Management Consulting Group PLC

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The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via a regulatory information service, this inside information is now considered to be in the public domain.

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 2017.

Key points

- Reported revenues of £21.6m - up 11% on H2 2016
- Underlying* operating loss of £4.6m (H2 2016: loss £6.9m)
- Retained loss for the half-year of £6.0m (H2 2016: £38.6m including impairment charge)
- Cash balances at 30 June 2017 of £28.4m (31 December 2016: £38.1m)
- Proudfoot new structure and operating model now in place

Nick Stagg, Chief Executive, commented:

“The newly re-branded Proudfoot has fundamentally changed its structure and operating model. This provides a leaner, more agile, flexible and focused business. Revenue for the first half of 2017 was 11% higher than the preceding six month period. This is despite a decline in the Americas region where the new operating model was implemented late in the half. Although progress this period has been slower than expected, Proudfoot’s new focus and offerings make it well placed to create value for its clients and drive revenues to the required levels for profitability. We have successfully continued the process of reducing our costs and closing out the divestment activity from the last two years.”

For further information please contact:

Nick Stagg	Chairman and Chief Executive	020 7710 5000
Michael Comras	Chief Financial Officer	020 7710 5000

Notes to Editors

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

** refer Note 2 for definition*

Chairman and Chief Executive's Statement

I am pleased to report that Proudfoot, MCGs continuing business, has made progress in the execution of its strategy, resulting in a stronger performance in the EMEAA region (Europe, Middle East, Africa, Asia) with increased revenue and reduced losses for the first half. While the Americas' operations has underperformed, new management is now in place and the key elements of our global strategy, including greater client specialisation, are now being implemented. As a result, we expect the Americas to benefit from these actions in the same way as EMEAA.

While the above developments are encouraging, the Group financial results as a whole for the six months ended 30 June 2017 remain unsatisfactory, driven by the continued weak performance in North America. Revenue for the first half of 2017 was £21.6m, 11% higher than the preceding six month period (H2 2016: £19.5m), but 16% lower than the same period in 2016 (H1 2016: £25.7m). The Group reported an underlying operating loss of £4.6m in the first half of 2017 compared with losses of £6.9m for the second half of 2016 and £1.9m for the first half of 2016. Overall, these results are an improvement on the second half of 2016 but we expected to be further along the road to recovery in North America.

Revenues for the first six months of 2017 from the EMEAA region saw an increase of 32% over the second half of 2016 and 36% over the first half of 2016. Similar progress was not realised in our Americas markets where revenue of £9.9m represents a decline from £10.6m in the second half of 2016 and from £17.2m in the first half of 2016. However, following management changes and the adoption of processes from EMEAA operations late in the half, sales activity in North America increased although it will take time for results to fully flow through.

While we continue to leverage our 75 year track record in the delivery of significant financial benefits to our clients, we have made large-scale changes in the nature of the solutions we now deliver while still being true to our purpose for clients; achieving "*tomorrow's results, today"*. Proudfoot traditionally implements operational improvement, resulting in enterprise-wide, cultural transformation. This remains our focus but we have shifted our business model into our two core capabilities of Proudfoot Analytics and Proudfoot People Solutions. Additionally, significant improvement to our value proposition is the focus on delivering long term sustainable change to our client's workforce. This reinforces our desire to achieve powerful results for our clients through their workforce, yet also enabling them to continue achieving those results long after we depart and without the continued use of our support; ensuring they can 'do-it-themselves'.

As the Board reported in March, Proudfoot requires management focus and further change and so I am pleased to report that the newly re-branded Proudfoot, has now fundamentally changed its structure and operating model and added new offerings including Proudfoot Digital Ready which enables management to lead digital change through their people, processes and decision making. This has driven the early successes in EMEAA and provides a leaner, more agile, flexible and focused business together with deeper sector focus and knowledge to which clients have responded favourably. As an example, we continue to merge our selling activities with our delivery capabilities, delivering greater client satisfaction with the added benefit of streamlining our cost base. Structurally, we have removed several layers of management across the Proudfoot business, thereby focusing on bringing our most senior expertise directly into our client teams. Market based managing directors now own our client relationships from sales to delivery.

These teams report to a newly appointed Chief Executive of Proudfoot, Pam Hackett, who has a 30 year history with Proudfoot. While she continues to lead the execution of our strategy in EMEAA, Pam is now focused on delivering the same level and speed of change in North America.

The Board continues to align the cost base to the smaller group business and to simplify the management structure. To date, annualised cost savings of approximately £4.7m have been secured and actions are in hand which will deliver further savings in the second half and beyond.

As previously announced, the businesses sold last year had transitional service agreements in place whereby the Group continued to provide some back-office functions for periods ceasing in the second half of 2017. These arrangements have been positively managed to reduce risk and cost to the Group and allowed for a smooth transition to their new owners.

We announced on 31 May the appointment of Michael Comras to the Board as Chief Financial Officer. His skill and dedication is proving a great asset to the Board.

Proudfoot is a long-standing business and, with its new focus and offerings, is well placed to create value for its clients. While the indicators and changes in the first half are positive, current revenues are not yet at levels to restore the business to profitability and so this remains the focus of the Board and Proudfoot management. The Group continues to have a strong financial position with cash balances of £28.4m at 30 June 2017. Although progress this period has been slower than expected we are committed to restoring the business to growth and profitability and to deliver value to MCG shareholders.

Nick Stagg
Chairman and Chief Executive
17 August 2017

Group Financial Review

Following the disposals in 2016 of all our Kurt Salmon operations, the continuing operations of the Group comprise our Proudfoot business. The results of the discontinued businesses of Kurt Salmon are relevant only for the 2016 loss from discontinued operations comparative in the Condensed Group Statement of Profit and Loss.

Proudfoot's reported revenue for the first half of 2017 was £21.6m, 11% higher than the preceding six month period (H2 2016: 19.5m), but 16% lower than the same period in 2016 (H1 2016: £25.7m). The Group reported an underlying operating loss of £4.6m in the first half of 2017 compared with losses of £6.9m for the second half of 2016 and £1.9m for the first half of 2016.

Proudfoot operates as a single business. It generates revenues and deploys resources globally. The performance in geographic areas differed in the period. While revenues in the EMEAA region as a whole maintained the progress made in 2016 helped by new management and processes to provide improved opportunities to deliver an increase of 32% over the second half of 2016 and 36% over the first half of 2016, similar progress was not realised in the Americas where revenue of £9.9m represented a decline from £10.6m in the second half of 2016 and £17.2m in the first half of 2016. However, following management changes and the adoption late in the half of processes from EMEAA operations, sales activity in North America increased although it will take time for results to fully flow through.

Given the changes to the management structure of Proudfoot introduced in 2017 and taking account of lower income levels in recent periods, the Group's cost base has been reviewed and resulted in a reduction of total employees during the period from 281 to 221 at 30 June 2017. A restructuring cost of £0.7m is reflected in the first half results due to this action.

As reported at the time of the disposal of the Kurt Salmon activities in 2016, there are some services provided by the Group under transitional service agreements, in particular, arrangements for the Group to support back office operations for agreed periods; these expire during the second half of the year. In addition, the Group is responsible for the unexpired portion of leases on certain properties in the USA previously occupied by Kurt Salmon. The costs for these arrangements were provided for in the balance sheet at 31 December 2016.

Exchange rates

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

The closing exchange rates to Sterling used in balance sheet translation at 30 June 2017 were £1 = $1.30 (H1 2016: $1.43; H2 2016: $1.24*)* and £1 = €1.14 (H1 2016: €1.28; H2 2016: €1.17).

Underlying operating loss from continuing operations

The underlying operating loss from continuing operations for the period was £4.6m compared with losses of £6.9m for the second half of 2016 and £1.9m for the first half of 2016.

Non-underlying items relating to continuing operations for the first half of 2017 represent restructuring costs referred to above (H1 2016: net credit of £0.6m relating to a provision release in respect of the deregistration of an overseas subsidiary and gain on disposal of an overseas holding company).

Interest

The total net finance costs for the period were £0.3m which relates mainly to a subsidiary pension plan (H1 2016: £0.6m). The Group remains debt free.

Taxation

The tax charge for the period reflects adjustments of prior year balances, project specific withholding taxes and tax charges in taxable non-UK jurisdictions where there are no losses available to shelter the income.

Loss for the period

The loss for the period including the underlying loss from operations, non-underlying expenses, taxation and interest was £6.0m and arises from continuing operations (H1 2016: loss £20.1m including losses from discontinued operations). The H2 2016 loss from continuing operations of £34.6m included a goodwill impairment charge of £30.4m and a net tax credit of £4.0m.

Losses per share

The basic loss per share for continuing operations was 1.2p (H1 2016: 0.8p per share) and the underlying basic loss per share was 1.1p (H1 2016: 0.9p per share).

Going Concern

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. The recent improvement in performance due to management actions is encouraging and the cost cutting measures implemented reduces cash utilisation. However, the outcome for the year as a whole for Proudfoot remains uncertain and will depend on sales made in the coming months. The Board has assessed the financial impact of potential downside financial scenarios, taking into account the principal risks to the business and recognises, as stated in the 2016 full year report, that should the Group underperform in the longer term, it will consider all options in the best interests of all stakeholders.

Balance Sheet

The net assets of the Group decreased from £32.6m at 31 December 2016 to £27.1m at 30 June 2017 due to the loss for the period and the negative impact of exchange rates on cash balances offset by a £1.7m reduction in the post-retirement obligations of the closed Proudfoot defined benefit pension scheme.

Intangible assets of £16.8m includes goodwill relating to Proudfoot of £16.5m (£16.0m plus the impact of exchange rate fluctuations) following the impairment charge at 31 December 2016. The Board considers that the assumptions examined at that time remain valid in all respects and that although sensitivity analysis indicate that relatively small changes in the underlying assumptions would result in the recoverable amount of goodwill falling to a level below its carrying value, actions now taken including management changes, cost reductions and an increase in sales activity during Q2 support the “value in use” calculation assumptions that the recent weak trading performances in parts of the business will not persist in the medium term and that Proudfoot will achieve a return to profitability.

The balance sheet includes £6.8m of deferred tax assets, principally relating to pension liabilities and tax losses carried forward, in both cases in relation to the US operations. The recoverability of these deferred assets is dependent upon the future profitability of the US operations of Proudfoot.

Total Group cash balances have reduced from £38.1m at 31 December 2016 to £28.4m at 30 June 2017 which is within the range expected by the Board when the Group last reported. During the first half, certain one-off items resulted in cash outflows including:-

- £2.9m principally relating to the disposal of Kurt Salmon activities in 2016 and other restructuring amounts, which was mainly provided for in the balance sheet at 31 December 2016;
- £0.7m of restructure costs arising in 2017; and
- an adverse foreign exchange movement of £1.1m.

The total cash balance at 30 June 2017 includes £9.1m currently subject to restrictions following Kurt Salmon disposals, approximately 90% of which is expected to become unrestricted from January to July 2018.

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

Directors' responsibility statement

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

We confirm that, to the best of our knowledge:

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

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

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

By order of the Board

Michael Comras
Chief Financial Officer
17 August 2017

Cautionary statement

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

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

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Condensed Group statement of profit and loss
for the six months ended 30 June 2017

	Note	**Unaudited six months ended 30 June 2017**	Unaudited six months ended 30 June 2016
		£'000	£'000
Continuing operations			
Revenue	3	**21,575**	25,694
Cost of sales		**(12,255)**	(12,928)
Gross profit		**9,320**	12,766
Administrative expenses – underlying		**(13,948)**	(14,693)
Loss from operations – underlying		**(4,628)**	(1,927)
Administrative (expenses)/income – non-underlying		**(754)**	654
Loss from operations before amortisation of acquired intangibles		**(5,382)**	(1,273)
Administrative expenses – amortisation of acquired intangibles		**-**	(304)
Total administrative expenses		**(14,702)**	(14,343)
Loss from operations	3	**(5,382)**	(1,577)
Investment income		**55**	22
Finance costs		**(360)**	(603)
Loss before tax		**(5,687)**	(2,158)
Tax	5	**(361)**	(1,773)
Loss for the period from continuing operations		**(6,048)**	(3,931)
Loss from discontinued operations	8	**-**	(16,832)
Loss for the period		**(6,048)**	(20,763)

Loss per share – pence			
From loss from continuing operations for the period			
Basic and diluted	6	**(1.2)**	(0.8)
Basic and diluted – underlying	6	**(1.1)**	(0.9)
From the loss for the period			
Basic and diluted	6	**(1.2)**	(4.2)
Basic and diluted – underlying	6	**(1.1)**	(4.0)

Condensed Group statement of comprehensive income
for the six months ended 30 June 2017

	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 **£'000**
Loss for the period	**(6,048)**	**(20,763)**
Items that will not subsequently be reclassified to profit and loss		
Remeasurement of defined benefit pension schemes	**1,686**	**(4,604)**
Tax on items taken directly to comprehensive income	**(542)**	**-**
Items that may subsequently be reclassified to profit and loss		
Gain on available-for-sale investments	**-**	**6**
Exchange differences on translation of foreign operations	**(672)**	**9,945**
Total comprehensive expense for the period attributable to owners of the Company	**(5,576)**	**(15,416)**

Condensed Group statement of changes in equity
for the six months ended 30 June 2017

	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 2016	**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**
Total comprehensive expense for the period	—	—	—	—	—	(30,612)	1	24,552	(6,059)
Shares issued	26	359	—	—	—	—	—	—	385
Share-based payments	—	—	—	192	—	—	—	—	192
Vesting of share awards	—	—	—	(2,442)	—	—	—	(1,035)	(3,477)
Shares transferred from ESOP	—	—	—	—	1,740	—	—	—	1,740
Cancellation of deferred shares	(79,534)	—	—	—	—	—	—	79,534	—
Cancellation of share premium	—	(75,000)	—	—	—	—	—	—	(75,000)
Recycling of Investment reserve	—	—	—	—	—	—	975	(975)	—
Recycling of Merger reserve	—	—	(5,683)	—	—	—	—	5,683	—
Audited balance at 31 December 2016	**5,111**	**8,023**	**—**	**226**	**(108)**	**(3,376)**	**7,064**	**15,672**	**32,612**
Total comprehensive expense for the period	—	—	—	—	—	**(672)**	—	**(4,904)**	**(5,576)**
Share-based payments	—	—	—	23	—	—	—	—	**23**
Vesting of share awards	—	—	—	**(5)**	—	—	—	—	(5)
Shares transferred from ESOP	—	—	—	—	**5**	—	—	—	**5**
Unaudited balance at 30 June 2017	**5,111**	**8,023**	—	**244**	**(103)**	**(4,048)**	**7,064**	**10,768**	**27,059**

Condensed Group statement of financial position
as at 30 June 2017

	Note	**Unaudited 30 June 2017 £'000**	Audited 31 Dec 2016 £'000
Non-current assets			
Intangible assets & goodwill		**16,764**	17,724
Property, plant and equipment		**441**	1,108
Investments		**-**	-
Deferred tax assets		**6,848**	8,324
Total non-current assets		**24,053**	27,156
Current assets			
Trade and other receivables		**6,135**	7,212
Current tax receivables		**1,322**	1,404
Cash and cash equivalents	7	**28,437**	38,067
Total current assets		**35,894**	46,683
Total assets		**59,947**	73,839
Current liabilities			
Trade and other payables		**(16,766)**	(20,162)
Current tax liabilities		**(806)**	(1,070)
Total current liabilities		**(17,572)**	(21,232)
Net current assets		**18,322**	25,451
Non-current liabilities			
Retirement benefit obligations		**(9,856)**	(11,577)
Deferred tax liabilities		**(35)**	(707)
Long-term provisions		**(5,425)**	(7,711)
Total non-current liabilities		**(15,316)**	(19,995)
Total liabilities		**(32,888)**	(41,227)
Net assets		**27,059**	32,612
Equity			
Share capital		**5,111**	5,111
Share premium account		**8,023**	8,023
Share compensation reserve		**244**	226
Shares held by employee benefit trust		**(103)**	(108)
Translation reserve		**(4,048)**	(3,376)
Other reserves		**7,064**	7,064
Retained earnings		**10,768**	15,672
Equity attributable to owners of the Company		**27,059**	32,612

Condensed Group statement of cash flows
for the six months ended 30 June 2017

	Note	**Unaudited six months ended 30 June 2017 £'000**	Unaudited six months ended 30 June 2016 £'000
Net cash outflow from operating activities	7	**(9,216)**	(5,688)
Investing activities			
Interest received		**46**	22
Purchases of property, plant and equipment		**(83)**	(257)
Purchases of intangible assets		**(46)**	(117)
Proceeds from disposals of subsidiaries		**790**	54,363
Net cash generated from investing activities		**707**	54,011
Financing activities			
Dividends paid		**-**	(3)
Interest paid		**(30)**	(241)
Proceeds from borrowings		**-**	5,633
Repayment of borrowings		**-**	(68,294)
Net cash outflow from financing activities		**(30)**	(62,905)
Net decrease in cash and cash equivalents		**(8,539)**	(14,582)
Cash and cash equivalents at beginning of period		**38,067**	20,737
Effect of foreign exchange rate changes		**(1,091)**	1,828
Cash and cash equivalents at end of period	7	**28,437**	7,983

Notes

1. General information

The results for the six months ended 30 June 2017 and 30 June 2016 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 2016 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. 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 following standards have become effective, although as at 30 June 2017 these had not been endorsed by the European Union. None of these would have a material impact on the half-yearly financial statements:

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IAS 7: Disclosure initiative
Annual Amendments to IFRS Standards 2014 – 2016 Cycle: Amendments to IFRS 12

Full details of the Group's accounting policies can be found in note 2 to the 2016 Annual Report which is available on our website: www.mcgplc.com.

Principal risks and uncertainties

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

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

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

2. Significant accounting policies continued

(b) Accounting policies continued

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

Going concern

The Group prepares regular business forecasts and monitors its projected cashflows, which are reviewed by the Board. Forecasts are adjusted for reasonable sensitivities that address the principal risks and uncertainties to which the Group is exposed. Consideration is given to the potential actions available to management to mitigate the impact of one or more of these sensitivities in particular the discretionary nature of a significant amount of cost incurred by the Group.

The Board has concluded that the Group should have adequate resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date of approval of this half-yearly report.

Accordingly, they continue to adopt the going concern basis in preparing the half-yearly report.

Non-GAAP performance measures

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

Underlying profit/loss from operations

This is defined as operating profit or loss before non-underlying items and amortisation of intangible assets.

Non-underlying

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

3. Segmental information

The Group's continuing operating segment is one professional services practice, Proudfoot. This is the basis on which information is provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business. All revenues are derived from the provision of professional services.

3. Segmental information continued

Revenue and underlying operating profit by geography

	Unaudited six months ended 30 June 2017			
	Americas £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue	**9,854**	**8,261**	**3,460**	**21,575**
(Loss)/profit from operations – underlying	**(3,743)**	**(1,014)**	**129**	**(4,628)**
Non-underlying items	**(759)**	**5**	**-**	**(754)**
(Loss)/profit from operations	**(4,502)**	**(1,009)**	**129**	**(5,382)**
Investment income				**55**
Finance costs				**(360)**
Loss before tax				**(5,687)**

	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-underlying 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)

4. Dividends

The Company did not pay an interim or final dividend for 2016 and no interim dividend for 2017 will be payable.

5. Taxation

The tax charge on operations was £0.4m (2016: £1.8m). The tax charge for the half year reflects the adjustments of prior year balances, project specific withholding taxes and tax charges in taxable non-UK jurisdictions where there are no losses available to shelter the income.

6. Loss per share

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

	Unaudited six months ended 30 June 2017 Total £'000	**Unaudited six months ended 30 June 2017 Continuing £'000**	**Unaudited six months ended 30 June 2017 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	**(6,048)**	**(6,048)**	**-**
Non-underlying items	**754**	**754**	**-**
Tax on non-underlying items	**(152)**	**(152)**	**-**
Loss for purpose of basic earnings per share - underlying	**(5,446)**	**(5,446)**	**-**

	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 earnings 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-underlying items	1,536	(654)	2,190
Tax on non-underlying items	(908)	(115)	(793)
Loss for purpose of basic earnings per share - underlying	(19,831)	(4,396)	(15,435)

	2017 Number million	2016 Number million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**511.1**	499.8
Effect of dilutive potential ordinary shares:		
– share options and performance share plan	**0.3**	7.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**511.4**	506.9

	2017 Pence
Basic and diluted loss per share	**(1.2)**
Basic and diluted loss per share – underlying	**(1.1)**

6. Loss per share continued

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

The average share price for the six months ended 30 June 2017 was 7.6p (30 June 2016: 15.2p). The decrease includes the impact of capital reduction in December 2016.

7. Notes to the cash flow statement

	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000
Loss from continuing operations	**(5,382)**	(1,577)
Profit from discontinuing operations	**-**	639
Loss from operations	**(5,382)**	(938)
Adjustments for:		
Depreciation of property, plant and equipment	**171**	400
Amortisation of intangible assets	**110**	896
Loss on disposal of plant and equipment	**-**	19
Adjustment for cost of share-based payments	**29**	1,403
Decrease in provisions	**(420)**	(157)
Other non-underlying items	**(759)**	(81)
Operating cash flows before movements in working capital	**(6,251)**	1,542
Decrease/(increase) in receivables	**987**	(6,593)
(Decrease)/increase in payables	**(3,239)**	2,066
Cash absorbed by operations	**(8,503)**	(2,985)
Income taxes paid	**(712)**	(2,704)
Net cash outflow from operating activities	**(9,216)**	(5,689)

Included within the 2017 Group cash balance of £28.4m is £9.1m (31 December 2016: £9.6m) of cash which is not currently available for use by the Group.

8. Discontinued operations

The loss for discontinued operations in 2016 of £16.8m comprised:

	Kurt Salmon France unaudited six months ended 30 June 2016	Kurt Salmon Healthcare unaudited six months ended 30 June 2016	Kurt Salmon Consumer Group unaudited six months ended 30 June 2016	Total unaudited six months ended 30 June 2016
	£'000	£'000	£'000	£'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-underlying	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
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)

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.

10. Goodwill

The directors recognise that, whilst the carrying value of the Proudfoot goodwill is supportable as at 30 June 2017, it is possible that further impairment to the goodwill could be identified if the business does not improve as expected over the longer term in line with the business plan. Sensitivity analysis on the key assumptions included in the impairment review indicates that a reasonably possible change in key assumptions will result in additional changes in the recoverable amount on a value-in-use basis and small unfavourable changes to the assumptions and projections could result in the recoverable amount of goodwill falling below its 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 2017 which comprises the statement of profit and loss, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 10. 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 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 2017 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
Statutory Auditor
London, United Kingdom
17 August 2017