every year and accordingly all the other directors will retire from the Board at the forthcoming Annual General Meeting and will offer themselves for re-election

During and at the end of the financial year no director had a material interest in any contract of significance to which the Company or any subsidiary was a party Information on the directors interests in the shares of the Company are set out in the Directors Remuneration Report Related party transactions are disclosed in note 25

Creditor payment policy

The Group s policy in relation to all of its suppliers is to agree the terms of payment when first contracting with the supplier and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions The Group does not follow any code on payment practice but operates a prompt payment policy on settling invoices The amount of trade creditors shown in the balance sheet at 31 December 2010 represents 31 days of average purchases during the year (2009 26 days) for the Company and 29 days (2009 30 days) for the Group

Substantial share interests

As at 3 March 2011 (the latest practicable date prior to the issue of this report) the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules issued by the Financial Services Authority, of the following interests in the ordinary share capital of the Company

	Number of ordinary shares	% of issued share capital
Gartmore Investment Limited	89 378,447	20 02
BlueGem Capital Partners LLP	75 685 000	17 00
Schroder Investment Management Limited	22 118,725	4 95

Capital structure

Information on the Group's capital structure and its share schemes is set out in note 19

Corporate governance

Information on the Company's corporate governance is set out on pages 28 to 31

Corporate social responsibility

The Group is committed to making a positive social and economic contribution in all the places it operates This is driven by the Board Emphasis is placed on ensuring that we continue to create and maintain trust in and loyalty to our Group by all our stakeholders

The Board is responsible for the social environmental and ethical ("SEE") impact of the Groups business and ensures that any risks arising are being managed appropriately On an annual basis the Board assesses the Group's exposure to SEE matters based on feedback from management Overall for the current year the Board has concluded that the Group's exposure to SEE risks is limited, primarily due to the nature of its operations Further information on the environmental and ethical policies adopted is provided below

The Group has an active corporate social responsibility agenda which covers work with various non-profit organisations and government ministries For example, it is currently assisting the French Civil Service to prepare for the annual Powerday event where Kurt Salmon employees will spend a day helping local charities, schools and other establishments and is also sponsoring an initiative linked to the sustainable development of the culture and museum network

Environmental policy

The Group's environmental policy aims to minimise where practical the Group s impact on the environment

As a group of professional services companies, the Group's business has a relatively small impact on the environment Nevertheless the Board recognises the quality of the environment in which it operates is a concern for its stakeholders and others in the community and consequently is essential to the long term financial performance of the Group

As a member of the FTSE4 Good index, the Group ensures that all laws, regulations and official guidelines in the countries in which it operates are complied with The Group is also a member of the United Nations Global Compact

The Group's Environmental Officer is responsible for the ongoing monitoring of areas where the Group could have an impact on the environment and takes steps to reduce this impact These are detailed below Reviews of the quantitative impact on the environment in these and other areas will continue to be undertaken to enable the Group's environmental performance to be assessed and further improved

Energy use and climate change

Carbon dioxide is one of the most significant air pollutants as a by-product of energy consumption and is the major contributor to the 'enhanced greenhouse gas effect We continue with the programme to measure the amount of electricity being used in our largest offices, to identify where reductions can be made in the future

Due to the nature of the business and the need for employees with appropriate experience to work on projects, employees regularly need to travel to clients sites The Group's employees are encouraged, wherever possible to share private road transport or use public transport

Whilst further improvements are being targeted, the Group continues to progress in reducing energy consumption The principal methods adopted by the Group to reduce energy consumption are as follows

- installing automatic power-off systems on lights and certain equipment
- using energy-efficient lighting,
- using time-switches on air conditioning systems, and
- reducing travel by making use of video conferencing facilities

Directors' report
continued

Corporate social responsibility continued

Waste and recycling

The increase in waste generated is a serious problem in many of the countries in which the Group operates The shortage of new landfill sites in these countries is well documented as are the potential health impacts and carbon dioxide emissions caused by landfill sites

The majority of the waste produced by the Group is paper based and is therefore recycled Our largest offices recycle printer cartridges, paper and other dry recyclables The Group has maintained its efforts to reduce waste and increase recycling by

- encouraging employees to recycle paper and toner cartridges and providing recycling facilities in all offices,
- giving furniture and working computer equipment which is no longer needed to local schools and charities and
- stripping obsolete or irreparable computer equipment for useful parts before being disposed of in accordance with the applicable laws and regulations

Water

Water usage throughout the world is growing at an unsustainable speed The Group does not use a significant amount of water however, where available the Group seeks to lease buildings with water-efficient fittings and white goods

Health and safety

The Group is committed to achieving and maintaining the highest standards of health safety and welfare for its employees throughout the world Employees are one of the Group's most important assets and their health and safety is critical to business performance by reducing the costs associated with workplace injuries and ill health

The Group aims to comply with all laws, regulations and official guidelines relating to health and safety in all its offices throughout the world Due to the many different locations of the Group's offices, the Group does not have a single detailed worldwide policy Instead it is the responsibility of a senior employee in each office to ensure that his or her office meets the high standards for which the Group aims

Group ethics

The Group subscribes to the Association of Management Consulting Firms' Code of Ethics (available at www amcf org) and in the UK the Code of Ethics of the UK Management Consultancies Association (available at www mca org uk)

The codes of ethics conform to regulatory and legislative initiatives and assure the users of consulting services that members are publicly committed to providing the highest quality work

Whistleblowing

The Board considers the financial management team as holding an important role in corporate governance, having both the responsibility and authority to protect balance and preserve the interests of all stakeholders Specific polices are in place and form part of the financial management team s twice-yearly appraisal

All employees can voice their concerns about any unethical behaviour through an internal whistleblowing process

Employees

The Group operates in a number of countries and its employment practices vary to meet local requirements and best practices within a framework established by the Group

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 and where all employees are treated with dignity and respect

Our ability to operate as a high-performing organisation depends on our inclusion of people who come from diverse backgrounds It is Group 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 laws of the individual countries in which it operates This applies with respect to recruitment, promotion, compensation, transfer retention training and other employment actions In South Africa the Group operates positive discrimination in respect of previously disadvantaged individuals Wherever possible the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered

Employees continued

One of the Group's key objectives is to achieve a shared commitment by all employees to the success of the business We recognise the importance of employees understanding the Group strategy, the businesses' priorities and the expectations of individuals Presentations on strategy and priorities are made at meetings of employees and are supplemented by communications from the Chief Executive

Employees have a written job description and are appraised by their manager, at least 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 current and future leaders of the business, training programmes for client-facing staff and an induction programme for all new staff There is regular communication via internal meetings, email, intranets and in-house magazines

Charitable and political contributions

No political donations were made in 2010 or 2009 Charitable donations of £30,000 (2009 £152,000) were made during the year

In addition pro bono work is carried out by a number of the Group's consultancies with good causes worldwide During 2009 the market value of work carried out for these charities totalled £168,000 (2009 £245,000)

The Group encourages its employees to contribute to their local communities and many employees are actively involved with various non-profit organisations across the world For example, in North America, Kurt Salmon has been facilitating employees' charitable donations and employees pledged over £150,000 to selected charities

Auditor

Each director who held office at the date of approval of this Directors Report confirms that, so far as the director is aware

- there is no relevant audit information of which the Company s auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006 Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming Annual General Meeting

Annual General Meeting

The Annual General Meeting will be held at 1 30pm on 19 April 2011 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London EC4V 6JA Details of the meeting are included in the circular to shareholders enclosed with this report, at the back of which is the Notice of Meeting

By order of the Board,

Charles Ansley
Company Secretary
7 March 2011

Registered office
10 Fleet Place
London EC4M 7RB

Governance

- The revised accounts replace the original accounts
- They are now the statutory accounts
- They have been prepared as at the date of the original accounts, & not as at the date of the revision & accordingly do not deal with events between those dates

The original accounts did not comply with the requirements of the Act as the 2010 Group accounts incorporated two company balance sheets instead of one company balance sheet & one group balance sheet This has now been amended

Corporate governance

The maintenance of effective corporate governance is a key priority for the Board Accordingly, the Board has considered carefully the requirements of the Combined Code on Corporate Governance adopted by the Financial Reporting Council in June 2008 ('the Code) and has taken various actions in light of its guidance The Company has complied throughout the year with the provisions set out in Section 1 of the Code except as explained below

Board of Directors

From 1 January 2010 until 17 June 2010 the Board comprised the Executive Chairman six other executive directors and four non-executive directors Mr Capello and Mr Di Spiezo Sardo were appointed as non-executive directors on 18 June 2010 On 31 October 2010 Mr Smith stood down as an executive director and Mr Povey was appointed as an executive director Thus from 18 June 2010 until the year end, there were seven executive directors and six non-executive directors The Code requires that smaller companies should have at least two independent non-executive directors and the Company complied with this aspect Combining the roles of Chairman and Chief Executive constitutes a breach of provision A 2 1 of the Code This occurred as a result of the previous Chairman and Chief Executive standing down from the Board and was remedied on 1 July 2010 when Mr Stagg took over as Chief Executive

Baroness Cohen Mr Ferriss, Mr Simon and Mr Waldron are considered to be independent non-executive directors

The roles of the Board and the management are clearly defined Throughout the year the roles of Executive Chairman and Senior Independent Director were separated and clearly defined in writing The terms and conditions of appointment of the non-executive directors are available for inspection at the Company s registered office and will also be available at the Annual General Meeting

The Board is satisfied that each of the non-executive directors committed sufficient time during 2010 for the fulfilment of their duties as directors of the Company None of the non-executive directors has any conflict of interest which has not been disclosed to the Board

The number of Board and Committee meetings eligible for attendance and attended by each of the directors during the year was as follows

Name	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
A J Barber	11	—	—	5
M Capello (appointed 18 June 2010)	3	—	2	2
L H Carvalho	11	—	—	—
Baroness Cohen	10	3	5	5
S A Ferriss	10	4	5	5
M E Lopinto	10	—	—	—
C Mahjoub	11	—	—	—
C J Povey (appointed 31 October 2010)	2	—	—	—
E Di Spiezio Sardo (appointed 18 June 2010)	3	—	—	—
A H Simon	9	4	6	5
C H Smith (stood down 31 October 2010)	9	—	—	—
N S Stagg	11	—	—	—
J D Waldron	9	4	4	5
M Wietecha	10	—	—	—
Total meetings held	11	4	6	5

On appointment, directors are provided with formal details of their responsibilities under legislation applicable to a company listed in the UK Changes to such legislation and other relevant factors affecting the Group are communicated to all directors Newly appointed directors are also required to participate in an induction programme in order to familiarise themselves with the Group's businesses Regular presentations are made to the Board by senior management in order to refresh and expand this knowledge

All directors are authorised to obtain, at the Company's expense and subject to the Chairman s approval, independent legal or other professional advice where they consider it necessary All directors have access to the Company Secretary who oversees their ongoing training and development needs

Election and re-election of directors

The Company's Articles of Association contain detailed rules for the appointment and retirement of directors There is a formal procedure in place to select and appoint new directors to the Board These directors are required to retire at the next Annual General Meeting, but can offer themselves for re-election by shareholders Under the Articles, all directors are required to submit themselves for re-election at intervals not exceeding three years However the Board has agreed that with effect from the forthcoming Annual General Meeting, directors should stand for re-election every year

The Board annually evaluates the performance of individual directors the Board as a whole and its Committees This review comprises structured interviews with each director followed by the presentation of the results of this process to the Board and individual discussions with the Executive Chairman The results of the evaluation were approved by the Executive Chairman and an agreed plan of action produced The results are specifically taken into account when considering the re-appointment of directors

Operation of the Board

The Board meets regularly Eleven meetings were held during 2010 All members of the Board are supplied, in advance of meetings with appropriate information covering matters which are to be considered The Executive Chairman met throughout the course of the year with the non-executive directors in the absence of the other executive directors

There is a formal schedule of decisions reserved for the Board This includes approval of the following the Group's strategy, the annual operating plan and budget the annual and interim financial statements significant transactions major capital expenditures, risk management policies, the authority levels vested in management, Board appointments, and remuneration policies As described below, the review of certain matters is delegated to Board Committees, which make recommendations to the Board in relation to those matters reserved for the Board as a whole

Audit and Risk Committee

Details of the membership role and operation of the Audit and Risk Committee are provided in the Report of the Audit and Risk Committee

The Code recommends that the Committee should comprise at least two members and that all members should be independent non-executive directors The Committee comprised four independent non-executive directors throughout 2010

Financial matters

The Group has adopted a code of ethical conduct applicable to the Board and all members of the finance function In addition, it has a whistleblowing policy whereby procedures exist that allow employees to report any financial wrongdoing that they believe may have occurred

The Board has also defined which services can be purchased from the Group's auditors and has adopted procedures in respect of the purchase of these services to minimise the risk of an actual or perceived conflict of interest For similar reasons the Board has adopted a policy in respect of hiring staff from the auditor who have been involved in the Group s audit

Nominations Committee

The membership of the Committee during 2010 was

Mr Stephen Ferriss
(Chairman member since 2008)

Mr Alan Barber
(Member since 2005)

Baroness Cohen
(Member since 2003)

Mr Andrew Simon
(Member since 2006)

Mr Julian Waldron
(Member since 2009)

Mr Marco Capello
(Member since 18 June 2010)

Corporate governance

continued

Nominations Committee continued

The Committee's purpose is to consider future appointments to the Board and the succession policy for key management positions The Nominations Committee adopted formal terms of reference dated 14 March 2003 These were updated on 2 March 2007 and are available from the Group's website (www mcgplc com) or the Company Secretary upon request

The Code recommends that a majority of the members of the Nominations Committee should be independent non-executive directors The majority of the Committee was independent throughout 2010

During the year the Committee completed a rigorous succession planning process to appoint a new Chief Executive This process, carried out with assistance from external executive search consultants included the identification of external candidates by the consultants and the interview and assessment of both internal and external candidates by the consultants and the Committee and resulted in the appointment of Mr Stagg as Chief Executive on 1 July 2010

Remuneration Committee

Details of the membership, role and operation of the Remuneration Committee are provided in the Directors' Remuneration Report

The Code recommends that the Committee should comprise at least two independent non-executive directors The Committee comprised four independent non-executive directors from the beginning of the year until 17 June 2010 and four independent and one non-independent non-executive directors from 18 June 2010 to the end of the year

Relations with investors and the Annual General Meeting

The Annual General Meeting gives all shareholders the opportunity to communicate directly with the Board During the year, the directors are available to respond to enquiries from investors on the Group's operations Effective communication with fund managers institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy

During the year the executive directors hold discussions with major shareholders The Chairman is available to shareholders if there are matters that they wish to discuss with him directly Announcements are made to the London Stock Exchange and the business media concerning trading and business developments to provide wider dissemination of information Registered shareholders are sent copies of both the annual report and accounts and the half-year report The Group s website www mcgplc com also contains information relevant to investors

The Executive Chairman, Chief Executive and the Finance Directors met with key shareholders throughout the year and in particular around the time of the full year results and the half year results

The notice convening the Annual General Meeting to be held on 19 April 2011 is contained in the circular to shareholders

Internal controls

The Company, as required by the Listing Rules, has complied with the Code provisions on internal control having established the procedures necessary to implement the guidance issued in September 1999 (The Turnbull Committee Report) and by reporting in accordance with that guidance

The Board has overall responsibility for the Company's system of internal control and reviewing its effectiveness whilst the role of management is to implement Board policies on risk and control The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives In pursuing these objectives internal controls can only provide reasonable and not absolute assurance against material misstatement or loss

Internal controls continued

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company which is in accordance with the guidance set out in The Turnbull Committee Report and has been in place for the year under review and up to the date of approval of the annual report and accounts This process, which is regularly reviewed by the Board, is as follows

- the Group s management operates a risk management process which identifies the key risks facing the business and reports to the Board on how those risks are being managed This is based on a risk register produced by executive management which identifies those key risks, the probability of those risks occurring, their impact if they do occur and the actions being taken to manage those risks to the desired level This risk register is discussed at Board meetings on a regular basis and regular monitoring reports are presented to the Board The management of these risks is monitored by the internal audit function
- large acquisitions and capital projects require Board approval, and
- there is regular communication between management and the Board on matters relating to risk and control

The Board has established a strong control framework within which the Group operates This contains the following key elements

- organisational structure with clearly defined lines of responsibility delegation of authority and reporting requirements,
- defined expenditure authorisation levels
- on site video and teleconferencing reviews of operations, covering all aspects of each business, are conducted by Group executive management on a regular basis throughout the year,
- the financial reporting and information systems which comprise a comprehensive annual budget which is approved by the Board weekly reports of key operating information cash flow and capital expenditure reporting, monthly results and forward performance indicators which are measured against the annual budget and the prior year s results Significant variances are reviewed by the Board and executive management and action is taken as appropriate The forecast for the year is revised when necessary
- Group tax and treasury functions are coordinated centrally There is weekly cash and treasury reporting to Group management and periodic reporting to the Board on the Group's tax and treasury positions, and
- internal audits are performed by Group s internal audit function

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it deemed to be significant Therefore a confirmation in respect of necessary actions has not been deemed appropriate

Report of the Audit and Risk Committee

This report describes the membership and operation of the Audit and Risk Committee

Membership

During 2010 the membership of the Committee was

Mr Stephen Ferriss
(Chairman, member since 2006)

Baroness Cohen
(Member since 2003)

Mr Andrew Simon
(Member since 2008)

Mr Julian Waldron
(Member since 2008)

Mr Ferriss is a banker and Mr Waldron is a chief financial officer Both are considered to have recent and relevant financial experience The Committee met four times during the year The external auditor attended all the meetings and the Committee met privately with her on one occasion

Operation of the Committee

The Committee's terms of reference were reviewed and updated with effect from 2 March 2007 to conform with current best practice They were reviewed again in 2010 and no changes were deemed necessary They are available on the Group's website (www mcgplc com) as well as in hard copy format from the Company Secretary The main activities of the Committee during the year were as follows

- **Financial statements** The Committee reviewed the interim and full year financial statements Presentations were made by management and the auditor about the key technical and judgemental matters relevant to the financial statements The Committee was satisfied that it was appropriate for the Board to approve the financial statements
- **Internal financial control and risk management systems** The Committee reviewed the register of Group risks prepared by management, recommendations made by the external auditor and internal audit reports A review of the register of Group risks was carried out by internal audit The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Report
- **External auditors** The Committee is responsible for the re-appointment of the external auditors, approval of their remuneration and their terms of engagement The Committee has considered the independence of the external auditor and is satisfied that independence has been maintained As part of this year s decision to recommend the re-appointment of the auditor the Committee has taken into account the tenure of the auditor who was appointed in 2001 There are no contractual obligations that act to restrict the Committee's choice of external auditor As a consequence of its satisfaction with the results of the activities outlined above the Committee has recommended to the Board that the external auditor is re-appointed It is policy that the auditor shall not provide any services that would potentially result in them auditing the result of their own work or which are prohibited under the US Sarbanes-Oxley Act The Committee pre-approves any material permitted non-audit engagements Regular reports were presented of fees paid to the external auditor in order to ensure that the relationship between non-audit fees and audit fees was not inappropriate The Committee reviewed the external audit plan proposed by the auditor and participated in the review of the quality of the service that they provided
- **Internal audit function** The Head of Internal Audit reports to the Committee which reviewed and approved the annual internal audit work programme and reviewed all internal audit reports prepared in the year The internal audit function also assists executive management on special projects

The Chairman of the Committee reported to the Board on the Committee s activities after each meeting identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006 The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and it describes how the Board has applied the principles relating to directors remuneration set out in the Combined Code As required by the Act a Resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the annual report and accounts will be approved

The Act requires the auditors to report to the Company s members on certain parts of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Accounting Regulations The report has therefore been divided into separate sections for unaudited and audited information

UNAUDITED INFORMATION

The Remuneration Committee

During 2010 the membership of the Committee was

Mr Andrew Simon
(Chairman member since 2006)

Baroness Cohen
(Member since 2003)

Mr Stephen Ferriss
(Member since 2008)

Mr Julian Waldron
(Member since 2008)

Mr Marco Capello
(Member since 18 June 2010)

The Committee reviews and determines, on behalf of the Board the salary, benefits and pension packages of the Executive Chairman and the other executive directors The Committee also reviews, on behalf of the Board, the remuneration packages of the highest paid executives and the Company Secretary Fees for the non-executive directors are determined annually by the Board based on market information obtained from external surveys The terms of reference for the Committee were last reviewed and updated in December 2010 and are available on the Group's website (www mcgplc com)

In determining the directors' remuneration for the year, the Committee consulted the Executive Chairman save in relation to his own remuneration No director is involved in deciding their own remuneration The Committee makes use of published reports on directors' remuneration packages and advice from independent external advisers is obtained when required Hewitt New Bridge Street (a trading name of Aon Corporation) is the independent adviser to the Remuneration Committee Aon Corporation also provided insurance broking services to the company during the year but the Committee consider this does not prejudice Hewitt New Bridge Street s independence Hewitt New Bridge Street provides advice to the Remuneration Committee on the operation of the Company's incentive schemes and the remuneration of executive and non-executive directors as well as employee remuneration and may also advise the Committee on other matters within the Committee's terms of reference

Remuneration policy

Compensation packages for executive directors are set by reference to individual and corporate performance individual competencies, external market comparisons in commerce generally and professional services specifically and remuneration levels below Board level in the Group The package for each executive director currently comprises a basic salary, an annual bonus scheme, share incentives, pension contributions and benefits

The Remuneration Committee has regard to associated risks arising throughout the Company when setting remuneration In particular the Committee ensures that the targets attached to variable pay schemes are set so that they do not encourage any undue risk-taking by executives

In order to align the interests of executive directors with the interests of shareholders, a significant proportion of executive directors' remuneration is performance-related through the use of annual bonus and share incentive schemes

Directors' remuneration report

continued

UNAUDITED INFORMATION continued

Base salaries

The Committee s policy is to set the base salaries of executive directors at levels that reflect their roles, experience and the practices in the employment market whilst ensuring that they are in line with the pay and employment conditions of other employees within their business units Pension and associated costs are also taken into account

Mr Barber was remunerated at a base salary of £500,000 per annum throughout 2010 as laid out in the contract dated 6 March 2009 From 1 January 2011, when Mr Barber became non-executive Chairman his remuneration has reduced to £100 000 per annum

Mr Stagg's base salary of £300 000 per annum was not increased on him becoming Chief Executive, and has not increased since his appointment to the Board on 21 October 2009 Mr Carvalho s base salary, which was last increased on 1 July 2008, remained at US$1 000 000 Mr Mahjoub's and Mr Lopinto s base salaries were increased to €500 000 per annum and €300,000 per annum, respectively, with effect from 1 January 2010 Mr Wietecha s base salary increased from US$412,541 per annum to US$650,000 per annum on 22 February 2010 reflecting a change in the salary and bonus structure used in Kurt Salmon Associates

Mr Povey received a base salary of £160 000 per annum from his appointment on 31 October 2010 until 16 December 2010 when it was increased to £200,000 per annum

Following the 2011 salary review, the Committee has decided to increase Mr Lopinto's salary to €315,000 per annum but not to make any other increases to executive directors base salaries

Annual bonus scheme

For 2010, Mr Barber, Mr Stagg and Mr Carvalho are entitled to an annual bonus that comprises current elements (for all three) and deferred elements (Mr Stagg and Mr Carvalho only) The Group s and individual businesses budgeted profits from operations (adjusted for subsequent acquisitions or disposals) are used as the benchmarks for the financial performance in relation to both elements of the scheme

Under the current element, each director is entitled to an amount equal to up to 125% of basic salary The amount payable is primarily determined by reference to the financial performance of the Group (and business, where relevant) with a smaller element of 20% of base salary being dependent on the achievement of detailed individual short and medium term performance criteria pre-agreed with the Remuneration Committee For Mr Stagg an amount of 27% of base salary was agreed for this year alone the additional amount based on the achievement of a successful fundraising

Under the deferred element an amount of up to 75% of base salary may be earned, subject to the achievement of a sliding scale of profit before tax targets which are above budget Two-thirds of this second element will be payable in cash three years after the end of the relevant financial year The remaining third will be used to acquire shares in the Company which will also be transferred to the executive director three years after the end of the relevant financial year However both the deferred cash and share elements of the annual bonus will normally be forfeited if the executive director ceases employment with a Group company during that three year period

Mr Barber s and Mr Stagg's bonuses are related to the financial and operational performance of the Group Mr Carvalho s bonus is related one quarter to the financial performance of the Group and three-quarters to the financial performance of the business for which he is responsible, Alexander Proudfoot

The budget for 2010 was set at 16% above the actual result for 2009 The actual underlying profit from operations of the Group for 2010 amounted to £23 3m before non-recurring items, amortisation of acquired intangible assets and the impairment of acquired goodwill from continuing operations, a decrease of £4 7m compared with the prior year For the Group and Alexander Proudfoot, the financial performance criteria were not met As a result no current bonus arises in respect of financial performance for Mr Barber, Mr Stagg and Mr Carvalho Thus the current bonus payable amounts to 18% of salary in the case of Mr Barber 27% of salary in the case of Mr Stagg and 15% of salary in the case of Mr Carvalho and reflects the Committee's assessment of the achievement of personal performance objectives Mr Barber's and Mr Stagg s bonuses will be paid at least 50% in shares with the balance in cash Mr Carvalho s bonus will be paid 60% in shares and 40% in cash In these cases, the cash element is to cover the immediate tax liability of the recipient In the case of Mr Stagg and Mr Carvalho, the shares component must be retained by the recipient until at least three years after the year end or to when they cease to be an executive director, if sooner Mr Barber will no longer be entitled to a bonus, having ceased his executive role on 31 December 2010 Mr Povey, who joined the Board on 31 October 2010, will move on to a common bonus scheme with Mr Stagg with effect from 1 January 2011

Mr Mahjoub and Mr Lopinto who were both employees of Ineum Consulting throughout the year and Mr Wietecha who was an employee of Kurt Salmon Associates throughout the year, have been assessed for bonuses solely in respect of their work for those businesses based on the principles used in those businesses Mr Mahjoub and Mr Lopinto have not been awarded bonuses Mr Wietecha has been awarded a bonus of US$215,000 These have been reviewed by the Committee and agreed

UNAUDITED INFORMATION continued

Share incentives

The Group has two share incentive schemes under which awards currently subsist

- the Management Consulting Group 2008 Performance Share Plan (the "2008 Performance Share Plan") and
- the Management Consulting Group PLC 1998 Executive Share Option Scheme (the "1998 Scheme") formerly known as the Proudfoot Plc Executive Share Option scheme

The 2008 Performance Share Plan

The 2008 Performance Share Plan was approved at the Annual General Meeting held on 23 April 2008 and will expire on 22 April 2018 It is designed to motivate directors and senior employees, whilst retaining them in the Group's employment by granting awards to acquire ordinary shares in the Company Following the introduction of this plan it is envisaged that the directors will no longer be granted options under the 1998 Scheme

Under the rules of the 2008 Performance Share Plan, an employee may not receive awards in any financial year over shares having a market value in excess of 100% of his annual base salary in that financial year In exceptional circumstances, such as recruitment or retention this limit may be increased to 200% of an employee's annual base salary

The initial awards granted in 2008 were structured as conditional awards of free shares which will vest after three years provided the individual remains employed by the Group and the performance condition has been met The performance condition was based on the compound annualised growth in adjusted earnings per share (EPS) over a three year performance period For these purposes, adjusted EPS will be calculated by excluding non-recurring items amortisation of intangibles and other items that the Committee considers appropriate The adjusted EPS figure is based upon information in the annual report and accounts of the relevant year and is verified by the Audit and Risk Committee

These initial awards will vest as follows

Compound annualised growth in adjusted EPS	Percentage of the award that vests
Less than 6%	0%
At 6%	20%
At or more than 13%	100%
Between 6%–13%	Straight-line vesting between 20% and 100%

The adjusted EPS will be based on the results for the year preceding the year in which the award is made and the results for three years later

Certain awards have been made to participants below board level under the French schedule required to comply with the requirements of French tax and social security contributions legislation This requires the participants to hold their shares for a further two years after the vesting date with certain exceptions

Pursuant to an agreement made as part of Mr Stagg's recruitment as Chief Executive of the Company, the Committee approved the grant of a performance share conditional award to Mr Stagg over a total of 3 million ordinary shares In order to comply with the individual grant limit in the 2008 Performance Share Plan, 2,488,979 of these shares were granted under the terms of this plan and the balance of 511,021 shares were granted under a separate award agreement with the same terms as the plan other than the awards under the separate agreement can only be satisfied by the transfer of shares (other than treasury shares) No newly issued shares may be used to satisfy this part of the award This was a one-off award to facilitate the recruitment of a director as permitted by Listing Rule 9 4 2R (2)

During 2010 an award was made to Mr Povey within the individual grant limit of the plan

The awards will vest in three years, subject to Mr Stagg's and Mr Povey's continued employment with the Company's group and the achievement of a Total Shareholder Return (TSR") performance condition set out in the table below

	N S Stagg	C J Povey
Date of grant	20 May 2010	22 December 2010
Share price at grant	24 5p	31 0p
20% vesting at TSR creation of	5 5p	6 0p
100% vesting at TSR creation of	35 5p	29 0p

Straight-line vesting between 20% and 100%

Governance

Directors' remuneration report

continued

UNAUDITED INFORMATION continued

Share incentives continued

The 2008 Performance Share Plan continued

In addition to the TSR performance condition the Committee must be satisfied that the vesting level is warranted by the Company s underlying financial performance over the three year performance period

The Committee believes these performance criteria are appropriate for these two directors as it aligns their interests with those of shareholders The TSR calculation will be undertaken by a third party to ensure independent verification of the extent to which the performance conditions are met

The Committee may set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those for the initial awards described above

At 31 December 2010, there were awards outstanding over new shares under the 2008 Performance Share Plan of 10 46m, comprising 2 3% of the issued share capital The awards made under the Plan in 2008 are not expected to reach their performance conditions and thus will lapse

Shareholders have approved that the aggregate options and awards over new issue shares outstanding are limited to 12 8% of the fully diluted share capital In addition, there are 0 8m options that are not dilutive which were put in place as part of the Kurt Salmon Associates acquisition

The 1998 Scheme

No awards were made to directors or staff under this plan during the year and it is not intended to make any further awards to executive directors under the plan

The 1998 Scheme (under which market value options are granted) was extended by the Extraordinary General Meeting held on 30 August 2006 and now expires on 18 June 2011 It is designed to motivate senior employees whilst retaining them in the Group s employment by granting options which are exercisable in two equal amounts after three years and five years respectively

All options issued up to December 2007 have lapsed From December 2007 the performance conditions were changed to an EPS-based measure The performance condition compares the adjusted EPS growth with performance above inflation (fixed at the time of grant having regard to the prevailing rates of inflation in the Group s territories) as follows

EPS growth	Percentage of options that vest
Below inflation +3% pa	0%
At inflation +3% pa	50%
Between inflation +3% and inflation +5% pa	50–100% (pro-rated)
At inflation +5% and above	100%

The adjusted EPS will be based on the results for the year preceding the year in which the grant is made and the results for three years later

Under the rules of the 1998 Scheme, options over shares with an aggregate exercise consideration of up to eight times remuneration may be granted to an individual in a ten year period However, it is the Committee's intention that option grants to any individual will be limited to 50% of salary each year

With effect from 30 August 2006, the Company may at its discretion satisfy the exercise of options granted under the 1998 Scheme by issuing (or procuring the transfer of) only that number of ordinary shares which has a value, at the time of exercise of the options equal to the net gain resulting from the exercise

At 31 December 2010 there were 2 5m options outstanding over new shares under share option schemes that count to dilution limits comprising 0 6% of the issued share capital In addition there were outstanding options over 0 2m shares which are already in issue and are owned by an employee trust These include options issuable under arrangements put in place in connection with acquisitions for which shareholder approval was obtained at the time of the acquisitions

UNAUDITED INFORMATION continued

Pension arrangements

The Group contributes 17 5% of salary to defined contribution pension schemes of Mr Stagg s and Mr Povey s choice Bonuses and other payments to directors are not pensionable The Group does not contribute to any pension scheme in respect of Mr Barber The Group contributes to the US 401(k) retirement provisions for Mr Carvalho and Mr Wietecha Mr Mahjoub and Mr Lopinto do not participate in a defined contribution scheme

Other benefits

Benefits vary according to the employing country of the executive director but may comprise some or all of the following a car (or car allowance), insurances for life, personal accident, disability permanent health and family medical cover

Service contracts

No director has a service contract containing more than a one year notice period or with pre-determined compensation provisions upon termination exceeding one year's salary and benefits It is the Company's policy that, except where prescribed by law, there should be no automatic entitlement to bonuses or share-based payments in the event of an early termination

Mr Barber had a contract that ran up to 31 December 2010 Mr Stagg and Mr Povey have contracts with the Company which either party is able to terminate by giving twelve months' notice Mr Carvalho, Mr Wietecha, Mr Mahjoub and Mr Lopinto each have an appointment letter in respect of their role as a director of the Company which may be terminated with no notice They also have employment contracts with Group companies Mr Carvalho has a contract with a Group company which either party is able to terminate with twelve months' notice Mr Mahjoub and Mr Lopinto have contracts with a Group company which either party is able to terminate by giving three months' notice Mr Wietecha has a contract with a Group company which either party is able to terminate by giving four months notice Mr Stagg s and Mr Povey s contracts continue until age 65 Mr Mahjoub's and Mr Lopinto s contracts continue until the mandatory retirement age as specified under French employment legislation

In the event of the early termination of an executive director s contract it is the Committee's policy that the amount of compensation (if any) paid to the executive director will be determined by reference to the relevant circumstances that prevail at the time

Mr Smith had an employment contract with the Company under which either party was able to terminate by giving twelve months' notice Mr Smith's employment ended on 31 October 2010 and, the Company having taken legal advice, he will receive in total £361,061 as payment for notice, other contractual benefits including accrued holiday, and other compensation for his loss of employment

The dates of the appointment letters of the executive directors who served during the year are as follows

Director	Date of contract
A J Barber	6 March 2009
N S Stagg	13 January 2010
L H Carvalho	18 March 2008
M E Lopinto	12 January 2010
C Mahjoub	17 December 2009
C J Povey	1 March 2011
C H Smith	6 March 2007
M Wietecha	18 March 2008

External appointments

Mr Barber holds directorships of JP Morgan Japanese Investment Trust PLC and Witan Pacific Investment Trust Plc, and is a limited partner in Hybridan LLP all of which he held on appointment as Executive Chairman, and he became a director of Impax Asian Environmental Markets plc in 2009 Mr Stagg is a director of Shinetrip Ltd and a non-executive board member of Wedlake Bell LLP The Company recognises that executive directors may be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience to the benefit of the Group and they are entitled to retain any fees earned None of the other current executive directors held non-executive directorships for which they were remunerated

Directors' remuneration report

continued

UNAUDITED INFORMATION continued

Non-executive directors – summary of entitlements

Each of the non-executive directors in office throughout 2010 received a fee of £35 000 per annum and an additional fee of £5 000 was paid for fulfilling the roles of Chairman of the Audit and Risk Committee, Chairman of the Remuneration Committee Chairman of the Nominations Committee and Senior Independent Director Mr Simon was appointed to the Supervisory Board of the Company's French subsidiary, Ineum Conseil et Associes SA, from 1 January 2009 and the Board has awarded him a fee of €5,000 for carrying out this role in 2010 The Board has concluded that this appointment does not affect Mr Simon's independence as the role is considered an extension of his role as a non-executive director Mr Capello and Mr Di Spiezio Sardo, who were appointed to the Board as non-executive directors on 18 June 2010, have voluntarily agreed not to take fees

Mr Barber moved from being Executive Chairman to non-executive Chairman with effect from 1 January 2011 at a fee of £100 000 per annum

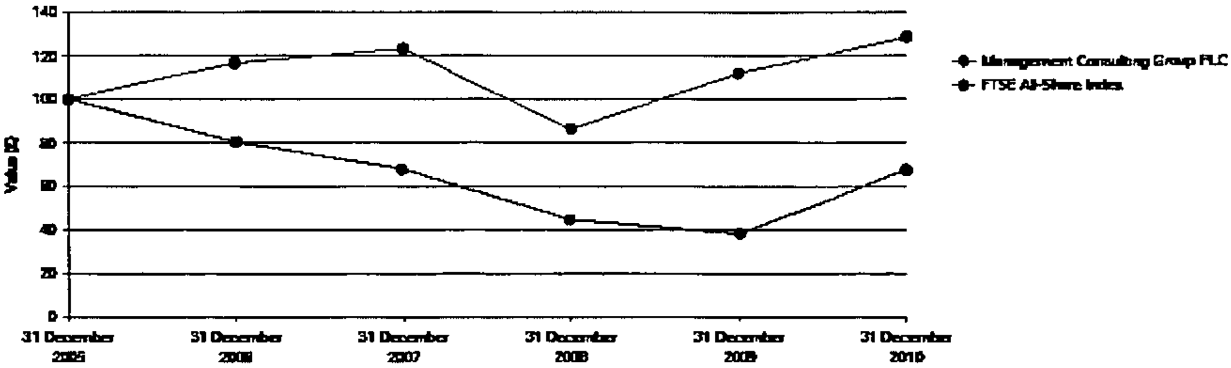
Apart from as noted above, the fees payable to the non-executive directors were last revised with effect from 1 January 2007 Having reviewed market survey information, the Board concluded that there should be no general increase in the fees payable to the non-executive directors The non-executive directors are not entitled to bonuses, benefits, pension contributions or to participate in any share scheme

None of the non-executive directors has a service contract and all are appointed for limited terms None of the non-executive directors is subject to notice periods and none has any rights to compensation on termination The Company considers this approach appropriate in the current circumstances The dates of the most recent letters of appointment of non-executive directors are set out below

Director	Date of letter of appointment
A J Barber	25 May 2010
M Capello	27 May 2010
Baroness Cohen	16 March 2009
S A Ferriss	9 March 2009
E Di Spiezio Sardo	27 May 2010
A H Simon	7 August 2009
J D Waldron	9 October 2008

Performance graph

The regulations require this report to contain a graph illustrating the Company s performance compared with an appropriate "broad equity market index" over the past five years Management Consulting Group PLC is a constituent of the FTSE All-Share Index and, accordingly, that index is considered the most appropriate form of 'broad equity market index' against which the Group s performance should be plotted Performance as required by the legislation is measured by TSR (share price growth plus dividends paid)



UNAUDITED INFORMATION continued

Performance graph continued

This graph looks at the value, by the end of 2010, of £100 invested in Management Consulting Group PLC on 31 December 2005 compared with the value of £100 invested in the FTSE All-Share Index The other points plotted are the values at intervening financial year ends

AUDITED INFORMATION

Directors' remuneration

The remuneration of the directors who served in the year ended 31 December 2010 and year ended 31 December 2009 was as follows

	Salaries and fees as directors £	Bonus and other Cash £	Bonus and other Shares £	Benefits £	Pension contributions £	Loss of office £	Other £	**Total emoluments 2010 (or from appointment if later) £**	Total emoluments 2009 £
Executive									
A J Barber	500 000	45 000	45 000	—	—	—	—	**590,000**	500 000
L H Carvalho	646 992	38,820	58,229	13,835	6 632	—	—	**764,508**	658 257
M E Lopinto	259 223	—	—	—	—	—	—	**259,223**	13 097
C Mahjoub	430 093	—	—	—	—	—	—	**430,093**	71 760
C J Povey[1]	29 041	—	—	506	5 082	—	—	**34,629**	—
N S Stagg	300 000	17,527	62,473	19,562	52 500	—	—	**452,062**	70 546
M Wietecha	396 909	139,103	—	8,198	20 675	—	—	**564,885**	270 850
C H Smith[2]	237 500	—	—	12 861	41 563	361 061	—	**652,985**	358 573
M de Fontenay[3]	—	—	—	—	—	—	—	**—**	1 391 147
Non-executive									
M Capello[4]	—	—	—	—	—	—	—	**—**	—
Baroness Cohen	40 000	—	—	—	—	—	—	**40,000**	40 000
S A Ferriss	45 000	—	—	—	—	—	—	**45,000**	43 750
E Di Spiezio Sardo[5]	—	—	—	—	—	—	—	**—**	—
A H Simon	44 301	—	—	—	—	—	—	**44,301**	57 805
J D Waldron	35 000	—	—	—	—	—	—	**35,000**	35 000
J P Bolduc[6]	—	—	—	—	—	—	—	**—**	51 502
	2 964,059	240,450	165,702	54,962	126 452	361 061	—	**3,912,686**	3 562,288

[1] Appointed 31 October 2010

[2] Stood down 31 October 2010

[3] Stood down 10 November 2009

[4] Appointed 18 June 2010

[5] Appointed 18 June 2010

[6] Stood down 21 October 2009

Governance

Directors' remuneration report

continued

AUDITED INFORMATION continued

Directors' remuneration continued

Interest in shares

The beneficial interests of the directors in office at 31 December 2010 in the ordinary share capital of the Company were as follows

	7 March 2011	31 December 2010	31 December 2009
Executive			
A J Barber	**1,675,829**	1 675 829	1,220,829
L H Carvalho	**1,032,669**	1,032 669	832,669
M E Lopinto	**1,167,118**	1 167 118	1,107 118
C Mahjoub	**3,860,322**	3,860,322	3,740,322
C J Povey	**32,000**	32 000	—
N S Stagg	**450,000**	450 000	—
M Wietecha	**2,256,714**	2 256 714	2 256 714
Non-executive			
M Capello	—	—	—
Baroness Cohen	**225,905**	225,905	164 300
S A Ferriss	**320,751**	320,751	220 751
E Di Spiezio Sardo	—	—	—
A H Simon	**46,754**	46,754	12 100
J Waldron	**175,000**	175,000	—

Mr Capello and Mr Di Spiezio Sardo are partners of BlueGem Capital Partners LLP whose interest in the Company is disclosed in the Directors' Report

Interest in the 1998 Scheme

The interests of the directors in share options in the Company are set out in the table below

Director	At 1 January 2010	Granted in year	Exercised in year	Lapsed in year	**At 31 December 2010**	Exercise price p	Date from which exercisable	Expiry date
L H Carvalho	250 000	—	—	(250,000)	—	48 75	12 March 2010	11 March 2017
Total	250 000	—	—	(250,000)	—			
C H Smith	276,382	—	—	(276,382)	—	49 75	26 April 2010	25 April 2017
Total	276 382	—	—	(276 382)	—			
M Wietecha	78 929	—	—	(78 929)	—	31 09	1 May 2010	30 July 2010
Total	78,929	—	—	(78,929)	—			

All the above share options are under the 1998 Scheme except those held by Mr Wietecha Mr Wietecha s share options represent options which were originally granted under the Kurt Salmon Associates, Inc Retention and Equity Incentive Plan and which were exchanged for options of equivalent value over shares in Management Consulting Group PLC following the acquisition of Kurt Salmon Associates Inc in 2008 No consideration was payable for the grant of the options

AUDITED INFORMATION continued

Directors' remuneration continued

Interest in the 2008 Performance Share Plan

The interest of the directors in performance share awards in the Company are set out in the table below

Director	Date of grant	At 1 January 2010	Granted in year	Lapsed in year	At 31 December 2010	Exercise price p	Date from which shares vest
L H Carvalho	3 June 2008	400,000	—	—	**400,000**	—	2 June 2011
M E Lopinto	3 June 2008	60,000	—	—	**60,000**	—	2 June 2011
C Mahjoub	3 June 2008	100,000	—	—	**100,000**	—	2 June 2011
M Wietecha	3 June 2008	250 000	—	—	**250,000**	—	2 June 2011
N S Stagg	20 May 2010	—	3 000,000	—	**3,000,000**	—	19 May 2013
C J Povey	3 June 2008	50 000	—	—	**50,000**	—	2 June 2011
C J Povey	22 December 2010	—	1,290,000	—	**1,290,000**	—	21 December 2013

The share prices on the dates of grant were 33 25p on 3 June 2008, 24 50p on 20 May 2010 and 31 00p on 22 December 2010 No performance share awards lapsed or vested during the year

Except for the directors shown in the above tables no other director held share options or share awards at 31 December 2010 There have been no variations to the terms and conditions or performance criteria for share options or share options during the financial year

The market price at 31 December 2010 was 30 75p and the range during 2010 was 16 93p to 32 00p

Approval

This report was approved by the Board of directors and signed on its behalf by

Andrew Simon
Chairman of the Remuneration Committee
7 March 2011

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations Company law requires the directors to prepare such financial statements for each financial year Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Group's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent 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 Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

The Chairman s Statement, Business Review and the Financial Review contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts The forward-looking statements are based on the directors' current views and information known to them at 7 March 2011 The directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise Nothing in this report should be construed as a profit forecast

Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Nick Stagg
Chief Executive
7 March 2011

Chris Povey
Finance Director

Independent auditor's report

to the members of Management Consulting Group PLC

We have audited the financial statements (the "financial statements") of Management Consulting Group PLC for the year ended 31 December 2010 which comprise the Directors' Responsibility Statement, the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Balance Sheet, the Group Cash Flow Statement the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work for this report or for the opinions we have formed

Respective responsibilities of directors and auditor

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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group and the parent company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2010 and of the Group s profit for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements Article 4 of the IAS Regulation

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB)

In our opinion the Group financial statements comply with IFRSs as issued by the IASB

Independent auditor's report

to the members of Management Consulting Group PLC
continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 and
- the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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

Under the Listing Rules we are required to review

- the directors statement contained within the Financial Review in relation to going concern
- the part of the Corporate Governance Review relating to the Company s compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration

Nicola Mitchell, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 March 2011

Group income statement

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue	3	**270,426**	276,456
Cost of sales		**(179,784)**	(173 500)
Gross profit		**90,642**	102,956
Administrative expenses – underlying		**(67,374)**	(74 931)
Profit from operations – underlying		**23,268**	28 025
Administrative expenses – non-recurring other	4	**(2,569)**	(15 739)
Profit from operations before amortisation of acquired intangibles		**20,699**	12 286
Administrative expenses – amortisation of acquired intangibles		**(2,701)**	(2 739)
Total administrative expenses		**(72,644)**	(93,409)
Profit from operations	3	**17,998**	9 547
Investment revenues	6a	**132**	805
Finance costs	6b	**(3,802)**	(4,064)
Profit before tax	4	**14,328**	6,288
Tax	7	**(5,097)**	(4 932)
Profit for the year attributable to owners of the Company		**9,231**	1 356
Earnings per share – pence			
From profit for the year attributable to owners of the Company			
Basic and diluted	9	**2 4**	0 4
Basic – underlying	9	**3 5**	5 0

Group statement of comprehensive income

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Exchange differences on translation of foreign operations	20	**(4,096)**	(18,166)
Actuarial losses on defined benefit post-retirement obligations	17	**(3,362)**	(3,802)
Gain on available-for-sale investments	20	**309**	717
Current tax		**—**	(96)
Deferred tax	15	**1,627**	203
Other comprehensive expense for the period		**(5,522)**	(21,144)
Profit for the period		**9,231**	1,356
Total comprehensive income/(expense) for the period attributable to owners of the Company		**3,709**	(19 788)

Group statement of changes in equity

for the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2010	**82,848**	**48,981**	**32,513**	**2,216**	**(1,153)**	**36,925**	**6,103**	**(56,921)**	**151,512**
Profit for the period	—	—	—	—	—	—	—	9 231	9 231
Exchange differences	—	—	—	—	—	(4 096)	—	—	(4 096)
Actuarial movements	—	—	—	—	—	—	—	(3 362)	(3 362)
Profit on AFS investments	—	—	—	—	—	—	309	—	309
Tax on equity items	—	—	—	—	—	—	—	114	114
Tax on items recognised in Group statement of comprehensive income	—	—	—	—	—	—	—	1 627	1 627
Share option charge	—	—	—	(1 260)	—	—	—	—	(1 260)
Transfer on nil vesting	—	—	—	1 430	—	—	—	(1 430)	—
Shares issued	1 149	24,144	—	—	—	—	—	—	25 293
Share issue expenses	—	(1,735)	—	—	—	—	—	—	(1,735)
Shares acquired by employee benefits trust	—	—	—	—	(1 475)	—	—	—	(1 475)
Shares transferred from employee benefits trust	—	—	—	—	274	—	—	—	274
Dividends	—	—	—	—	—	—	—	(657)	(657)
Balance at 31 December 2010	**83,997**	**71,390**	**32,513**	**2,386**	**(2,354)**	**32,829**	**6,412**	**(51,398)**	**175,775**
Balance at 1 January 2009	82 817	48 981	32 513	2 720	(1 296)	55,091	5 386	(51,817)	174 395
Profit for the period	—	—	—	—	—	—	—	1 356	1 356
Exchange differences	—	—	—	—	—	(18,166)	—	—	(18 166)
Actuarial movements	—	—	—	—	—	—	—	(3 802)	(3 802)
Profit on AFS investments	—	—	—	—	—	—	717	—	717
Tax on equity items	—	—	—	—	—	—	—	(155)	(155)
Tax on items recognised in Group statement of comprehensive income	—	—	—	—	—	—	—	107	107
Reclassification	—	—	—	(1 624)	—	—	—	1 624	—
Share option charge	—	—	—	1 120	—	—	—	—	1 120
Shares issued	31	—	—	—	—	—	—	—	31
Shares acquired by employee benefits trust	—	—	—	—	(114)	—	—	—	(114)
Shares transferred from employee benefits trust	—	—	—	—	257	—	—	—	257
Dividends	—	—	—	—	—	—	—	(4 234)	(4,234)
Balance at 31 December 2009	82 848	48,981	32,513	2,216	(1 153)	36,925	6,103	(56 921)	151,512

Group balance sheet

as at 31 December 2010

	Note	2010 £000	2009 £000
Non-current assets			
Intangible assets	10	**276,923**	283,748
Property, plant and equipment	11	**2,846**	4,505
Investments	12	**3,183**	2 977
Deferred tax assets	15	**19,078**	17,856
Total non-current assets		**302,030**	309,086
Current assets			
Trade and other receivables	13	**76,589**	76,331
Cash and cash equivalents	22	**25,710**	23,965
Total current assets		**102,299**	100,296
Total assets		**404,329**	409,382
Current liabilities			
Financial liabilities	16	**(39,059)**	(53,151)
Trade and other payables	14	**(94,772)**	(100,079)
Current tax liabilities	15	**(12,630)**	(13,293)
Total current liabilities		**(146,461)**	(166 523)
Net current liabilities		**(44,162)**	(66,227)
Non-current liabilities			
Financial liabilities	16	**(41,050)**	(54,362)
Retirement benefit obligations	17	**(25,705)**	(23,248)
Non-current tax liabilities	15	**(7,040)**	(7 959)
Long-term provisions	18	**(8,298)**	(5,778)
Total non-current liabilities		**(82,093)**	(91,347)
Total liabilities		**(228,554)**	(257,870)
Net assets		**175,775**	151,512
Equity			
Share capital	19	**83,997**	82,848
Share premium account	20	**71,390**	48,981
Merger reserve	20	**32,513**	32,513
Share compensation reserve	20	**2,386**	2,216
Shares held by employee benefits trust	20	**(2,354)**	(1,153)
Translation reserve	20	**32,829**	36,925
Other reserves	20	**6,412**	6,103
Retained earnings	21	**(51,398)**	(56,921)
Equity attributable to owners of the Company		**175,775**	151 512

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2011 They were signed on its behalf by

Chris Povey
Director

Group cash flow statement

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash inflow/(outflow) from operating activities	22	**10,426**	(18 490)
Investing activities			
Interest received		**132**	805
Purchases of property, plant and equipment		**(471)**	(1,419)
Purchases of intangible assets		**(1,592)**	(1 093)
Proceeds on disposal of fixed assets		**68**	—
Purchase of financial assets		**(21)**	(363)
Proceeds on disposal of investments		**214**	738
Net cash used in investing activities		**(1,670)**	(1 332)
Financing activities			
Reclassification from investments		—	3,848
Interest paid		**(2,554)**	(4,264)
Dividends paid	8	—	(4 234)
Proceeds from borrowings		**18,966**	31,237
Repayment of borrowings		**(48,545)**	(18 343)
Proceeds from issue of shares		**23,559**	143
Net cash (used in)/raised by financing activities		**(8,574)**	8 387
Net increase/(decrease) in cash and cash equivalents		**182**	(11 435)
Cash and cash equivalents at beginning of year		**23,965**	35,761
Effect of foreign exchange rate changes		**1,563**	(361)
Cash and cash equivalents at end of year	22	**25,710**	23,965

Company balance sheet

as at 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Intangible assets	10	**671**	181
Property, plant and equipment	11	**974**	1 787
Investments	12	**242,008**	236 179
Deferred tax assets	15	**300**	187
Total non-current assets		**243,953**	238 334
Current assets			
Trade and other receivables	13	**42,605**	83,149
Cash and cash equivalents	22	**916**	3,632
Total current assets		**43,521**	86,781
Total assets		**287,474**	325,115
Current liabilities			
Financial liabilities	16	**—**	(19 000)
Trade and other payables	14	**(67,777)**	(95,460)
Total current liabilities		**(67,777)**	(114,460)
Net current liabilities		**(24,256)**	(27,679)
Net assets		**219,697**	210 655
Equity			
Share capital	19	**83,997**	82 848
Share premium account	20	**71,390**	48,981
Merger reserve	20	**26,830**	26,830
Share compensation reserve	20	**2,386**	2,216
Shares held by employee benefits trust	20	**(2,354)**	(1,153)
Capital redemption reserve	20	**1,186**	1,186
Retained earnings	21	**36,262**	49,747
Total equity attributable to owners of the Company		**219,697**	210,655

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2011 They were signed on its behalf by

Chris Povey

Chris Povey
Director

Company number
1000608

Company statement of changes in equity

for the year ended 31 December 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2010	**82,848**	**48,981**	**26,830**	**2,216**	**(1,153)**	**1,186**	**49,747**	**210,655**
Loss for the period	—	—	—	—	—	—	(11 512)	(11 512)
Tax on equity items	—	—	—	—	—	—	114	114
Shares issued	1 149	24 144	—	—	—	—	—	25 293
Shares issue cost	—	(1 735)	—	—	—	—	—	(1 735)
Share option charge	—	—	—	(1 260)	—	—	—	(1 260)
Transfer on nil vesting	—	—	—	1 430	—	—	(1 430)	—
Shares acquired by employee benefits trust	—	—	—	—	(1,475)	—	—	(1,475)
Shares transferred from employee benefits trust	—	—	—	—	274	—	—	274
Dividends	—	—	—	—	—	—	(657)	(657)
Balance at 31 December 2010	**83,997**	**71,390**	**26,830**	**2,386**	**(2,354)**	**1,186**	**36,262**	**219,697**
Balance at 1 January 2009	82 817	48,981	26,830	2,720	(1,296)	1 186	53 713	214 951
Loss for the period	—	—	—	—	—	—	(1 201)	(1 201)
Tax on equity items	—	—	—	—	—	—	(155)	(155)
Reclassification	—	—	—	(1 624)	—	—	1 624	—
Share option charge	—	—	—	1 120	—	—	—	1,120
Shares issued	31	—	—	—	—	—	—	31
Shares acquired by employee benefits trust	—	—	—	—	(114)	—	—	(114)
Shares transferred from employee benefits trust	—	—	—	—	257	—	—	257
Dividends	—	—	—	—	—	—	(4 234)	(4 234)
Balance at 31 December 2009	**82,848**	**48,981**	**26,830**	**2,216**	**(1,153)**	**1,186**	**49,747**	**210,655**

Company cash flow statement

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash outflow from operating activities	22	**(6,860)**	(2,911)
Investing activities			
Interest received		**131**	4
Purchases of property, plant and equipment		**(3)**	(89)
Purchases of intangible assets		**(61)**	(115)
Cash advances from subsidiaries		**19,453**	11 905
Repayment of advances to subsidiaries		**(20,041)**	(22 140)
Dividends received		**—**	3 993
Net cash used in investing activities		**(521)**	(6 442)
Financing activities			
Interest paid		**(595)**	(746)
Dividends paid	8	**—**	(4,234)
Proceeds from borrowings		**—**	11,565
Repayment of borrowings		**(19,000)**	—
Proceeds from issue of shares		**23,559**	143
Net cash raised in financing activities		**3,964**	6 728
Net decrease in cash and cash equivalents		**(3,417)**	(2 625)
Cash and cash equivalents at beginning of year		**3,632**	5 415
Effect of foreign exchange rate changes		**701**	842
Cash and cash equivalents at end of year	23	**916**	3,632

Notes to the financial statements

for the year ended 31 December 2010

1 General information

Management Consulting Group PLC (the "Company') is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given on page 96 The nature of the Group's operations and its principal activity are set out in note 3 and in the Financial Review

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 IFRS as adopted by the European Union (EU) and therefore comply with Article 4 of the EU International Accounting Standards (' IAS") regulation

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, except for the revaluation of certain financial instruments 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 Group s business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review The financial position of the Group, its cash flows, liquidity position, borrowing facilities and principal risks and uncertainties are described in the Financial Review In addition note 23 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital its financial risk management objectives, details of its financial instruments and its exposures to liquidity risk and credit risk

As detailed under Liquidity and Capital Resources in the Financial Review, the Group's committed borrowing expire in September 2012 and are subject to the financial covenants (referred to in note 23) which have been met throughout the 2010 year In June 2010 the Group raised additional capital of £25 0m (£23 6m net of expenses) in a firm placing, placing and open offer This significantly strengthened its balance sheet and in addition, as at 31 December 2010, warrants with a combined value of £11 4m remain outstanding which can be exercised at any time up until 31 December 2011 At 31 December 2010 £80 1m was drawn down on its facilities, leaving the Group with headroom of £50 3m The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board Forecasts are then adjusted for reasonable sensitivities which address the principal risks to which the Group is exposed Consideration is then given to the potential actions available to management to mitigate the impact of one or more of these sensitivities, in particular the discretionary nature of a significant amount of cost incurred by the Group

The Board has concluded that the Group should be able to operate within the level of its current facility and remain covenant compliant for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements and accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements

Standards, amendments and interpretations effective in 2010

IFRS 3 (Revised and restructured 2008) Business Combinations amended the method of accounting for acquisitions achieved in stages acquisition related costs contingent consideration and partial disposals of a subsidiary The revised standard will only affect the Group if it makes further acquisitions or makes a partial disposal of a subsidiary

IAS 39 (Amended) Financial Instruments Recognition and Measurement provides clarification on hedge accounting, this is not expected to have an impact on the Group

IFRS 2 (Amended) Share Based Payment provides additional guidance on the accounting for share-based payment transactions among Group companies This is not expected to have a significant impact on the Group

IFRS 1 (Amended Jul 2009), Additional Exemptions for First-time Adopters This is not expected to have a significant impact on the Group

2. Significant accounting policies continued

(a) Basis of preparation continued

Standards, amendments and interpretations effective in 2010 continued

IFRS 1 (Amended Jan 2010) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters This is not expected to have a significant impact on the Group

IFRIC 9 and IAS 39 (Amended Mar 2009), Embedded Derivatives This is not expected to have a significant impact on the Group

IAS 27 (Amended Jan 2008) Consolidated and Separate Financial Statements This is not expected to have a significant impact on the Group

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards have been published and, unless otherwise stated, are mandatory for the Group s future accounting periods The Group has not early adopted these interpretations

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets This is not expected to have a significant impact on the Group It is expected that IFRS 9 will eventually be a complete replacement for IAS 39 Financial Instruments Recognition and Measurement and IFRS 7 Financial Instruments Disclosures

IAS 24 (Amended) Related Parties simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government This is not expected to have a significant impact on the Group

IAS 32 (Amended) Financial Instruments Presentation clarifies the classification of rights issues This is not expected to have a significant impact on the Group

IFRIC 14 (Amended Nov 2009) Prepayments of a Minimum Funding Requirement This is not expected to have an impact on the Group

IAS 12 (Amended Dec 2010) Deferred Tax Recovery of Underlying Assets This is not expected to have an impact on the Group

IFRS 1 (Amended Dec 2010), Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters This is not expected to have an impact on the Group

IFRS 7 (Amended Oct 2010), Disclosures – Transfers of Financial Assets This is not expected to have an impact on the Group

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting period beginning on 1 January 2010 (unless otherwise stated) but are not relevant for the Group's operations

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments addresses arrangements involving debt for equity swaps This is not expected to have an impact on the Group

Critical accounting policies 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 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 It is believed that the Group s critical accounting policies are limited to those described below The Group's management has discussed the development of the estimates and disclosures related to each of these matters with the Audit and Risk Committee

Goodwill and other intangible fixed assets

Under IFRS goodwill is capitalised and tested for impairment annually and when events or changes in circumstances indicate the carrying value may not be recoverable Intangible assets with finite lives are capitalised and amortised over their useful economic lives Changes in assumptions used in the Group s impairment reviews or estimated useful economic lives could have a material effect on the presentation of the Group s financial position and results of operations Details of the impairment test calculation are set out in note 10

Notes to the financial statements

for the year ended 31 December 2010
continued

2. Significant accounting policies continued

(a) Basis of preparation continued

Employee benefits

Accounting for pensions and other post-retirement benefits involves judgements about uncertain events including but not limited to, discount rates life expectancy future pay inflation, expected rate of return on plan assets and expected health care trend rates 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 carried out 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 17 to the financial statements

Income taxes

The Group is subject to income taxes in numerous jurisdictions Judgement is required in determining the world-wide provision for income taxes There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax liabilities and assets in the period in which such determination is made

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided to third parties in the normal course of business Revenue from services is recognised when the service has been provided and the right to consideration earned When a service has been provided to third parties but no billing made, the amount receivable is estimated This estimate is based on the nature of the service supplied and the terms of the contract

Provision

The Group has onerous property leases which require judgement in terms of the provision being carried on the balance sheet

(b) Basis of consolidation

(i) 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 For subsidiaries with non-coterminous year-ends true up adjustments to 31 December are made to net assets and net profit where material 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 until the date control is relinquished disposed of during the period are classified within discontinued operations in the income statement

Intra-group transactions 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 purchase 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

2. Significant accounting policies continued

(d) 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 when there is indication of impairment and 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

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 and disposal

(e) Intangible assets

Acquired intangible assets (e g customer relationships trademarks, 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 programmes 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

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses Depreciation is charged so as to write off the cost or valuation of assets, less estimated residual value by equal annual instalments over their estimated useful lives of between three and seven years

(g) Leasehold improvements

Leasehold improvements are depreciated using the straight-line method over the shorter of their estimated useful lives or the term of the related lease

(h) 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

For goodwill each of those cash-generating units represents the Group s investment in each consultancy

(i) 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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and 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

(k) 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

Notes to the financial statements

for the year ended 31 December 2010
continued

2. Significant accounting policies continued

(l) 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

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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

(n) Own shares

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

(o) Investments

The Group's financial assets are classified as either "at fair value through profit and loss (FVTPL") or available-for-sale' ("AFS") financial assets, depending on the nature and purpose of the financial assets, which is determined at the time of original recognition Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss AFS financial assets are measured at fair value and changes therein other than impairment losses and foreign exchange gains and losses on AFS monetary items, are recognised directly in equity When an AFS investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss

The investments in the parent company balance sheet represent equity holdings in subsidiary companies These are carried at cost less impaired amounts

(p) 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

(q) Dividend income

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

(r) Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term

(s) 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

2. Significant accounting policies continued

(s) Retirement benefit costs continued

For the 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 costs and the expected return on assets are shown as a net cost in finance costs or net income within investment income

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 asset or liability is presented on the face of the balance sheet

(t) Share-based payments

Share options are awarded to selected employees on a discretionary basis Awards are measured at their fair value (which is measured using the stochastic pricing model at the date of grant) and are recognised as an employee benefits expense on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions with a corresponding increase in the share compensation reserve The expected life used in the valuation model has been adjusted based on management s best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations The proceeds received net of any directly attributable transaction costs are credited to share capital (in respect of the nominal value) and share premium (in respect of the balance) when the options are exercised Where options do not vest, a transfer is made from the share compensation reserve to retained earnings

(u) Foreign currencies

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

Exchange differences arising if any 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

(v) Non-recurring items

Non-recurring items are those significant credits or charges which, in the opinion of the directors, should be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group s financial performance Transactions which may give rise to non-recurring items include charges for impairment, restructuring costs and discontinued operations

(w) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided to third parties in the normal course of business net of discounts VAT and other sales related taxes Revenue from services is recognised when services have been provided and the right to consideration has been earned If services have been provided to third parties but no billing has been made estimates are made of the amounts receivable These estimates are based on the nature of the services supplied and contract terms Any significant under-estimation or over-estimation of amounts receivable could have a material effect on the Group's financial position and results of operations

Notes to the financial statements

for the year ended 31 December 2010
continued

3. Operating segments

The Group's operating segments are defined as the three professional services practices, Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates This is the basis on which information is provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business The Board of Directors also receives information based on geography the segments for this purpose are the Americas, Europe and the Rest of World All revenues are derived from the provision of professional services

(a) Geographical analysis

The Group operates in three geographical areas the Americas Europe and the Rest of World The following is an analysis of financial information by geographic segment

(i) Revenue and underlying operating profit by geography

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

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

(ii) Net assets by geography

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

3 Operating segments continued

(a) Geographical analysis continued

(ii) Net assets by geography continued

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

(iii) Capital additions, depreciation and amortisation by geography

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

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

(b) Revenue and underlying operating profit by operating segment

The three operating segments are combined into one reportable segment owing to similar underlying economic characteristics across all three practices

Not all significant non-recurring items and financial items can be allocated to the practices and are therefore disclosed for the reportable segment as a whole Assets and liabilities by practice are not reviewed by the Board and are therefore not disclosed

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

Notes to the financial statements

for the year ended 31 December 2010
continued

3. Operating segments continued

(b) Revenue and underlying operating profit by operating segment continued

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

Inter-segmental sales were not significant

4 Profit before tax

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

	Note	2010 £'000	2009 £'000
Foreign exchange losses/(gains)		**112**	(32)
Amortisation of intangible assets		**4,198**	3,597
Depreciation of property, plant and equipment		**1,521**	1,526
Loss on disposal of fixed assets		**19**	299
Non-recurring items		**2,569**	15,739
Staff costs	5	**166,552**	161,613

Non-recurring items in 2010 comprise £2 3m in relation to Kurt Salmon merger expenses, £2 2m in relation to property costs, £1 1m of redundancy and employment related expenses and a £3 0m release in respect of a legal claim

A more detailed analysis of the auditor's remuneration on a worldwide basis is provided below

Auditor's remuneration	2010 £'000	2010 %	2009 £'000	2009 %
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**45**	**5**	45	6
Fees payable to the Company's auditor and their associates for other services to the Group – audit of the Company's subsidiaries pursuant to legislation	**394**	**50**	398	55
Total audit fees	**439**	**55**	443	61
Tax services	**140**	**18**	225	31
Other assurance services	**211**	**27**	61	8
Total non-audit fees	**351**	**45**	286	39
Total auditor's remuneration	**790**	**100**	729	100

A description of the work of the Audit and Risk Committee is set out in the Report of the Audit and Risk Committee and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor Other assurance services includes fees paid to the auditors in respect of their work in connection with the capital raising during the year

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

	2010 Number	2009 Number
Sales and marketing	**96**	91
Consultants	**1,335**	1 386
Support staff	**253**	291
	1,684	1,768

The number of Group employees at the year end was 1 678 (2009 1 641)

The aggregate payroll costs of these persons were as follows

	2010 £'000	2009 £ 000
Wages and salaries	**132,348**	126,654
Social security costs	**30,746**	32,138
Other pension costs	**3,458**	2,821
	166,552	161 613

A charge of £182,000 (2009 £303 000) is included in the operating results in respect of the current service cost of the retirement benefit obligations (see note 17)

The average number of Company employees for the year was 25 (2009 24) The payroll costs of the Company are £3 046 219 (2009 £2 413,375) for wages and salaries, £349,670 (2009 £322 066) for social security costs and £159,379 (2009 £172,489) for pension costs

6a. Investment revenues

	2010 £'000	2009 £ 000
Interest receivable on bank deposits and similar income	**132**	805
	132	805

6b. Finance costs

	Note	2010 £'000	2009 £'000
Interest payable on bank overdrafts and loans and similar charges		**(3,468)**	(3,310)
Finance costs on retirement benefit plans	17	**(334)**	(754)
		(3,802)	(4,064)

Notes to the financial statements

for the year ended 31 December 2010
continued

7 Tax

	2010 £'000	2009 £'000
Tax in respect of current year		
Foreign tax	**7,323**	8 896
Deferred tax – acquired intangible assets	**122**	(110)
Deferred tax – temporary differences and other	**(1,800)**	7 300
Deferred tax – tax losses	**1,593**	(6 535)
Deferred tax – US goodwill	**270**	2,434
Total deferred tax	**185**	3,089
Total current year tax	**7,508**	11,985
Prior year current taxation	**(1,308)**	(3,622)
Total tax expense on underlying profit	**6,200**	8 363
Tax in respect of non-recurring items		
Foreign tax	**(763)**	(3 877)
Deferred tax – temporary differences and other	**(340)**	446
Total tax expense	**5,097**	4,932

UK corporation tax is calculated at 28% (2009 28%) of the estimated assessable profit for the year Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

The charge for the year can be reconciled to the pre-tax profit from continuing operations per the income statement as follows

	On underlying profit 2010 £'000	On non-recurring items and amortisation 2010 £'000	Total 2010 £'000	Total 2009 £'000
Profit/(loss) before tax	**19,598**	**(5,270)**	**14,328**	6 288
Tax at the average rate applicable across the Group of 34% (2009 36%)	**6,603**	**(1,776)**	**4,827**	2,263
Net tax effect of unrelieved losses	**1,458**	—	**1,458**	4,628
Overseas tax rate differences and irrecoverable withholding tax	**342**	**(22)**	**320**	964
Tax benefit of non-taxable income	—	**(275)**	**(275)**	—
Short-term timing differences	**(340)**	—	**(340)**	—
Net tax effect of permanent differences and other non-recognised temporary differences	**415**	—	**415**	699
Relating to prior years	**(1,308)**	—	**(1,308)**	(3,622)
Tax expense/(credit)	**7,170**	**(2,073)**	**5,097**	4 932
Effective tax rate for the year	**36%**		**36%**	78%

The average tax rate applicable across the Group has decreased in the year to 34% (2009 36%) This rate has been calculated at the rates prevailing in the jurisdictions where the Group operates

8 Dividends

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2008 of 0 90p per share	—	2,931
Interim dividend for the year ended 31 December 2010 of 0 15p (2009 0 40p) per share	**657**	1,303
	657	4,234

Dividends are not payable on shares held in the employee share trust which has waived its entitlement to dividends The amount of the dividend waived in 2010 (in respect of the interim dividend for the year ended 31 December 2010) was £12 491 (2009 £73 806)

No final dividend was paid in relation to 2009 The 2010 interim dividend of 0 15p per share was paid on 6 January 2011 The directors propose a final dividend of 0 30p per share for the year ended 31 December 2010

9 Earnings per share

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

Earnings	2010 £ 000	2009 £ 000
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to owners of the Company	**9,231**	1 356
Non-recurring items	**2,569**	15 739
Non-recurring items – tax	**(1,103)**	(3 431)
Amortisation of acquired intangibles	**2,701**	2 739
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**13,398**	16 403

Number of shares	Number million	Number million
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-recurring items and amortisation of acquired intangibles	**384 4**	326 1
Effect of dilutive potential ordinary shares		
– Warrants and performance share plan	**5 0**	9 4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**389 4**	335 5

	p	p
Basic and diluted earnings per share for the year attributable to owners of the Company	**2 4**	0 4
Basic earnings per share – excluding non-recurring items and amortisation of acquired intangibles	**3 5**	5 0

The average share price for the year ended 31 December 2010 was 23 4p (2009 26 0p)

The weighted average number of the Company s ordinary shares used in the calculation of diluted profit per share in 2010 includes 3,164,290 warrants (2009 nil), nil share options (2009 2,234,553) and rights over 1,881 123 ordinary shares (2009 7,130,000)

Notes to the financial statements

for the year ended 31 December 2010
continued

10 Intangible assets

Group	Goodwill £ 000	Customer relationships £ 000	Software costs £ 000	Total intangibles £ 000
Cost				
At 1 January 2010	268,418	21,794	7 386	297 598
Additions	—	—	1 593	1 593
Disposals	—	—	(5,023)	(5,023)
Reclassifications	—	(3 008)	3,008	—
Exchange differences	(4,754)	(188)	457	(4,485)
At 31 December 2010	**263,664**	**18,598**	**7,421**	**289,683**
Amortisation				
At 1 January 2010	—	8,439	5 411	13,850
Charge for the year	—	2,701	1,497	4,198
Disposals	—	—	(4,467)	(4,467)
Reclassifications	—	(2,123)	2 123	—
Exchange differences	—	(166)	(655)	(821)
At 31 December 2010	**—**	**8,851**	**3,909**	**12,760**
Carrying amount				
At 31 December 2010	**263,664**	**(9,747)**	**3,512**	**276,923**
At 31 December 2009	268 418	13,355	1,975	283,748

Company	Software costs £ 000
Cost	
At 1 January 2010	200
Additions	61
Reclassification	572
At 31 December 2010	**833**
Amortisation	
At 1 January 2010	19
Charge for the year	143
At 31 December 2010	**162**
Carrying amount	
At 31 December 2010	**671**
At 31 December 2009	181

10 Intangible assets continued

Group	Goodwill £ 000	Customer relationships £ 000	Software costs £ 000	Total intangibles £ 000
Cost				
At 1 January 2009	287,808	23,326	6,524	317,658
Additions	—	—	1 362	1 362
Exchange differences	(19 390)	(1,532)	(500)	(21,422)
At 31 December 2009	**268,418**	**21,794**	**7,386**	**297,598**
Amortisation				
At 1 January 2009	—	5 362	4,304	9 666
Charge for the year	—	2,739	858	3 597
Exchange differences	—	338	249	587
At 31 December 2009	**—**	**8,439**	**5,411**	**13,850**
Carrying amount				
At 31 December 2009	**268,418**	**13,355**	**1,975**	**283,748**
At 31 December 2008	287,808	17,964	2,220	307 992

Company	Software costs £ 000
Cost	
At 1 January 2009	3 022
Additions	115
Intercompany transfer to other Group companies	(2,937)
At 31 December 2009	**200**
Amortisation	
At 1 January 2009	1,343
Intercompany transfer to other Group companies	(1,376)
Charge for the year	52
At 31 December 2009	**19**
Carrying amount	
At 31 December 2009	**181**
At 31 December 2008	1,679

Notes to the financial statements

for the year ended 31 December 2010
continued

10. Intangible assets continued

Analysis of goodwill

Goodwill acquired in a business combination is allocated to the cash-generating units (CGU) that are expected to benefit from that business combination The carrying amount of goodwill has been allocated as follows

Group	2010 £'000	2009 £'000
Cost		
Ineum Consulting	**121,645**	126,800
Kurt Salmon Associates	**95,222**	92,628
Alexander Proudfoot	**46,797**	48 990
	263,664	268 418

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired The recoverable amounts of the CGU are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to contribution during the period

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU Goodwill is tested against the value in use of operating segments on the basis that, given the integrated nature of the segments, it cannot be reasonably allocated to a lower level of CGU

The Group prepares cash flow forecasts based on the most recent financial budgets and the strategic plan approved by the Board for the next five years The cash flows are extrapolated based on a steady long term EBITDA growth assumption of 2% and contribution rates which are consistent with past experience and industry norms The post-tax rates used to discount the forecast cash flows for each CGU are 7 29% for Ineum Consulting, 7 32% for Kurt Salmon Associates and 7 32% for Alexander Proudfoot and are based on the relevant regional weighted average cost of capital

At the end of 2010 particularly in consideration of the trading environment faced by the divisions of the Group during the past year, the carrying amount of the goodwill of Alexander Proudfoot Ineum Consulting and Kurt Salmon Associates goodwill was tested to ensure that sufficient headroom remained between the recoverable amount and carrying value of goodwill for each division

For all CGUs the carrying amount of goodwill remained significantly below the recoverable amount This was unchanged having undergone reasonable sensitivity analysis

11 Property, plant and equipment

Fixtures fittings and equipment	Group £000	Company £000
Cost		
At 1 January 2010	9,365	2 271
Additions	454	4
Exchange differences	31	—
Category transfer	(570)	(572)
Disposals	(397)	—
At 31 December 2010	**8,883**	**1,703**
Accumulated depreciation		
At 1 January 2010	4,860	484
Charge for the year	1,521	245
Exchange differences	14	—
Category transfer	(7)	—
Disposals	(351)	—
At 31 December 2010	**6,037**	**729**
Carrying amount		
At 31 December 2010	**2,846**	**974**
At 31 December 2009	4 505	1,787

Notes to the financial statements

for the year ended 31 December 2010
continued

11 Property, plant and equipment continued

Fixtures fittings and equipment	Group £000	Company £000
Cost		
At 1 January 2009	9 069	2,887
Additions	1,742	689
Exchange differences	(420)	—
Transfer to subsidiary undertakings	—	(801)
Disposals	(1 026)	(504)
At 31 December 2009	**9,365**	**2,271**
Accumulated depreciation		
At 1 January 2009	4 012	1 125
Charge for the year	1,526	326
Exchange differences	(285)	—
Transfer to subsidiary undertakings	—	(463)
Disposals	(393)	(504)
At 31 December 2009	**4,860**	**484**
Carrying amount		
At 31 December 2009	**4,505**	**1,787**
At 31 December 2008	5 057	1 762

12 Investments

	Group £000
At 1 January 2010	2 977
Additions	21
Disposals	(219)
Exchange differences	(163)
Revaluation	567
At 31 December 2010	**3,183**

The fair values above are based on the reports received at the balance sheet date from independent investment advisers Dividends are recorded when the right to receive payment is established

The fair values represent the principal amounts on which dividends are received The timing of dividend receipts varies but generally they are received every six months or annually Dividend income is recorded in the income statement

Financial assets primarily comprise investments in corporate and government securities The main risk associated with these investments is the risk of changes in market value Investment performance is regularly monitored and, where appropriate professional advice is obtained

12 Investments continued

Company Investment in Group companies	Shares £ 000	Loans £ 000	Total £ 000
At 1 January 2010	235,530	649	236,179
Addition	—	7 835	7 835
Repayment of loans	—	(1,721)	(1,721)
Foreign exchange movement	—	(50)	(50)
Intercompany transfer	(107)	—	(107)
Provision	—	(128)	(128)
At 31 December 2010	**235,423**	**6,585**	**242,008**

Shares are stated net of provisions of £11 972,560 (2009 £11 972,560) against impairment in value Additions in the year reflect increased investments in intermediate holding companies

Details of the Company's principal subsidiary undertakings are set out in note 26

13 Trade and other receivables

	Group		Company	
	2010 £'000	2009 £ 000	**2010 £'000**	2009 £ 000
Trade receivables – gross	**50,867**	48 716	—	—
Allowance for doubtful debts	**(2,234)**	(3 737)	—	—
Trade receivables – net	**48,633**	44 979	—	—
Amounts owed by Group undertakings	—	—	**41,668**	81 983
Other receivables	**4,387**	8 655	**127**	362
Taxation receivable	**1,885**	2 419	—	—
Prepayments and accrued income	**21,684**	20 278	**810**	804
	76,589	76 331	**42,605**	83,149

Debtor days at the year end were 44 days (2009 47 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 23)

14 Trade and other payables

	Group		Company	
	2010 £'000	2009 £ 000	**2010 £'000**	2009 £'000
Trade payables	**6,011**	9 100	**496**	1,610
Amounts owed to Group undertakings	—	—	**61,240**	88,701
Other taxes and social security	**22,344**	28 815	**116**	115
Other payables	**1,324**	986	**3,630**	119
Deferred income	**9,860**	5,688	—	—
Accruals	**55,233**	55,490	**2,295**	4 915
	94,772	100 079	**67,777**	95 460

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 29 days (2009 30 days) The directors consider that the carrying amount of trade payables approximates to their fair value (see note 23)

Notes to the financial statements

for the year ended 31 December 2010
continued

15 Tax assets and liabilities

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Current tax					
Current tax receivable	13	**1,885**	2,419	—	—
Current tax liabilities		**(12,630)**	(13 293)	—	—
Non-current tax					
Deferred tax asset		**19,078**	17 856	**300**	187
Tax liabilities		**(1,065)**	(1 254)	—	—
Deferred tax liabilities		**(5,975)**	(6 705)	—	—

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

Group Deferred tax assets	Share options £'000	Pension £'000	Tax losses £'000	Other £'000	Total £'000
At 1 January 2009	313	3,380	955	17 251	21,899
Reclassification	—	—	2,161	(2 161)	—
Foreign exchange	—	(260)	(54)	(696)	(1,010)
Recognised in Group statement of comprehensive income	—	203	—	—	203
Recognised direct to equity	(155)	—	—	—	(155)
Credit/(charge) to Group income statement	29	(1 385)	7,303	(9 028)	(3,081)
At 1 January 2010	187	1 938	10,365	5,366	17,856
Reclassification	—	—	—	—	—
Foreign exchange	—	58	261	147	466
Recognised in the Group statement of comprehensive income	—	1,627	—	—	1,627
Recognised direct to equity	113	—	—	—	113
Credit/(charge) to Group income statement	—	309	(1 690)	397	(984)
At 31 December 2010	**300**	**3,932**	**8,936**	**5,910**	**19,078**

15. Tax assets and liabilities continued

Group Deferred tax liabilities	Arising on acquisitions – intangibles £ 000	Arising on acquisitions – other £ 000	Profits taxable in future years £ 000	Other £ 000	Total £ 000
At 1 January 2009	5 073	1 205	170	85	6,533
Reclassification	244	(1 205)	—	961	—
Foreign exchange	(189)	—	(13)	(80)	(282)
Charge/(credit) to Group income statement	(110)	—	(54)	618	454
At 1 January 2010	5 018	—	103	1 584	6 705
Reclassification	—	—	—	—	—
Foreign exchange	15	—	2	51	68
Charge/(credit) to income statement	(970)	—	(105)	277	(798)
At 31 December 2010	**4,063**	—	—	**1,912**	**5,975**

Of the total deferred tax assets recognised at 31 December 2010 totalling £19 1m, amounts of £8 9m (2009 £9 7m) are in respect of US tax losses and £9 0m (2009 £6 6m) are in respect of other timing differences relating to the US Based on forecast data the Group believes there will be sufficient future taxable profits in the US to utilise the tax losses and the deductions arising from the reversal of the other US related deferred tax assets The US tax losses expire after 20 years A further potential deferred tax asset for US tax losses totalling £19 0m (2009 £13 4m) has not been recognised at 31 December 2010

A deferred tax asset of £nil (2009 £0 7m) has been recognised at 31 December 2010 in respect of tax losses arising in non-US jurisdictions A deferred tax asset of £21 4m has not been recognised at 31 December 2010 in respect of non-US tax losses totalling £77 2m (2009 £109 3m) Based on the current tax rules in the respective jurisdictions non-US losses are expected to expire as follows £9 3m by the end of 2015 £7 7m by the end of 2020, £1 3m by the end of 2030, with the remaining £58 9m being carried forward indefinitely The losses may be subject to adjustment on tax audit and it is uncertain if there will be sufficient future profits against which the losses can be offset

Additionally the Group has not recognised potential deferred tax assets totalling £6 6m (2009 £11 5m) in respect of temporary differences other than losses as it is uncertain if there will be sufficient future profits against which these items can be offset

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 at 31 December 2010 of £0 9m (2009 £1 4m) The unrecognised deferred tax liability at 31 December 2010 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 Deferred tax asset	Other £ 000
At 1 January 2010	187
Recognised direct to equity	113
Credit to income statement	—
At 31 December 2010	**300**

Notes to the financial statements

for the year ended 31 December 2010
continued

16. Bank borrowings

Group	2010 £'000	2009 £'000
Current bank borrowings	**39,059**	53 151
Non-current bank borrowings	**41,050**	54 362
Total borrowings	**80,109**	107 513

Borrowings denominated in US Dollars bear interest of US Dollar LIBOR plus 1 5% annually Borrowings denominated in Euros bear interest of EURIBOR plus 1 5% annually Borrowings denominated in Sterling bear interest of LIBOR plus 1 5% annually Bank borrowings mature at different dates until 18 September 2012 as shown below Included within on demand or within one year is £39,059,000 of revolver loans that are short term renewable borrowings of maturity ranging from three months to six months These are typically renewed at the discretion of the Group and are available until 18 September 2012

	2010 £'000	2009 £'000
On demand or within one year	**39,059**	53 151
In the second year	**41,050**	13,003
In the third to fifth year	—	41 359
Total	**80,109**	107 513

The exposure of the Group s borrowings to interest rate changes at the balance sheet dates are as follows

	2010 £'000	2009 £'000
Six months or less	**80,109**	107 513

The carrying amounts and fair values of the non-current borrowings are as follows

	Carrying amount 2010 £'000	Carrying amount 2009 £'000	Fair value 2010 £'000	Fair value 2009 £'000
Bank borrowings	**41,050**	54,362	**40,626**	51,608

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant The fair values for non-current borrowings are based on cash flows discounted using a rate based on the borrowing rate of 2 7% (2009 3 0%)

The carrying amounts of the Group's borrowings are denominated in the following currencies

Currency	2010 £'000	2009 £'000
Euro	**46,427**	38,873
US Dollar	**33,682**	49,640
Sterling	—	19,000
	80,109	107,513

The Group has the following undrawn borrowing facilities

	2010 £'000	2009 £'000
Floating rate	**50,295**	30 459

16 Bank borrowings continued

Company Current	2010 £ 000	2009 £ 000
Bank borrowings	—	19,000

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant Borrowings denominated in Sterling bear LIBOR plus 1 5% annually

The exposure of the Company's borrowings to interest rate changes at the balance sheet dates are as follows

Currency	2010 £'000	2009 £ 000
Six months or less	—	19,000

The carrying amounts of the Company's borrowings are denominated in the following currencies

Currency	2010 £'000	2009 £ 000
Sterling	—	19 000

The Company has the following undrawn borrowing facilities

	2010 £'000	2009 £ 000
Floating rate	**50,295**	30 459

Amounts borrowed under the facilities are partly secured on the shares of Group companies and are guaranteed by the Company and Group companies

17. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution pension schemes throughout the world The total cost charged to income in respect of defined contribution schemes was £3,458,000 (2009 £3,596,000), representing contributions payable to these schemes by the Group at rates specified in the rules of the plans

Defined benefit schemes

In the United States the Group operates a closed defined benefit pension scheme and a closed unfunded plan which provides benefits in respect of post-retirement medical costs In France the Group has a statutory unfunded post-retirement benefit obligation In Germany, the Group has an unfunded post-retirement benefit obligation and, in the UK, a funded pension scheme which is defined contribution with defined benefit underpin Actuarial valuations are obtained annually from independent qualified actuaries for each of the defined benefit arrangements

The retirement benefit obligations are summarised below

	2010 £'000	2009 £ 000
US defined benefit pension scheme	**14,713**	12 483
US post-retirement medical plan	**4,143**	3,882
French statutory obligation	**960**	948
German obligation	**5,889**	5 935
	25,705	23 248

A 1% change in the discount rates used in calculating the above obligations is estimated to affect the total retirement benefit obligation by £7,300 000 (2009 £6 900 000)

Financials

Notes to the financial statements

for the year ended 31 December 2010
continued

17. Retirement benefit obligations continued

Defined benefit schemes continued

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 The US medical benefits plan applies only to certain former employees who retired prior to 30 September 1995 and to the post-retirement medical costs of a small number of current and former employees who were employed at that date

The principal assumptions used for the recent actuarial valuations were

	2010 %	2009 %
Expected long term return on scheme assets	**8 00**	8 00
Discount rate	**5 25**	5 78
General inflation assumption	**N/A**	N/A

There are neither guaranteed nor discretionary increases to benefits after retirement The mortality table used was the RP2000 mortality table projected to 2017 for annuitants and projected to 2025 for non-annuitants The discount rate assumption was changed to reflect changes in long term corporate bond yields

(a) Amounts recognised in finance costs in respect of these benefit schemes are as follows

	2010 £ 000	2009 £ 000
US defined benefit pension scheme		
Expected return on pension scheme assets	**2,567**	2 227
Interest on pension scheme liabilities	**(2,679)**	(2 556)
	(112)	(329)
US medical benefits plan		
Interest on plan liabilities	**(222)**	(51)
Net finance charge	**(334)**	(380)

Actuarial gains and losses have been reported in the Group statement of comprehensive income The actual return on scheme assets was £4,176 687 (2009 £4,645,565)

(b) The amount included in the balance sheet arising from the Group's obligations in respect of the US defined benefit pension scheme and medical benefits plan is as follows

	Note	2010 £'000	2009 £ 000
Present value of defined benefit obligations		**(54,540)**	(48 986)
Fair value of scheme assets		**35,684**	32 621
Liability recognised in the balance sheet		**(18,856)**	(16 365)
Defined benefit pension scheme	(17)(e)(i)	**(14,713)**	(12,483)
Medical benefit plan	(17)(e)(ii)	**(4,143)**	(3,882)
		(18,856)	(16 365)

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(c) Movements in balance sheet amounts

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

	2010 £'000	2009 £'000
Opening defined benefit obligation	**(48,986)**	(45 929)
Interest cost	**(2,901)**	(2 608)
Actuarial gain	**(4,875)**	(5 458)
Contributions by employer	**(71)**	—
Exchange differences	**(46)**	2 799
Benefits paid	**2,339**	2,210
Closing defined benefit obligation	**(54,540)**	(48 986)

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

	2010 £'000	2009 £ 000
Opening fair value of plan assets	**32,621**	31,242
Expected return	**2,567**	2 227
Actuarial gain	**1,609**	2,418
Contributions by employer	**1,348**	920
Exchange differences	**341**	(1,789)
Benefits paid	**(2,802)**	(2 397)
Closing fair value of plan assets	**35,684**	32,621
Net retirement benefit obligations	**(18,856)**	(16 365)

(d) The fair value of plan assets at the balance sheet date and the expected rate of return are analysed as follows

	Expected return %	2010 £'000	Expected return %	2009 £ 000
Equities	**9 0**	**24,680**	9 0	20,675
Bonds	**5 5**	**10,784**	5 5	11 753
Cash	**3 0**	**221**	3 0	193
	8 0	**35,685**	8 0	32,621

The expected rates of return are based on actuarial advice received

Financials

Notes to the financial statements

for the year ended 31 December 2010
continued

17. Retirement benefit obligations continued

Defined benefit schemes continued

US schemes continued

(e) History of experience gains and losses

(i) US defined benefit pension scheme

The five-year history of experience adjustments in relation to the US defined benefit pension scheme is as follows

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations	**(50,398)**	(45 104)	(44,996)	(33 091)	(34 582)
Fair value of scheme assets	**35,685**	32 621	31,242	30 848	30 145
Deficit in the scheme	**(14,713)**	(12,483)	(13,754)	(2,243)	(4 437)
Experience adjustments on scheme liabilities					
Amount	**(4,657)**	(2,431)	(85)	(470)	626
Percentage of scheme liabilities	**(9)%**	(5)%	0 2%	1 4%	1 8%
Experience adjustments on scheme assets					
Amount	**(1,609)**	2 464	(12 950)	102	1 379
Percentage of scheme assets	**(4)%**	(8)%	41 5%	0 3%	4 6%

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £2 578 000

(ii) Unfunded US medical benefit plan

The five-year history of experience adjustments in relation to the US medical plan is as follows

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of plan liabilities	**(4,143)**	(3 882)	(933)	(756)	(852)
Experience adjustments of plan liabilities	**(217)**	1	1	—	(42)
Percentage of the plan liabilities	**(5)%**	0 1%	0 1%	—	(4 9)%

French schemes

(f) Unfunded French retirement obligation

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

	2010	2009
Rate of increase in salaries	**3–6%**	3–6%
Discount rate	**4 6%**	5 2%

There are neither guaranteed nor discretionary increases to benefits after retirement

In both years, the mortality table used was INSEE 00/02

(i) Amounts recognised in finance costs in respect of the French post-retirement scheme are as follows

	2010 £'000	2009 £'000
Interest on liabilities	—	61

17. Retirement benefit obligations continued

Defined benefit schemes continued

French schemes continued

(f) Unfunded French retirement obligation continued

(ii) 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

	2010 £'000	2009 £'000
Present value of defined benefit obligations	**(960)**	(948)
Fair value of scheme assets	—	—
Liability recognised in the balance sheet	**(960)**	(948)

(iii) Movements in balance sheet amounts

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

	2010 £'000	2009 £'000
At start of year	**(948)**	(683)
Service cost	**(28)**	(147)
Interest cost	—	(61)
Actuarial (loss)	**(110)**	(90)
Employer contribution	**83**	—
Foreign exchange difference	**43**	33
Closing defined benefit obligation	**(960)**	(948)

The French obligation is unfunded and holds no plan assets

(iv) History of experience gains and losses

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

German schemes

(g) Unfunded German retirement obligation

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

	2010	2009
Rate of increase in salaries	**3 5%**	4 5%
Mortality table	**Heubeck 2005 G**	Heubeck 2005 G
Discount rate	**4 5%**	5 8%

There are neither guaranteed nor discretionary increases to benefits after retirement

(i) Amounts recognised in finance costs in respect of the German post-retirement scheme are as follows

	2010 £'000	2009 £'000
Interest on liabilities	**(321)**	(313)

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

	2010 £'000	2009 £'000
Present value of defined benefit obligations	**(5,889)**	(5 935)
Fair value of scheme assets	—	—
Liability recognised in the balance sheet	**(5,889)**	(5 935)

Notes to the financial statements

for the year ended 31 December 2010
continued

17. Retirement benefit obligations continued

Defined benefit schemes continued

German schemes continued

(g) Unfunded German retirement obligation continued

(iii) Movements in balance sheet amounts

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

	2010 £'000	2009 £'000
At 1 January	**(5,935)**	(5,557)
Service cost	**(171)**	(156)
Interest cost	**(321)**	(313)
Actuarial gain/(loss)	**15**	(298)
Benefit paid	**260**	248
Foreign exchange	**263**	141
Closing defined benefit obligation	**(5,889)**	(5,935)

The German obligation is unfunded and therefore holds no plan assets and no contributions are made

(iv) History of experience gains and losses

The history of experience adjustments in relation to the German post-retirement scheme arise in the period since acquisition is as follows

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of plan liabilities	**(5,889)**	5 935	5 557	—	—
Experience adjustments of plan liabilities	**(485)**	(288)	(216)	—	—
Percentage of the plan liabilities	**(8 2%)**	(4 9%)	(3 9%)	—	—

UK schemes

(h) UK retirement obligation

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

	2010 %	2009 %
Expected long-term return on scheme assets	**5 4**	5 7
Discount rate	**5 4**	5 7

There are neither guaranteed nor discretionary increases to benefits after retirement

At 31 December 2010 and 31 December 2009 there are no amounts recognised in finance costs in respect of the UK post-retirement scheme

At 31 December 2010 and 31 December 2009 there are no actuarial gains and losses reported in the Group statement of comprehensive income relating to the UK scheme

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

	2010 £'000	2009 £'000
Present value of defined benefit obligations	**(4,200)**	(4,300)
Fair value of scheme assets	**4,300**	4 400
Provision	**(100)**	(100)
Asset recognised in the balance sheet	**—**	—

17. Retirement benefit obligations continued

Defined benefit schemes continued

UK schemes continued

(h) UK retirement obligation continued

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

	2010 £'000	2009 £'000
Opening defined benefit obligation	**(4,300)**	(3,700)
Interest cost	**(200)**	(200)
Benefits paid	**600**	100
Actuarial (loss)	**(300)**	(500)
Closing defined benefit obligation	**(4,200)**	(4,300)

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

	2010 £'000	2009 £'000
Opening fair value of plan assets	**4,400**	3,800
Expected return	**200**	200
Benefits paid	**(600)**	(100)
Actuarial gain	**300**	500
Closing fair value of plan assets	**4,300**	4,400

The fair value of plan assets at the balance sheet date and the expected rate of return are analysed as follows

	Expected return %	2010 £'000	Expected return %	2009 £'000
Equities	**5 4**	**4,300**	5 7	4 400

The expected rates of return are based on actuarial advice received

(ii) History of experience gains and losses

The history of experience adjustments in relation to the UK post-retirement scheme arise in the period since acquisition is as follows

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of plan liabilities	**(4,200)**	(4 300)	(3 700)	—	—
Fair value of scheme assets	**4,300**	4 400	3 800	—	—
Experience adjustments on scheme assets	**300**	(500)	900	—	—
Percentage of scheme assets	**7%**	(12%)	24%	—	—
Experience adjustments of plan liabilities	**(300)**	(500)	900	—	—
Percentage of the plan liabilities	**(7%)**	12%	(24%)	—	—

Notes to the financial statements

for the year ended 31 December 2010
continued

18 Long term provisions

	£ 000
At 1 January 2010	5 778
Utilised	(943)
Charge	3 175
Released	(16)
Foreign exchange movement	304
At 31 December 2010	8 298

The provisions primarily relate to property and obligations to former employees of the Group The most significant element relates to the property provisions These are expected to be utilised over the period to 2020 There are no provisions held by the Company Provisions are discounted if material

19 Share capital

(a) Called up share capital

	2010 £'000	2009 £ 000
Issued and fully paid 446 362 638 (2009 331 390 961) shares of 1p each	**83,997**	82 848

Shares issued in the year were

	25p shares Number	24p shares Number	1p shares Number	Nominal value £ 000
At 1 January 2010	331 390 961	—	—	82 848
Change in nominal value of shares	(331 390 961)	—	—	(82,848)
1p shares	—	—	331,390,961	3 314
24p deferred shares	—	331,390,961	—	79,534
Issue of new shares	—	—	113 725 732	1 137
Warrants exercised	—	—	1,245 945	12
At 31 December 2010	—	331,390 961	446,362,638	83 997

The Company has two classes of shares 1p ordinary shares which carry no right to fixed income and 24p deferred shares which (i) have no entitlement to any dividend (ii) whose voting rights are restricted to matters in connection with a winding up of the company or abrogation of rights attaching to deferred shares and (iii) whose entitlement to a return of capital on a winding up of the company is limited to the amount paid up on the deferred shares up to a maximum of 24p per share (but only after any and all ordinary shares then in issue shall have received payment in respect of such amount as is paid up or credited as paid up on those ordinary shares plus the payment in cash or specie of £10m for every 1p paid up or credited as paid up on those ordinary shares)

No options were exercised during the year (2009 option exercised with a weighted average exercise price of 25 0p)

On 21 April 2010 the Company's share capital was reorganised and each issued share of 25p in the capital of the Company was subdivided and converted into one new ordinary share of 1p nominal value and a deferred share of 24p nominal value

On 17 June 2010 a General Meeting of MCG PLC approved the firm placing placing and open offer of 113,725,732 new ordinary shares at 22p per share and up to 53,109 916 warrants at the same price

1 245,945 warrants were exercised in the period to 31 December 2010 at an exercise price of 22p 51 863 971 warrants remain in circulation which can be exercised at the same price up until 31 December 2011

An expense of £170,000 (2009 £1,200,000) has been recognised in the period in respect of share options and awards The cumulative share compensation reserve at 31 December 2010 is £2 386 000 (2009 £2 216 000)

19 Share capital continued

(b) Share options

At 31 December 2010 there were options outstanding to subscribe for new ordinary shares of 1p each as set out below

Option grant date	Number of shares under option	Exercise price p	Weighted average price p	Exercisable not earlier than
The 1998 Scheme				
October 2007	837,643	25 00	25 00	April 2011
August 2008	742,400	25 00	25 00	August 2011
September 2008	885 000	33 50	33 50	September 2011
Total	2,465,043		28 05	

The number of options outstanding at the previous year end over new ordinary shares was 9,337 134 with a weighted average price of 37 60p

During the year, options, with a weighted average price of 40 77p over 5,879 371 new ordinary shares lapsed Share options under the 1998 Scheme expire ten years after the date of grant

The following options lapsed during the year, due to performance conditions not being met

Date of lapse	No of options lapsed over unissued shares	No of options lapsed over issued shares
11 March 2010	2 538 050	385 500
15 April 2010	1,077,000	—
25 April 2010	276,382	—
18 December 2010	1,298,097	—

The following options lapsed, having not been exercised during the prescribed period

Date of lapse	No of options lapsed over unissued shares	No of options lapsed over issued shares
27 July 2010	409 803	—
31 July 2010	280 039	—

The total subscription price if all share options over new shares are exercised is £691,486 (2009 £3,510,636)

The above amounts exclude options over 245,000 shares (2009 605,500 shares) which are already in issue and are owned by an employee trust

The 1998 Scheme (under which market value options are granted) was extended by the Extraordinary General Meeting held on 30 August 2006 and now expires on 18 June 2011

From December 2007, the performance conditions were changed from Total Shareholder Return ("TSR") to an EPS based measure which compares the EPS growth with performance above inflation

The EPS will be based on the results for the year preceding the year in which the grant is made and the results for three years later

With effect from 30 August 2006 the Company may at its discretion satisfy the exercise of options granted under the 1998 Scheme by issuing (or procuring the transfer of) only that number of ordinary shares which has a value, at the time of exercise of the options equal to the net gain resulting from the exercise In respect of options issued prior to 30 August 2006 the Company will only exercise its discretion with the option holder s consent

The fair value of options granted was determined using the stochastic valuation model Expected volatility was assessed by considering the historic volatility of the Company s share price

Notes to the financial statements

for the year ended 31 December 2010
continued

19 Share capital continued

(c) Share 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

The 2008 grant of awards to executive directors and certain other senior executives was subject to a performance condition based on average annual adjusted earnings per share ('EPS") growth over a three year performance period

In 2008 10,076,000 awards over new ordinary shares were made at an exercise price of nil pence per share

As at 31 December 2010, the remaining 6,168,000 awards made under the 2008 grant are expected to lapse due to the performance condition not being met

During the period the following new awards were made under the 2008 scheme

Award date	Number of shares under award	Exercise price p	Weighted average price p	Exercisable not earlier than
May 2010	3,000 000	—	—	May 2013
December 2010	1,290,000	—	—	December 2013
	4 290,000	—	—	

An award over 3,000,000 shares was made to Mr Stagg in May 2010 and an award of 1,290,000 was made to Mr Povey in December 2010 following their appointments as Chief Executive and Group Finance Director respectively The performance conditions are TSR based further details of which can be found in the Directors Remuneration Report on page 35

20. Equity

Group	Share premium account £ 000	Merger reserve £ 000	Share compensation reserve £ 000	Shares held by employee benefits trusts £ 000	Currency translation reserve £ 000
At 1 January 2009	48,981	32,513	2,720	(1,296)	55,091
Currency translation differences	—	—	—	—	(18,166)
Share compensation expense	—	—	1 120	—	—
Reclassification to retained earnings	—	—	(1 624)	—	—
Shares acquired by employee benefits trust	—	—	—	(114)	—
Shares transferred from employee benefits trust	—	—	—	257	—
At 31 December 2009	48 981	32,513	2 216	(1 153)	36 925
Currency translation differences	—	—	—	—	(4,096)
Share option charge	—	—	(1,260)	—	—
Transfer on nil vesting	—	—	1,430	—	—
Shares issued	24,144	—	—	—	—
Share issue expenses	(1,735)	—	—	—	—
Shares acquired by employee benefits trust	—	—	—	(1,475)	—
Shares transferred from employee benefits trust	—	—	—	274	—
At 31 December 2010	**71,390**	**32,513**	**2,386**	**(2,354)**	**32,829**

20. Equity continued

Group	Statutory reserves of subsidiary undertakings £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Total other reserves £'000
At 1 January 2009	5,878	1,186	(1,678)	5,386
Gain on available-for-sale investments	—	—	717	717
At 31 December 2009	5,878	1,186	(961)	6,103
Gain on available-for-sale investments	—	—	309	309
At 31 December 2010	**5,878**	**1,186**	**(652)**	**6,412**

Company	Share premium account £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trusts £'000	Capital redemption reserve £'000
At 1 January 2010	48,981	26,830	2,216	(1,153)	1,186
Currency translation differences	—	—	—	—	—
Share option charge	—	—	(1,260)	—	—
Transfer on nil vesting	—	—	1,430	—	—
Shares issued	24,144	—	—	—	—
Share issued costs	(1,735)	—	—	—	—
Shares acquired by employee benefits trust	—	—	—	(1,475)	—
Shares transferred from employee benefits trust	—	—	—	274	—
At 31 December 2010	**71,390**	**26,830**	**2,386**	**(2,354)**	**1,186**

Merger reserves comprise the premium arising on shares issued as consideration for the acquisition of Ineum Consulting where merger relief, under the relevant section of the Companies Act applied.

Shares to be issued comprise the estimated value of shares that may be issued under the Management Incentive Plan. The share compensation reserve represents the net credit arising from the charge for share options less amounts transferred to retained earnings following the lapse of share options. Shares held by the employee benefits trusts represents 8,327,938 shares (2009: 6,183,748). The value of these shares held in reserves is £2,353,098 (2009: £1,153,000).

21. Retained earnings

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
At 1 January		**(56,921)**	(51,817)	**49,747**	53,713
Net profit/(loss) for the year		**9,231**	1,356	**(11,512)**	(1,201)
Dividends		**(657)**	(4,234)	**(657)**	(4,234)
Actuarial loss related to retirement benefit schemes		**(3,362)**	(3,802)	—	—
Tax on items taken directly to equity		**1,741**	(48)	**114**	(155)
Reclassification from share compensation reserve	20	**(1,430)**	1,624	**(1,430)**	1,624
At 31 December		**(51,398)**	(56,921)	**36,262**	49,747

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 £11,512,000 (2009: loss of £1,201,000) dealt with in the financial statements of the Company.

Notes to the financial statements

for the year ended 31 December 2010
continued

22. Notes to the cash flow statement

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit/(loss) from operations	**17,998**	9 547	**(11,487)**	(10,395)
Adjustments for				
Depreciation of property plant and equipment	**1,521**	1 526	**245**	326
Amortisation of intangible assets	**4,198**	3,597	**142**	52
Loss on disposal of plant and equipment	**19**	633	—	—
Adjustment for pension funding	—	303	—	—
Adjustment for share option charge	**(1,260)**	1 120	**(1,260)**	1 120
Increase/(decrease) in provisions	**2,250**	(2 313)	**10,417**	—
Other non cash items	**(1,389)**	—	**(1,389)**	—
Operating cash flows before movements in working capital	**23,337**	14 413	**(3,332)**	(8 897)
Decrease in receivables	**1,530**	8 509	**229**	2 422
(Decrease)/increase in payables	**(7,761)**	(36 400)	**(3,757)**	3,536
Cash generated/(absorbed) by operations	**17,106**	(13 478)	**(6,860)**	(2,939)
Income taxes paid	**(6,680)**	(5,012)	—	28
Net cash inflow/(outflow) from operating activities	**10,426**	(18 490)	**(6,860)**	(2 911)

Cash and cash equivalents

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

	Group		Company	
	2010 £'000	2009 £ 000	2010 £ 000	2009 £ 000
Cash at bank and in hand	**22,121**	20,117	**916**	3,632
Cash equivalents	**3,589**	3,848	—	—
Cash and cash equivalents	**25,710**	23,965	**916**	3 632

23 Financial instruments

Capital structure and treasury policies

The Group and Company are financed by shareholders' equity and debt The Group and Company s capital structure is 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 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 The main treasury risks faced by the Group and Company are country specific liquidity risks The Group and Company s objectives regarding interest rate risk exchange rate risk credit 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 to 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 on maturities of three months or less commensurate with the maturity of loan drawdowns Drawdowns under the multi-currency facilities allow for interest maturities of up to six months in US Dollars and Euros and other major currencies The Group's term loan is drawn down in US Dollars and Euros to provide a natural hedge against the Group's US Dollar and Euro earnings The Group's working capital facilities are drawn down in Euros US Dollars and Sterling, the three major currencies in which the Group operates The Company's working capital facility is drawn down in Sterling The bank facilities have two financial covenants Group net debt and Group interest cover with which the Group has complied throughout the year The Group s net debt position is closely monitored and there are effective cash forecasting procedures in place These procedures involve careful review of future billing levels and new business prospects with operational management Information on borrowings is shown in note 16

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

	2010		2009	
	Average	**Closing**	Average	Closing
£1 = US Dollar	**1 55**	**1 55**	1 57	1 60
£1 = Euro	**1 16**	**1 16**	1 12	1 11

Notes to the financial statements

for the year ended 31 December 2010
continued

23 Financial instruments continued

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

Currency	2010 Floating rate £'000	2009 Floating rate £'000
Financial assets		
Sterling	**614**	1 151
US Dollar	**2,053**	2 432
Euro	**15,090**	16 372
Other	**7,953**	4 010
Cash and cash equivalents	**25,710**	23 965
Euro	**1,322**	—
USD	**1,861**	2 977
Investments	**3,183**	2 977
Sterling	**4,026**	4,182
US Dollar	**20,635**	15,543
Euro	**48,418**	50 704
Other	**3,510**	5 902
Trade and other receivables	**76,589**	76 331
Financial liabilities		
Sterling	**(19,811)**	(20 993)
US Dollar	**(24,661)**	(18,810)
Euro	**(42,303)**	(52 820)
Other	**(7,997)**	(7,456)
Trade and other payables	**(94,772)**	(100 079)

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

23 Financial instruments continued

Exposure to credit risk

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

	Carrying amount	
	2010 £'000	2009 £ 000
Available-for-sale financial assets	**3,183**	2 977
Cash and cash equivalents	**25,710**	23,965
	28,893	26 942

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

	Carrying amount	
	2010 £'000	2009 £ 000
Europe	**34,277**	35,894
United States	**13,677**	8,312
Rest of World	**679**	773
	48,633	44,979

The Group s most significant customer accounts for 7% of the trade receivables carrying amount at 31 December 2010 (2009 3%)

The ageing of trade receivables at the reporting date was

	2010 £'000	2009 £ 000
Not past due	**28,894**	34 493
Past due 0–30 days	**10,531**	5 689
Past due 31–120 days	**9,208**	4 797
	48,633	44 979

The credit quality of trade receivable not past due is believed to be AA

Notes to the financial statements

for the year ended 31 December 2010
continued

23 Financial instruments continued

Liquidity risk

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

31 December 2010 Non-derivative financial liabilities	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000	6–12months £ 000	1–2 years £ 000	2–5 years £ 000
Bank loans	**(80,109)**	**(82,772)**	**(26,368)**	**(14,551)**	**(41,853)**	—
Trade and other payables	**(94,772)**	**(94,772)**	**(94,772)**	—	—	—
	(174,811)	**(177,544)**	**(121,140)**	**(14,551)**	**(41,853)**	—

31 December 2009 Non-derivative financial liabilities	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000	6–12months £ 000	1–2 years £ 000	2–5 years £ 000
Bank loans	(107 513)	(111 584)	(47,117)	(7 837)	(14,195)	(42,435)
Trade and other payables	(100,079)	(100,079)	(100,079)	—	—	—
	(207 592)	(211,663)	(147,196)	(7 837)	(14 195)	(42,435)

Currency risk

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

	31 December 2010		31 December 2009	
	€000	**$ 000**	€000	$ 000
Trade receivables	**32,674**	**12,932**	37,804	13,883
Bank loans	**(46,427)**	**(33,682)**	(43,150)	(79,280)
Trade payables	**(3,123)**	**(1,382)**	(6,240)	(2,020)
Gross balance sheet exposure	**(16,876)**	**(22,132)**	(11 586)	(67 417)
Notional current year sales	**88,172**	**136,457**	171,794	146 279
Notional current year purchases	**(96,565)**	**(56,038)**	(119,000)	(91 760)
Gross and net exposure	**(8,393)**	**80,419**	52,794	54 519

23. Financial instruments continued

Sensitivity analysis

A 10% strengthening of Sterling against the following currencies at 31 December 2010 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 The analysis is performed on the same basis for 2009

	Equity £ 000	Profit or loss £ 000
2010		
US Dollar	**12,520**	**(633)**
Euro	**(969)**	**(692)**
2009		
US Dollar	(4 472)	(224)
Euro	(11 976)	(466)

A 10% weakening of Sterling against the above currencies at 31 December 2010 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was

	Carrying amount	
Fixed rate instruments	**2010 %**	2009 %
Financial liabilities less than 6 months	**2 5**	2 3
Financial liabilities 1–2 years	**2 5**	2 2
Financial liabilities 2–5 years	**—**	2 2

The Group has no variable or fixed rate financial assets The Group has variable rate financial liabilities which are fixed at intervals of up to six months

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 2010		31 December 2009	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £ 000	Fair value £ 000
Available-for-sale financial assets	**3,183**	**3,183**	2,977	2,977
Cash and cash equivalents	**25,710**	**25,710**	23 965	23 965
Bank loans	**(80,109)**	**(79,685)**	(107,513)	(104,759)
Trade and other payables	**(94,772)**	**(94,772)**	(100 079)	(100 079)

The basis for determining fair values for bank loans is disclosed in note 16

Notes to the financial statements

for the year ended 31 December 2010
continued

23. Financial instruments continued

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

Currency	2010 Floating rate £'000	2009 Floating rate £'000
Financial assets		
Sterling	**203**	218
US Dollar	**1**	870
Euro	**712**	2 544
Cash and cash equivalents	**916**	3,632
Sterling	**17,877**	21 475
US Dollar	**20,704**	54 569
Euro	**2,766**	3,790
Other	**1,258**	3,315
Trade and other receivables	**42,605**	83 149
Financial liabilities		
Sterling	**(14,256)**	(14 724)
US Dollar	**(11,987)**	(49 403)
Euro	**(39,766)**	(31 235)
Other	**(1,768)**	(98)
Trade and other payables	**(67,777)**	(95 460)

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 – 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	
	2010 £'000	2009 £'000
Cash and cash equivalents	**916**	3 632

The Company has no exposure to credit risk for trade receivables

23 Financial instruments continued

Liquidity risk – Company

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

31 December 2010 Non-derivative financial liabilities	Carrying amount £ 000	Contractual cash flows £ 000	Six months or less £ 000
Bank loans	**—**	**—**	**—**
Trade and other payables	**(67,777)**	**(67,777)**	**(67,777)**
	(67,777)	**(67,777)**	**(67,777)**

31 December 2009 Non-derivative financial liabilities	Carrying amount £ 000	Contractual cash flows £ 000	6 months or less £ 000
Bank loans	(19 000)	(19 512)	(19,512)
Trade and other payables	(95 460)	(95 460)	(95,460)
	(114 460)	(114 972)	(114,972)

Currency risk – Company

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

	31 December 2010		31 December 2009	
	€'000	$ 000	€'000	$ 000
Intercompany receivables	**2,766**	**20,704**	4,206	87,513
Intercompany payables	**(39,766)**	**(11,987)**	(34 678)	(78,902)
Gross balance sheet exposure	**(37,000)**	**8,717**	(30 472)	8,611

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

Sensitivity analysis – Company

A 10% strengthening of Sterling against the following currencies at 31 December 2010 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 The analysis is performed on the same basis for 2009

	Equity £ 000	Profit or loss £ 000
2010		
US Dollar	(792)	792
Euro	3,364	(3,364)
2009		
US Dollar	(470)	—
Euro	2,495	—

A 10% weakening of Sterling against the above currencies at 31 December 2010 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant

At the reporting date the interest rate profile of the Company s interest-bearing financial instruments was

	Carrying amount	
Fixed rate instruments	**2010** **%**	2009 %
Financial liabilities less than 6 months	—	2 2

The Company has no variable or fixed rate financial assets or financial liabilities

Notes to the financial statements

for the year ended 31 December 2010
continued

23 Financial instruments continued

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 2010		31 December 2009	
	Carrying amount £'000	**Fair value £'000**	Carrying amount £ 000	Fair value £ 000
Cash and cash equivalents	**916**	**916**	3 632	3 632
Bank loans	**—**	**—**	(19 000)	(19,000)
Trade and other payables	**(67,777)**	**(67,777)**	(95 460)	(95 460)

The basis for determining the bank loan fair value is disclosed in note 16

24 Operating lease arrangements

Group	**2010 £'000**	2009 £ 000
Minimum lease payments under operating leases recognised in the income statement for the year	**8,840**	9 138

At the balance sheet date the Group has aggregate outstanding commitments for future minimum lease payments under non cancellable operating leases which fall due as follows

	2010		2009	
Group	**Land and buildings £ 000**	**Other £'000**	Land and buildings £ 000	Other £ 000
Within one year	**7,019**	**190**	7,531	165
In the second to fifth years inclusive	**23,302**	**377**	21 302	422
After five years	**8,438**	**—**	12,375	—
	38,759	**567**	41 208	587

Operating lease payments represent rentals payable by the Group for certain of its office properties Leases are negotiated for an average term of seven years and rentals are fixed for an average of four years

25 Related party transactions

Group

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation Except as disclosed below, 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

Mr Julian Waldron a Director of the Company is the Chief Financial Officer of Technip SA During 2010 Ineum Consulting SAS provided consultancy services at fair market rates to Technip SA valued at £609 036 (2009 £649,755) and at year end there was a receivable from Technip SA of £178 024 (2009 £191 456)

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 heads of the consultancies Information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report

	2010 £'000	2009 £ 000
Short-term employee benefits	**1,759**	1 428
Post-employment benefits	**—**	—
	1,759	1,428

26 Principal subsidiary undertakings

At 31 December 2010 the Company had the following principal subsidiary undertakings 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

	Countries of incorporation/operation
Ineum Conseil et Associés SA	France
Ineum Consulting SAS	France
Ineum Consulting Limited*	United Kingdom
Ineum Consulting LLC	United States
Ineum Consulting Pty Limited	Australia
Ineum Consulting Sarl	Switzerland
Kurt Salmon Associates Inc	United States
Kurt Salmon Associates Limited	United Kingdom
Kurt Salmon Associates AG	Switzerland
Kurt Salmon Associates GmbH	Germany
Kurt Salmon Associates SA	France
Kurt Salmon Associates Canada Limited	Canada
Kurt Salmon Associates Capital Advisors, Inc	United States
Alexander Proudfoot Company	United States
Alexander Proudfoot (Europe) Limited*	United Kingdom
Alexander Proudfoot GmbH	Germany
Alexander Proudfoot Inc	Canada
Alexander Proudfoot South Africa (Pty) Limited	South Africa/Africa

* Held directly

A full list of subsidiary and other related companies will be annexed to the next annual return of Management Consulting Group PLC to be filed with the Registrar of Companies

Notes to the financial statements

for the year ended 31 December 2010
continued

26 Principal subsidiary undertakings continued

Company

Amounts owed by/(owed to) subsidiary undertakings

	2010 £'000	2009 £'000
Alexander Proudfoot (Europe) Limited	**20,727**	17,772
MCG Holdings Netherlands BV	**24**	(471)
Alexander Proudfoot GmbH	**—**	139
MCG US Holdings Inc	**(3,501)**	265
Alexander Proudfoot – Serviços Empresariais LTDA	**638**	474
MCG Overseas Holdings Limited	**30**	—
Alexander Proudfoot Company	**(718)**	(8 794)
Proudfoot Hong Kong	**—**	115
Proudfoot Consulting SAS	**—**	(28)
Alexander Proudfoot Kft	**(17)**	(17)
Proudfoot Consulting sro	**—**	4
Proudfoot Company AG	**(2,460)**	—
Ineum Consulting LLC	**(1)**	9 554
Ineum Consulting Limited	**1,724**	1,870
Ineum Consulting Pty Australia	**270**	979
CBH Head Office	**—**	4,212
Kurt Salmon Associates Inc	**216**	(17 911)
KSA Head Office	**16,942**	22,942
KSA Europe	**—**	(951)
MCG France SAS	**(3,198)**	898
Ineum Conseil et Associes SA	**(2,987)**	(6,579)
Ineum Consulting SAS	**(12)**	(1,977)
MCG Belgium SA	**10**	6
Ineum Consulting Luxembourg SA	**100**	5
Ineum Consulting Sarl	**—**	4
Kurt Salmon Associates Limited	**218**	573
Kurt Salmon Associates SA	**86**	(392)
Kurt Salmon Associates GmbH	**(2,638)**	(2 554)
Kurt Salmon Associates BV	**—**	1,227
Kurt Salmon Associates AG	**(3,769)**	(530)
Alexander Proudfoot Overseas Holdings Limited	**(922)**	(2,236)
MCG Company No 1	**(7,719)**	(7 551)
Proudfoot Consulting Australia	**(1,687)**	(2 155)
Proudfoot Consulting Inc	**—**	2
MCG Nederlands BV	**—**	22
Alexander Proudfoot Company of Europe	**(7,452)**	(7 452)
Alexander Proudfoot South Africa Pty Ltd	**(91)**	(76)
MCG Company No 4	**(23,386)**	(8,108)
	(19,573)	(6,719)

26 Principal subsidiary undertakings continued

Company continued

Transactions with subsidiary undertakings

	2010 £'000	2009 £'000
Alexander Proudfoot (Europe) Limited	**44**	45
Alexander Proudfoot Company	**(1,077)**	(699)
Ineum Consulting LLC	**(232)**	(123)
Ineum Consulting Limited	**(498)**	754
Ineum Consulting Pty Australia	**(27)**	(23)
Kurt Salmon Associates Inc	**(660)**	(732)
Ineum Consulting SAS	**(1,207)**	(517)
MCG Belgium SA	**(58)**	—
Ineum Consulting Luxembourg SA	**(101)**	—
Ineum Consulting Sarl	**(20)**	—
Kurt Salmon Associates Limited	**(72)**	(20)
Kurt Salmon Associates SA	**(133)**	3
Kurt Salmon Associates AG	**59**	63
Kurt Salmon Associates GmbH	**60**	31
MCG Company No 4	**—**	(4 889)
MCG Overseas Holdings Limited	**—**	(307)
Kurt Salmon Associates BV	**(41)**	—
Ineum Conseil et Associes SA	**5**	—
(Income)/expense from transactions with subsidiary undertakings	**(3,957)**	(6 414)

Financials

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Company Secretary
Charles Ansley

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Additionally, we encourage shareholders to register for copies of corporate communications on our investor relations website at www mcgplc com

The Company s corporate governance report corporate governance guidelines and terms of reference of the Board's Committees can also be found at www mcgplc com

Investor relations
The Group welcomes contact with its shareholders

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Enquiries and notification concerning dividends, share certificates or transfers and address changes should be sent to the Registrar at the address shown

Financial calendar
Annual General Meeting 19 April 2011

Operational contacts
We welcome clients introduced by shareholders Shareholders wishing to provide introductions to potential clients should contact Chris Povey (see contact details opposite)

Share price information
The Company's share price information can be found at www mcgplc com or through your broker The share symbol is MMC L The Financial Times City line service also provides this information on 0906 843 4677 (calls charged at 60p per minute)

Shareholder services
Online services are available to private shareholders To use these facilities visit www capitaregistrars com

'Account Enquiry" allows shareholders to access their shareholding on the register including transaction history, dividend payment history and up to date share valuation Amendment of Standing Data" allows shareholders to change their registered postal address and add change or delete dividend mandate instructions Certain forms can be downloaded such as dividend mandate forms and Stock transfer forms

Should you have any queries please contact Capita Registrars helpline on 0870 162 3100 overseas +44 20 8639 2157 or email ssd@capitaregistrars com

Share dealings
A quick and easy share dealing service is provided by Capita Share Dealing Services for UK registered certificated holders to either buy or sell shares For further information on this service, or to buy and sell shares, please contact www capitadeal com (on line dealing) or 0870 458 4577 (telephone dealing)

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MCG's commitment to environmental issues is reflected in this annual report which has been printed on Splendorgel Extra White, an FSC® Mixed Source Certified paper, which ensures that all virgin pulp is derived from well managed forests It is elemental chlorine free bleached

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