Management Consulting Group PLC

10 Fleet Place

London EC4M 7RB

Tel: +44 (0)20 7710 5000

Fax: +44 (0)20 7710 5001

22 September 2016

Management Consulting Group PLC
Interim Results

Management Consulting Group PLC ("MCG" or "the Group"), the global professional services group, today announces its results for the half-year ended 30 June 2016. These results reflect the Kurt Salmon healthcare disposal completed on 29 July 2016 and the proposed sale of Kurt Salmon Retail and Consumer Goods business announced today, which are both reported as discontinued operations.

Key points

- Reported revenues from continuing operations (comprising Alexander Proudfoot) down 12% year on year at £25.7m (H1 2015 restated: £29.3m)
- Underlying* operating loss from continuing operations of £1.9m (H1 2015 restated: loss of £0.4m)
- Sale of the Kurt Salmon business in France and related geographies completed in January 2016 for net proceeds of approximately £57.7m used to repay indebtedness
- Sale of the Kurt Salmon healthcare business completed on 29 July 2016 for net proceeds of approximately £7.7m
- Proposed sale of the Kurt Salmon retail and consumer goods business announced today for expected net proceeds of approximately £121m– see separate announcement
- Loss from discontinued operations of £16.8m (2015 H1 restated: £3.4m profit)
- Retained loss for the half-year of £20.8m (H1 2015 restated: retained profit £1.4m)
- Net cash balances** at 30 June 2016 of £1.9m (H1 2015: net debt of £41.7m)

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

** Net cash/(debt) is cash and cash equivalents less financial liabilities

Nick Stagg, Chief Executive, commented:

"This year has seen continuing restructuring of the Group and the realisation of value for shareholders. Following completion of the sale of Kurt Salmon's healthcare business in July, the Group has today announced the proposed disposal of the Kurt Salmon retail and consumer goods business to Accenture. The retained business of the Group, Alexander Proudfoot, delivered higher revenues in the first half of 2016 than in the second half of 2015, but has not yet produced levels of revenue which restore the business to profitability. The Board continues to focus on improving the performance of Alexander Proudfoot."

For further information please contact:

Management Consulting Group PLC

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

FTI Consulting

Ben Atwell		0203 727 1000
Victoria Foster Mitchell		

Notes to Editors

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

Chairman's Statement

Following completion of the sale of the French and related operations of Kurt Salmon in January 2016, the Group completed the previously announced sale of the US healthcare operations of Kurt Salmon to ECG Management Consultants on 29 July, receiving gross consideration on completion of $11.9m. Today the Group announced the proposed sale of the retail, and consumer goods business of Kurt Salmon to Accenture for an expected total gross consideration of approximately $165m. Further details of the proposed disposal, which is conditional, inter alia, upon the approval of MCG shareholders are contained in the announcement made today and will be set out in a Circular sent to shareholders in due course.

The results of the Kurt Salmon healthcare and the Kurt Salmon retail and consumer goods businesses for the first six months of 2016, and some final elements of the French disposal, are reported in the interim results as discontinued operations. Discontinued operations also include the impact of the impairment of goodwill attributed to the Kurt Salmon healthcare business. The financial impact of the proposed disposal of the Kurt Salmon retail and consumer goods business, including the expected profit on sale, will be reported in the second half of 2016, assuming that the transaction proceeds to completion as expected.

The continuing operations of the Group for the first six months of 2016 comprise Alexander Proudfoot. After a poor performance in the second half of 2015, we saw some positive momentum in Alexander Proudfoot in the first half of 2016, with revenues growing over the first two quarters, although we have not yet generated levels of revenue that restore the business to profitability.

The disposal of the French and related operations of Kurt Salmon in January allowed the Group to repay its bank borrowings in full. The Group was in a strong financial position at 30 June 2016, with net cash, before the further positive impact of the proceeds from the Kurt Salmon healthcare disposal. The expected net cash proceeds from the proposed sale of the Kurt Salmon retail and consumer goods business will allow the Group to consider returning value to shareholders.

Looking forward, the Board continues to focus on the need to improve the performance of Alexander Proudfoot.

Alan Barber
Chairman

Operating and financial review

Continuing and discontinued operations

References below to continuing operations relate to Alexander Proudfoot.

The French and related operations of Kurt Salmon were reported as discontinued operations in the Group financial statements for the year ended 31 December 2015 and the financial impact of the finalisation of the disposal of those businesses (which completed on 7 January 2016) is reported in the discontinued operations section of the Group income statement for the six month period ended 30 June 2016.

The sale of the Kurt Salmon healthcare business was completed on 29 July 2016, however given that the Board of MCG had committed to the disposal and negotiations for the sale of the business were at an advanced stage at 30 June 2016, the results of its operations and the loss on disposal arising from the impairment of goodwill are reported as discontinued operations in the Group income statement for the six month period ended 30 June 2016. The comparatives for the six month period ended 30 June 2015 have been restated on the same basis in relation to continuing and discontinued operations. The assets and liabilities of the Kurt Salmon healthcare business are reflected in the Group balance sheet at 30 June 2016 as assets and liabilities held for sale, being £9.3m and £1.5m respectively. The assets held for sale include the impaired goodwill related to the Kurt Salmon healthcare business of £5.8m.

The proposed sale of the Kurt Salmon retail and consumer goods consulting practice was announced today. Given that the Board of MCG had committed to the disposal and negotiations for the sale of the business were underway at 30 June 2016, the results of its operations are reported as discontinued operations in the Group income statement for the six month period ended 30 June 2016. The comparatives for the six month period ended 30 June 2015 have been restated on the same basis in relation to continuing and discontinued operations. The assets and liabilities of the Kurt Salmon retail and consumer goods business are reflected in the Group balance sheet at 30 June 2016 as assets and liabilities held for sale, being £132.4m and £41.4m respectively. The assets held for sale include the goodwill related to the Kurt Salmon retail and consumer goods business of £94.3m. The sale of the Kurt Salmon retail and consumer goods consulting practice is expected to give rise to a profit on disposal which will be accounted for when the transaction completes, which is expected to be in the second half of 2016.

Alexander Proudfoot

The continuing operations of the Group comprise Alexander Proudfoot. Following a poor performance in the second half of 2015, in the first half of 2016 Alexander Proudfoot delivered two quarters of solid revenue growth, although not achieving the levels recorded in the first half of 2015. Alexander Proudfoot's reported revenue for the first half of 2016 was £25.7m, 23% higher than the preceding six month period (H2 2015: £20.8m), and 12% lower than the same period in 2015 (H1 2015: £29.3m). At H1 2015 exchange rates, H1 2016 revenues would have been higher at £26.3m, the reported revenue reflecting the negative impact in the first half of 2016 of weakening of the Brazilian Real and the South African Rand offset to some extent by the stronger US dollar. The business reported a £1.9m underlying operating loss in the first half of 2016 compared with a £0.4m operating loss for the first half of 2015 and a £5.3m loss for 2015 as a whole.

Work for clients in the natural resources sector continued to represent a significant proportion of Alexander Proudfoot's activities, being 46% of total revenues in the first half of 2016 (H1 2015: 50%). In spite of continuing overall weakness in this sector, which has had a significant adverse impact on Alexander Proudfoot's revenues in the last two years, the business has been successful this year in securing an increased level of work from larger global mining groups rather than the mid-market players who have been most affected by sector weakness.

The strong first half performance of the North American business seen in 2015 was not repeated in the first half of 2016, with revenues down more than one third on the same period in 2015. This disappointing result was countered to some extent by a much improved performance in Brazil and elsewhere in South America. The European business delivered a slightly improved performance compared with the previous six months, although revenue levels were still below those of the same period in 2015. In the smaller operations in Africa and Asia there was some progress in the first half, but revenues levels here remain too low.

Summary and outlook

The year to date has seen the continued restructuring of the Group and the realisation of value for shareholders.

Alexander Proudfoot reported lower revenues year on year and an underlying operating loss in the first half of 2016. Order input in the early part of 2016 was encouraging but from the second quarter activity levels slowed and the current order book is weaker than it was at the beginning of 2016. As a result, the Board expects that revenues in the third quarter of 2016 will be lower than those in the second quarter. Accordingly, the outcome for the year as a whole for Alexander Proudfoot remains uncertain and will depend on order input in the coming months.

Following completion of the proposed Disposal, the trading operations of the Group will solely comprise Alexander Proudfoot. Alexander Proudfoot has experienced a difficult trading environment in the past two years but it is a long established business which has been successful over many decades and continues to deliver successful outcomes for its clients. The Board of MCG remains committed to improving the performance of Alexander Proudfoot and restoring the business to profitable growth.

Certain existing back-office operations of Kurt Salmon in the United States will not form part of the business being sold to Accenture. As a result, certain office leases, supplier and other contracts and personnel currently supporting Kurt Salmon will be retained by MCG following completion and will be used to support transitional services agreements with Accenture and the existing transitional service agreements with Solucom and ECG Management Consultants, the acquirers of the French and related operations and the healthcare operations of Kurt Salmon respectively. Following the proposed disposal, and as the transitional services arrangements with these acquirers fall away over time, the Group will need to make changes to the existing back office functions to reduce costs, in the United States in particular. The Group is also likely to seek to make other changes to its cost base to reflect the reduced scale of the continuing operations of the Group.

The disposal of the French and related operations of Kurt Salmon in January 2016 allowed the Group to repay its indebtedness in full. MCG is in a strong financial condition with net cash at 30 June 2016 of £1.9m (2015 H1: net debt £41.7m) and a £12.5m working capital banking facility in place. The net proceeds from the subsequent sale of the Kurt Salmon healthcare business further strengthened the balance sheet and the expected proceeds from the proposed sale of the Kurt Salmon retail and consumer goods business will enable the Group to consider returning value to shareholders.

The Board will continue to monitor the implications for the Group of the current uncertainty following the UK EU referendum result. Approximately 97 % of MCG's revenue from continuing operations in the first half of 2016 was derived from, and is broadly generated, by consulting staff and operations based outside the UK and approximately 55% of Group revenue from continuing operations in the first half of 2016 was billed in US Dollars. The significant weakening of Sterling against the US Dollar in the wake of the referendum vote, will, if it persists, have a positive effect on the reported revenues of the Group in the near term, although further weakness in emerging market currencies will have a countervailing effect.

Group Financial Summary

Exchange rates

In the first half of 2016 approximately 3% of the Group's total revenues from continuing operations were billed in Sterling (H1 2015 restated: 3%), with approximately 55% of the Group's revenues from continuing operations denominated in US Dollars and nearly 15% in Euros. The average exchange rates to Sterling used in the first half of 2016 were £1 = \$1.43 (H1 2015: £1 = \$1.53) and £1 = €1.28 (H1 2015: £1 = €1.37). Comparing the first half periods in 2015 and 2016, Sterling therefore weakened by more than 7% against both the US Dollar and the Euro.

The closing exchange rates to Sterling used in balance sheet translation at 30 June 2016 were £1 = \$1.33 (H1 2015: £1 = \$1.57*)* and £1 = €1.20 (H1 2015: £1 = €1.41).

Revenue from continuing operations

Reported revenue from continuing operations, comprising revenues from Alexander Proudfoot, was £25.7m for the first half of 2016, 12% lower than the same period in the previous year (H1 2015: £29.3m).

Revenue from continuing operations from the Americas decreased by £2.6m to £17.2m (H1 2015 restated: £19.8m). Revenue from Europe in the first half was £0.9m lower than the corresponding period in 2015 at £5.9m (H1 2015 restated: £6.8m) and Rest of World revenue was steady at £2.8m (H1 2015 restated:

£2.8m). This analysis reflects the geographies in which the business units generating the revenues are located and does not wholly reflect the locations in which work is delivered.

Underlying operating loss from continuing operations

The underlying operating loss from continuing operations for the period was £1.9m, some £1.5m higher than the corresponding period in 2015 (2015 H1 restated: £0.4m).

Non-recurring items relating to continuing operations for the first half of 2016 were a net credit of £0.6m relating to a provision release in respect of the deregistration of the Alexander Proudfoot Australian company and a gain on the disposal of a Swiss holding company prior to the disposal of the French and related operations of Kurt Salmon (H1 2015 restated: £0.4m expense). Amortisation of acquired intangibles was £0.3m (H1 2015 restated: £0.3m).

The operating loss from continuing operations for the first half of 2016 was £1.6m (H1 2015 restated: £0.2m).

Interest

The total net finance costs for the period were £0.6m (H1 2015 restated: £0.9m).

Taxation

Loss before tax from continuing operations for the first half of 2016 was £2.2m (H1 2015 restated: £1.1m). Underlying loss before tax for the period was £2.5m (H1 2015 restated: £1.2m). The tax rate on the underlying loss before tax was 82% (H1 2015 restated: 83%). The continuing high underlying tax rate in the period reflects the impact of revenue based taxes and project-specific withholding taxes in Alexander Proudfoot.

Discontinued operations

Discontinued operations in the six months ended 30 June 2016 relate to Kurt Salmon.

The sale of Kurt Salmon's healthcare business was completed on 29 July 2016. Revenues from the Kurt Salmon healthcare discontinued operations were £7.3m (2015 H1 restated: £8.6m). The underlying operating loss from the Kurt Salmon healthcare discontinued operations was £1.0m (2015 H1 restated: underlying operating profit £0.1m). This loss reflects a weaker revenue performance in the first six months of 2016 and the write-off of a receivable relating to certain non-US healthcare operations which are being discontinued as a result of the disposal of the business. Non-recurring expenses relating to the Kurt Salmon healthcare discontinued operations were £1.6m, comprising £0.6m related to the restructuring of certain healthcare consulting operations which did not form part of the business being sold and expenses related to share awards of £1.0m.

The loss on disposal of £16.4m for the Kurt Salmon healthcare business, reported as part of the loss from discontinued operations in the Group income statement for the six months ended 30 June 2016, arises as a result of the impairment of goodwill relating to the business which has been sold. The gross cash proceeds paid by the acquirer at completion were $11.9m (equivalent to £9.0m) and the net proceeds after transaction costs were £7.7m. The consideration is subject to post-closing adjustments relating to working capital and other balance sheet items and the reported loss on disposal reflects estimates of the impact of such adjustments.

The completion of the disposal of the Kurt Salmon healthcare business in July 2016 is expected to give rise to a taxable gain in the US, the tax charge on which is estimated at approximately £1.8m. This will be reflected in the full year Group income statement for 2016 and is not reported in the loss on sale for the six months ended 30 June 2016.

The proposed sale of Kurt Salmon's retail and consumer goods business was announced today. Revenues from the Kurt Salmon retail and consumer goods discontinued operations were £40.4m, which is £3.3m or 9% higher than the corresponding first half revenue in 2015 of £37.1m. On a constant currency basis Kurt Salmon's H1 2016 revenues would have been £37.9m, an increase of 2% on the same period, reflecting the positive impact of the stronger US dollar on reported 2016 revenues.

Underlying operating profit from the Kurt Salmon retail and consumer goods discontinued operations was £3.9m (H1 2015 restated: £3.7m), representing a margin of approximately 10% and consistent with the margin reported in the first half of 2015.

Kurt Salmon's operations in North America represented approximately 70% of the Kurt Salmon retail and consumer goods business as a whole in terms of reported revenue in the first half of 2016. The US retail and consumer goods practice delivered a good performance in the first half of 2016, with revenues approximately 6% ahead of the same period in 2015 on a constant currency basis, and at an improved margin. The acquisition of Mobispoke in the second half of 2015 has allowed Kurt Salmon to promote a focused digital offering for clients this year, branded as KS Digital.

Approximately 20% of Kurt Salmon's revenues were generated in Europe, led by operations in Germany and the UK. Both practices were successful in the first half of 2016 with Germany performing well, although not quite at the high revenue levels achieved in the first half of 2015, and the UK business delivering a strong performance. Kurt Salmon's operations in Asia were a relatively small proportion of the business as a whole, representing approximately 10% of revenues.

Non-recurring expenses relating to the Kurt Salmon retail and consumer goods discontinued operations were £0.7m, largely relating to part of the consideration payable for the acquisition of Mobispoke by Kurt Salmon (completed in 2015) which is required, under IFRS3, to be treated as remuneration in the Group income statement. The tax charge relating to the Kurt Salmon retail and consumer goods discontinued operations was £1.6m (2015 H1 restated £2.3m). Consequently the profit after taxation on the Kurt Salmon retail and consumer goods discontinued operations was £1.5m (2015 H1 restated: £1.3m).

As expected, discontinued operations in the six months ended 30 June 2016 also reflect the impact of the finalisation of the disposal of the French and related operations of Kurt Salmon sold in January 2016, primarily comprising the recycling of a £3.2m currency translation reserve to the profit and loss account and a tax charge of £1.5m relating to the disposal.

Earnings per share

The basic loss per share for continuing operations was 0.8p (H1 2015 restated: 0.4p per share) and the underlying basic loss per share was 0.9p (H1 2015 restated: 0.5p per share).

Balance Sheet

The assets and liabilities of the French and related operations of Kurt Salmon were shown in the Group balance sheet at 31 December 2015 as assets and liabilities held for sale of £91.8m and £33.1m respectively.

The Group balance sheet at 30 June 2016 reflects the impact of the disposal in July 2016 of the healthcare operations of Kurt Salmon and the proposed disposal of the retail and consumer goods operations of Kurt Salmon which was announced today.

The assets and liabilities of the Kurt Salmon healthcare business are shown in the Group balance sheet as assets and liabilities held for sale of £9.3m and £1.5m respectively. The assets held for sale include the impaired goodwill and other intangible assets related to the business which has been sold of £5.8m.

The assets and liabilities of the Kurt Salmon retail and consumer goods business are shown in the Group balance sheet as assets and liabilities held for sale of £132.4m and £41.4m respectively. The assets held for sale include the goodwill and other intangible assets related to the business which will be sold of £94.3m.

The net assets of the Group have decreased from £129.3m at 31 December 2015 to £114.8m at 30 June 2016, primarily as a result of the loss on the disposal of the Kurt Salmon healthcare business.

The proceeds from the sale of the French and related operations of Kurt Salmon allowed the Group to repay its indebtedness in full and there was a net cash position of £1.9m at 30 June 2016.

The Group was financed by a £15m working capital facility in the first half of 2016 which was reduced to a £12.5m facility following the sale of the Kurt Salmon Healthcare business in July. At 30 June 2016 the gross debt drawn under this facility reflected in the Group balance sheet was £6.1m held in Euros and US Dollars.

The net post-retirement obligations liability relates to a closed US defined benefit pension scheme and a post-retirement medical benefits plan, both in Alexander Proudfoot, and has decreased from £21.8m at 31 December 2015 to £17.7m at 30 June 2016.

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

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

Directors' responsibility statement

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

We confirm that, to the best of our knowledge:

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

(b) the Operating and Financial Review includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Operating and Financial Review includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Chris Povey

Finance Director

September 2016

Cautionary statement

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

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

Condensed Group statement of profit and loss
for the six months ended 30 June 2016

	Note	**Unaudited six months ended 30 June 2016 £'000**	Unaudited six months ended 30 June 2015 restated £'000
Continuing operations			
Revenue	3	**25,694**	29,322
Cost of sales		**(12,928)**	(14,061)
Gross profit		**12,766**	15,261
Administrative expenses – underlying		**(14,693)**	(15,631)
Loss from operations – underlying		**(1,927)**	(370)
Administrative expenses – non-recurring		**654**	435
(Loss)/ profit from operations before amortisation of acquired intangibles		**(1,273)**	65
Administrative expenses – amortisation of acquired intangibles		**(304)**	(303)
Total administrative expenses		**(14,343)**	(15,499)
Loss from operations	3	**(1,577)**	(238)
Investment income		**22**	1
Finance costs		**(603)**	(872)
Loss before tax		**(2,158)**	(1,109)
Tax	5	**(1,773)**	(925)
Loss for the period from continuing operations		**(3,931)**	(2,034)
(Loss)/profit from discontinued operations	8	**(16,832)**	3,441
(Loss)/profit for the period		**(20,763)**	1,407

(Loss)/Earnings per share – pence

From loss from continuing operations for the period			
Basic	6	**(0.8)**	(0.4)
Diluted	6	**(0.8)**	(0.4)
Basic – underlying	6	**(0.9)**	(0.5)
Diluted – underlying	6	**(0.9)**	(0.5)
From the (loss)/profit for the period			
Basic	6	**(4.2)**	0.3
Diluted	6	**(4.2)**	0.3
Basic – underlying	6	**(4.0)**	0.2
Diluted – underlying	6	**(4.0)**	0.2

Condensed Group statement of comprehensive income
for the six months ended 30 June 2016

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000
(Loss)/profit for the period	**(20,763)**	1,407
Items that will not subsequently be reclassified to profit and loss		
Remeasurement of defined benefit pension schemes	**(4,604)**	1,507
Items that may subsequently be reclassified to profit and loss		
Gain on available-for-sale investments	**6**	-
Exchange differences on translation of foreign operations	**9,945**	(10,797)
	9,951	(10,797)
Total comprehensive expense for the period attributable to owners of the Company	**(15,416)**	(7,883)

Condensed Group statement of changes in equity
for the six months ended 30 June 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefit trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2015	**84,518**	**82,362**	**32,513**	**5,737**	**(3,063)**	**19,029**	**6,082**	**(29,513)**	**197,665**
Total comprehensive expense for the period	—	—	—	—	—	(10,797)	—	2,914	(7,883)
Share-based payments	—	—	—	1,240	—	—	—	—	1,240
Vesting of share awards	—	—	—	(961)	—	—	—	81	(880)
Shares transferred by ESOP	—	—	—	—	787	—	—	—	787
Dividends paid	—	—	—	—	—	—	—	(4,018)	(4,018)
Unaudited balance at 30 June 2015	**84,518**	**82,362**	**32,513**	**6,016**	**(2,276)**	**8,232**	**6,082**	**(30,536)**	**186,911**
Total comprehensive expense for the period	—	—	—	—	—	9,059	—	(67,517)	(58,458)
Shares issued	20	302	—	—	—	—	—	—	322
Share-based payments	—	—	—	557	—	—	—	—	557
Vesting of share awards	—	—	—	(2,394)	—	—	—	1,947	(447)
Shares transferred from ESOP	—	—	—	—	421	—	—	—	421
Recycling of merger reserve	—	—	(26,830)	—	—	—	—	26,830	—
Audited balance at 31 December 2015	**84,538**	**82,664**	**5,683**	**4,179**	**(1,855)**	**17,291**	**6,082**	**(69,276)**	**129,306**
Total comprehensive expense for the period	—	—	—	—	—	9,945	6	(25,367)	(15,416)
Shares issued	81	—	—	—	—	—	—	—	81
Share-based payments	—	—	—	1,329	—	—	—	—	1,329
Vesting of share awards	—	—	—	(3,032)	—	—	—	2,556	(476)
Shares transferred from ESOP	—	—	—	—	7	—	—	—	7
Unaudited balance at 30 June 2016	**84,619**	**82,664**	**5,683**	**2,476**	**(1,848)**	**27,236**	**6,088**	**(92,087)**	**114,831**

Condensed Group statement of financial position
as at 30 June 2016

	Unaudited 30 June 2016 £'000	Audited 31 Dec 2015 £'000
Non-current assets		
Intangible assets & goodwill	**46,999**	148,387
Property, plant and equipment	**575**	1,996
Investments	**275**	711
Deferred tax assets	**5,659**	14,448
Total non-current assets	**53,508**	165,542
Current assets		
Trade and other receivables	**8,462**	29,115
Current tax receivables	**205**	1,096
Cash and cash equivalents	**7,983**	15,478
Assets held for sale	**141,689**	91,785
Total current assets	**158,339**	137,474
Total assets	**211,847**	303,016
Current liabilities		
Financial Liabilities	**-**	(68,294)
Trade and other payables	**(25,263)**	(39,875)
Current tax liabilities	**(3,650)**	(4,020)
Liabilities held for sale	**(42,919)**	(33,105)
Total current liabilities	**(71,832)**	(145,294)
Net current assets/(liabilities)	**86,507**	(7,820)
Non-current liabilities		
Financial liabilities	**(6,063)**	-
Retirement benefit obligations	**(17,658)**	(21,781)
Deferred tax liabilities	**(814)**	(5,413)
Long-term provisions	**(649)**	(1,222)
Total non-current liabilities	**(25,184)**	(28,416)
Total liabilities	**(97,016)**	(173,710)
Net assets	**114,831**	129,306
Equity		
Share capital	**84,619**	84,538
Share premium account	**82,664**	82,664
Merger reserve	**5,683**	5,683
Share compensation reserve	**2,476**	4,179
Shares held by employee benefit trust	**(1,848)**	(1,855)
Translation reserve	**27,236**	17,291
Other reserves	**6,088**	6,082
Retained earnings	**(92,087)**	(69,276)
Equity attributable to owners of the Company	**114,831**	129,306

Condensed Group statement of cash flows
for the six months ended 30 June 2016

	Note	**Unaudited six months ended 30 June 2016 £'000**	Unaudited six months ended 30 June 2015 £'000
Net cash outflow from operating activities	7	**(5,688)**	(7,070)
Investing activities			
Interest received		**22**	9
Purchases of property, plant and equipment		**(257)**	(318)
Purchases of intangible assets		**(117)**	(126)
Proceeds on disposal of financial instruments		**—**	92
Proceeds from disposals of subsidiaries		**54,363**	—
Net cash generated from/(used in) continuing investing activities		**54,011**	(343)
Financing activities			
Dividends paid		**(3)**	(1,116)
Interest paid		**(241)**	(992)
Proceeds from borrowings		**5,633**	12,481
Repayment of borrowings		**(68,294)**	(13,988)
Net cash outflow from continuing financing activities		**(62,905)**	(3,615)
Net decrease in cash and cash equivalents		**(14,582)**	(11,028)
Cash and cash equivalents at beginning of period		**20,737**	24,920
Effect of foreign exchange rate changes		**1,828**	(1,968)
Cash and cash equivalents at end of period		**7,983**	11,924

Notes

1. General information
The results for the six months ended 30 June 2016 and 30 June 2015 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the year ended 31 December 2015 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified or modified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

2. Significant accounting policies
(a) Basis of preparation
The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are available on our website: www.mcgplc.com. The set of condensed financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union.

(b) Accounting policies
In the current financial year the Group has adopted the following newly effective standards and amendments, none of which have had a material impact:

Annual improvements 2010-2012 Cycle
Annual improvements 2012-2014 Cycle
Amendments to IFRS11: Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS6 and IAS38: Classification of acceptable methods of depreciation and amortisation
Amendments to IAS27: Equity method in separate financial statements
Amendments to IAS1: Disclosure initiative

Principal risks and uncertainties
The Group has operating and financial policies and procedures designed to maximise shareholder value within a defined risk management framework.

The key risks to which the business is exposed are reviewed regularly by senior management and the Board as a whole.

The major risks the business faces are consistent with those set out in the Company's Annual Report for the year ended 31 December 2015. They are related to the demand for consultancy services in each of the markets and sectors in which the Group operates; retention and development of key client relationships, recruitment and retention of talented employees; optimisation of the Group's intellectual capital; and fluctuations in foreign exchange currency rates.

These risks are managed by anticipating consultancy trends; identifying new markets and sectors in which the Group might operate; maximising staff utilisation; having remuneration policies which reward performance and promote continued employment with the Group; maintaining a comprehensive knowledge management system; and undertake hedging to mitigate currency risk where appropriate.

Potential contractual liabilities arising from client engagements are managed through careful control of contractual conditions and appropriate insurance arrangements. There is no material outstanding litigation against the Group of which the Directors are aware which is not covered by insurance, or provided for in the financial statements.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, and the financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Chairman's statement. Principal risks and uncertainties are described above.

The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants, which are reviewed by the Board. Forecasts are then adjusted for sensitivities which address the principal risks to which the Group is exposed. Consideration is then given to the potential actions available to management to mitigate the impact of one or more of these sensitivities if required.

2. Significant accounting policies continued
(b) Accounting policies continued
Going concern continued

The Board has concluded that the Group should be able to operate within the level of its current facility and remain covenant compliant for the foreseeable future, being a period of at least twelve months from the date of approval of this half-yearly report.

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

Discontinued operations and assets held for sale
The Disposal of Kurt Salmon healthcare practice and the recognition of assets held for sale at the lower of cost and fair value less costs to sell required judgement to be applied to both post-completion consideration and goodwill allocated to the disposal group. The loss on disposal reflects a best estimate of final proceeds based on the information available at the signing date of the accounts.

The assets and liabilities held for sale in respect of the Kurt Salmon retail and consumer goods consulting business are recognised at the lower of cost and fair value less costs to sell.

With regard to the allocation of goodwill, the two disposal groups identified on 30 June 2016 required Kurt Salmon goodwill to be allocated between the disposal groups. As there is no prescribed allocation measures under IFRS, 2015 revenues have been used as an appropriate measure of relative value. Further details of the goodwill allocated to the disposal group are set out in note 8

3. Segmental information
The continuing operations of the Group comprise Alexander Proudfoot. This is the basis on which information is provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business. The segments for this purpose are the Americas, Europe and the Rest of World. All revenues are derived from the provision of professional services.

Inter-segmental sales are not significant.

Income statement
Revenue and underlying operating profit by geography

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

	Unaudited six months ended 30 June 2016			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue – continuing operations	**17,226**	**5,896**	**2,572**	**25,694**
Profit/(loss) from operations – underlying	**525**	**(1,460)**	**(992)**	**(1,927)**
Non-recurring items and amortisation of acquired intangibles	**(199)**	**296**	**253**	**350**
Profit/(loss) from operations	**326**	**(1,164)**	**(739)**	**(1,577)**
Investment income				**22**
Finance costs				**(603)**
Loss before tax				**(2,158)**

	Unaudited six months ended 30 June 2015 restated			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue – continuing operations	19,758	6,756	2,808	29,322
Profit/(loss) from operations – underlying	2,048	(530)	(1,888)	(370)
Non-recurring items and amortisation of acquired intangibles	(303)	435	-	132
Profit/(loss) from operations	1,745	(95)	(1,888)	(238)
Investment income				1
Finance costs				(872)
Loss before tax				(1,109)

4. Dividends

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 31 December 2015 of £nil (2014: 0.595p) per share	-	2,902
Interim dividend in respect of the year ended 31 December 2015 of £nil	-	1,116
	-	4,018

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

The amount of the dividend waived in 2016 (in respect of the year ended 31 December 2015) was £nil.

The Company did not pay an interim dividend for 2015 and no final dividend for 2015 will be paid.

5. Taxation

The effective tax rate on the reported profit before tax for the half year is 82% (H1 2015 restated: 83%). The effective tax rate on the reported profit before tax as adjusted for the impact of non-recurring items and the accounting for amortisation of acquisition intangibles charge for the half year is 75% (H1 2015 restated: 84%). Of the total tax charge, £nil (H1 2015: £nil) arises in respect of the UK with the remainder of the charge arising outside the UK.

6. (Loss)/earnings per share

The calculation of the (loss)/earnings per share is based on the following data:

	Unaudited six months ended 30 June 2016 Total £'000	Unaudited six months ended 30 June 2016 Continuing £'000	Unaudited six months ended 30 June 2016 Discontinued £'000
Loss			
Loss for the purposes of basic and diluted loss per share being net loss for the period attributable to owners of the Company	**(20,763)**	**(3,931)**	**(16,832)**
Amortisation of acquired intangibles	**304**	**304**	**-**
Non-recurring items	**1,536**	**(654)**	**2,190**
Tax on non-recurring items	**(908)**	**(115)**	**(793)**
Loss for purpose of basic earnings per share - underlying	**(19,831)**	**(4,396)**	**(15,435)**

	Unaudited six months ended 30 June 2015 re-presented Total £'000	Unaudited six months ended 30 June 2015 re-presented Continuing £'000	Unaudited six months ended 30 June 2015 re-presented Discontinued £'000
Earnings/(Loss)			
Earnings/(Loss) for the purposes of basic and diluted earnings per share being net profit/(loss) for the period attributable to owners of the Company	1,407	(2,034)	3,441
Amortisation of acquired intangibles	303	303	-
Non-recurring items	(435)	(435)	-
Tax on non-recurring items	(115)	(115)	-
Earnings/(loss) for purpose of basic earnings per share - underlying	1,160	(2,281)	3,441

6. (Loss)/earnings per share continued

	2016 Number million	2015 Number million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**499.8**	490.5
Effect of dilutive potential ordinary shares:		
– share options and performance share plan	**7.1**	4.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**506.9**	495.0

	2016 All Pence	**2016 Continuing Pence**	**2016 Discontinued Pence**
Basic loss per share	**(4.2)**	**(0.8)**	**(3.4)**
Diluted loss per share	**(4.2)**	**(0.8)**	**(3.4)**
Basic loss per share – underlying	**(4.0)**	**(0.9)**	**(3.1)**
Diluted loss per share – underlying	**(4.0)**	**(0.9)**	**(3.1)**

	2015 All Pence	2015 Continuing Pence	2015 Discontinued Pence
Basic earnings/(loss) per share	0.3	(0.4)	0.7
Diluted earnings/(loss) per share	0.3	(0.4)	0.7
Basic earnings/(loss) per share – underlying	0.2	(0.5)	0.7
Diluted earnings/(loss) per share – underlying	0.2	(0.5)	0.7

The average share price for the six months ended 30 June 2016 was 15.2p (30 June 2015: 15.7p).

7. Notes to the cash flow statement

	Unaudited six months ended 30 June 2016 £'000	Unaudited six months ended 30 June 2015 £'000
(Loss) from continuing operations	**(1,577)**	(238)
Profit from discontinuing operations	**639**	7,463
(Loss)/profit from operations	**(938)**	7,225
Adjustments for:		
Depreciation of property, plant and equipment	**400**	417
Amortisation of intangible assets	**896**	855
Loss/(profit) on disposal of plant and equipment	**19**	(7)
Adjustment for cost of share-based payments	**1,403**	842
Decrease in provisions	**(157)**	(1,996)
Other non-recurring items	**(81)**	**-**
Other non-cash items	-	158
Operating cash flows before movements in working capital	**1,542**	7,494
Increase in receivables	**(6,593)**	(1,708)
Increase/(decrease) in payables	**2,066**	(8,650)
Cash absorbed by operations	**(2,985)**	(2,864)
Income taxes paid	**(2,704)**	(4,206)
Net cash outflow from operating activities	**(5,689)**	(7,070)

8. Discontinued operations

The French and related operations of Kurt Salmon were reported as discontinued operations in the Group financial statements for the year ended 31 December 2015 and the financial impact of the finalisation of the disposal of that business is reported in the discontinued operations caption in the interim statements for the six month period ended 30 June 2016. The assets and liabilities of the French and related operations of Kurt Salmon were shown in the Group balance sheet at 31 December 2015 as assets and liabilities held for sale, of £91.8m and £33.1m respectively and were derecognised when the transaction completed on 7 January 2016.

The healthcare consulting practice formed part of the reported continuing operations of Kurt Salmon in the Group financial statements for the year ended 31 December 2015. The sale of the Kurt Salmon healthcare business was completed on 29 July 2016, but given that the negotiations for the sale of the business were at an advanced stage at 30 June 2016, the results of its operations and the loss on disposal arising from the impairment of goodwill are reported as discontinued operations in the interim statements for the six month period ended 30 June 2016. The comparatives for the six month period to 30 June 2015 have been restated on the same basis in relation to continuing and discontinued operations. The assets and liabilities of the Kurt Salmon healthcare business are shown in the Group balance sheet at 30 June 2016 as assets and liabilities held for sale of £9.3m and £1.5m respectively. The assets held for sale include the impaired goodwill related to the healthcare business of £5.8m.

The Kurt Salmon retail and consumer group operations formed part of the reported continuing operations of Kurt Salmon in the Group financial statements for the year ended 31 December 2015. The group entered into a sale agreement to dispose of the Kurt Salmon retail and consumer goods business on 21 September 2016. The sale is expected to complete in October or November 2016. The proceeds of disposal are expected to exceed the book value of the related net assets and accordingly no impairment losses have been recognised. The comparatives for the six month period to 30 June 2015 have been restated on the same basis in relation to continuing and discontinued operations. The assets and liabilities of the Kurt Salmon consumer group business are shown in the Group balance sheet at 30 June 2016 as assets and liabilities held for sale of £132.4m and £41.4m respectively.

	Kurt Salmon France unaudited six months ended 30 June 2016 £'000	**Kurt Salmon Healthcare unaudited six months ended 30 June 2016 £'000**	**Kurt Salmon Consumer Group unaudited six months ended 30 June 2016 £'000**	**Total unaudited six months ended 30 June 2016 £'000**
Revenue	**-**	**7,321**	**40,429**	**47,750**
Cost of sales	**-**	**(6,076)**	**(27,517)**	**(33,593)**
Gross profit	**-**	**1,245**	**12,912**	**14,157**
Administrative expenses – underlying	**(60)**	**(2,224)**	**(9,044)**	**(11,328)**
(Loss)/profit from operations – underlying	**(60)**	**(979)**	**3,868**	**2,829**
Administrative expenses – non-recurring	**75**	**(1,607)**	**(658)**	**(2,190)**
Total administrative expenses	**15**	**(3,831)**	**(9,702)**	**(13,518)**
Profit/(loss) from operations	**15**	**(2,586)**	**3,210**	**639**
Investment income	**-**	**-**	**-**	**-**
Finance costs	**-**	**-**	**(109)**	**(109)**
Profit/(loss) before tax	**15**	**(2,586)**	**3,101**	**530**
Tax	**-**	**-**	**(1,569)**	**(1,569)**
Profit/(loss) for the period attributable to owners of the Company	**15**	**(2,586)**	**1,532**	**(1,039)**
Profit/(Loss) on disposal from discontinued operations	**612**	**(16,405)**	**-**	**(15,793)**
Net profit/(loss) attributable to discontinued operations	**627**	**(18,991)**	**1,532**	**(16,832)**

	Kurt Salmon France unaudited six months ended 30 June 2015	Kurt Salmon Healthcare unaudited six months ended 30 June 2015	Kurt Salmon Consumer Group unaudited six months ended 30 June 2015	Total unaudited six months ended 30 June 2015
	£'000	£'000	£'000	£'000
Revenue	49,195	8,612	37,064	94,871
Cost of sales	(35,132)	(6,978)	(23,754)	(65,864)
Gross profit	14,063	1,634	13,310	29,007
Administrative expenses – underlying	(10,347)	(1,578)	(9,609)	(21,534)
Profit from operations – underlying	3,716	56	3,701	7,473
Administrative expenses – non-recurring	-	-	-	-
Total administrative expenses	(10,347)	(1,578)	(9,609)	(21,534)
Profit from operations	3,716	56	3,701	7,473
Investment income	4	-	4	8
Finance costs	(671)	-	(107)	(778)
Profit before tax	3,049	56	3,598	6,703
Tax	(965)	-	(2,297)	(3,262)
Profit for the period attributable to owners of the Company	2,084	56	1,301	3,441
Result on disposal from discontinued operations	-	-	-	-
Net profit attributable to discontinued operations	2,084	56	1,301	3,441

Kurt Salmon France's non-recurring credit relates to the release of a surplus transaction bonus. Non-recurring expenses attributed to the Kurt Salmon Healthcare disposal comprise £1.0m of non-recurring expenses related to share awards and £0.6m of closure costs. There were no non-recurring items recognised by the discontinued operations in the prior year.

The Kurt Salmon France gain on disposal reflects the taxable gain that crystallised at completion in respect of certain elements of the businesses sold net of £3.2m of currency translation reserve credits, which are realised in the year the transaction was completed and a post-closing adjustment of £1.1m, which has no impact on cash flows. A tax charge of £1.8m is expected to arise upon completion of the KS Healthcare sale and this will be reported in the second half of 2016.

The £16.4m Kurt Salmon healthcare loss on disposal arises as a result of the impairment of goodwill relating to the disposal group. The impairment charge represents the difference between the goodwill and net assets attributed to the disposal group and estimated consideration after post-closing adjustments net of transaction costs.

During the period, the Kurt Salmon healthcare disposal group contributed a cash outflow of £1.5 million (2015: £1.2 million outflow) to the group's net operating cash flows. The Kurt Salmon retail and consumer goods disposal group contributed a cash inflow of £4.0million (2015: £4.2m). There were no cash flows arising from investing or financing in these businesses in either the current or prior year.

The cash flows arising from the disposal of Kurt Salmon France and related entities have been presented as proceeds from the disposal of subsidiaries in the Group cash flow statement.

The major classes of assets and liabilities comprising the operations classified as held for sale were as at 30 June 2016 were follows:

	Kurt Salmon Healthcare Unaudited six months ended 30 June 2016 £'000	**Kurt Salmon Consumer Group Unaudited six months ended 30 June 2016 £'000**	**Total Unaudited six months ended 30 June 2016 £'000**
Intangible assets and goodwill	**5,801**	**94,312**	**100,113**
Property, plant and equipment	**15**	**1,483**	**1,498**
Financial assets	**-**	**472**	**472**
Deferred tax asset	**-**	**10,897**	**10,897**
Trade and other receivables	**3,448**	**24,300**	**27,748**
Current tax receivable	**-**	**961**	**961**
Assets held for sale	**9,264**	**132,425**	**141,689**
Trade and other payables	**(1,535)**	**(19,896)**	**(21,431)**
Current tax liabilities	**-**	**(1,668)**	**(1,668)**
Retirement benefit obligations	**-**	**(12,072)**	**(12,072)**
Non-current tax liabilities	**-**	**(7,005)**	**(7,005)**
Long term provisions	**-**	**(743)**	**(743)**
Liabilities held for sale	**(1,535)**	**(41,384)**	**(42,919)**
Net assets of the disposal group	**7,729**	**91,041**	**98,770**

9. Financial instruments fair value disclosure

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

The directors note that, whilst the carrying value of the Alexander Proudfoot goodwill is supportable as at 30 June 2016, the headroom in relation to this Cash Generating Unit has reduced significantly in recent years. As a result, sensitivity analysis on the key assumptions included in the impairment review indicates that a reasonably possible change in key assumptions could, in the foreseeable future, result in the recoverable amount falling below the carrying value.

INDEPENDENT REVIEW REPORT TO MANAGEMENT CONSULTING GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed group statement of profit and loss, the condensed group statement of comprehensive income, the condensed group statement of changes in equity, the condensed group statement of financial position, the condensed group statement of cash flows, and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

22 September 2016