

Management Consulting Group PLC

Results for the six months to 30 June 2006



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Agenda

- Highlights
- Financials
- 2006 priorities
- Outlook

Highlights for H1 2006

- Revenue up 18% to £67.3 million
- Strong performance from Proudfoot with growth across all regions
 - *Parson growing in all regions except North America*
- Operating profit up 50% to £6.9 million
- Basic earnings per share up 53% to 2.9 pence
- New Proudfoot office opened in Brazil
- Positive outlook
 - *Order book is in line with same time last year*
 - *Work won is in line with revenue earned*
 - *Pipeline is strong for all except Parson North America which is improving*

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Profit and loss account

	H1 2006	H1 2005
	£'m	£'m
Revenue		
Proudfoot Consulting	51.6	36.0
Parson Consulting	15.7	21.2
	67.3	57.2
Cost of sales	(32.7)	(29.3)
Gross profit	34.6	27.9
Selling costs	(19.4)	(16.7)
Administrative expenses	(8.3)	(6.6)
Operating profit	6.9	4.6
Finance income	0.4	0.2
Profit before tax	7.3	4.8
Income tax expense	(2.0)	(1.3)
Profit for the period	5.3	3.5
Gross profit margin	51%	49%
Selling costs to turnover	29%	29%

Consultancy margin performance

	H1 2006	H1 2005
	£'m	£'m
Revenue		
Proudfoot Consulting	51.6	36.0
Parson Consulting	15.7	21.2
	<hr/>	<hr/>
	67.3	57.2
Underlying operating profit (note 1)		
Proudfoot Consulting	8.4	2.7
Parson Consulting	(1.8)	1.0
	<hr/>	<hr/>
	6.6	3.7
Core margin		
Proudfoot Consulting	16%	7%
Parson Consulting	(12%)	5%

Note 1 - after removing the Japanese indemnity provision release of £0.3 million (£0.9 million in H1 2005)

Geographical analysis

	H1 2006				H1 2005			
	Proudfoot £'m	Parson £'m	Total £'m	%	Proudfoot £'m	Parson £'m	Total £'m	%
Revenue								
North America	26.6	9.4	36.0	54	18.4	16.3	34.7	61
Europe	18.8	5.7	24.5	36	14.8	4.9	19.7	34
RoW	6.2	0.6	6.8	10	2.8	-	2.8	5
	<u>51.6</u>	<u>15.7</u>	<u>67.3</u>		<u>36.0</u>	<u>21.2</u>	<u>57.2</u>	
Underlying operating profit								
North America	6.8	(2.3)	4.5	68	4.0	0.4	4.4	119
Europe	1.9	0.5	2.4	36	(0.1)	0.9	0.8	22
RoW	(0.3)	-	(0.3)	(4)	(1.2)	(0.3)	(1.5)	(41)
	<u>8.4</u>	<u>(1.8)</u>	<u>6.6</u>		<u>2.7</u>	<u>1.0</u>	<u>3.7</u>	

Profit bridge

H1 2005 underlying profit

Gross margin on extra revenue @ 45%

Investment in sales

Investment in infrastructure support

H1 2006 underlying profit

£'m
3.7
4.5
(1.0)
(0.6)
<hr/>
6.6
<hr/>
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Tax charge

	£'m
2006 H1 tax charge	2.0
Tax charge re goodwill	(0.5)
Tax charge re pension deductions	(0.4)
“Cash tax” charge	1.1
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Profit before taxation and exceptionals	7.0
Effective cash tax rate	16%

Cash flows

	£'m
Underlying operating profit	6.6
Working capital movements	0.5
Pension payments	(1.2)
Taxation payments	(1.1)
Dividends	(1.5)
Other items	0.1
Cash generated in the period	3.2
Cash at 1 January 2006	21.6
Forex movements	(1.2)
Cash at 30 June 2006	23.4

Net assets

	June 2006	December 2005
	£'m	£'m
Fixed assets		
Goodwill	66.0	68.3
Other fixed assets	2.9	1.9
	<u>68.9</u>	<u>70.2</u>
Current assets		
Debtors and other receivables	14.2	16.1
Cash and cash equivalents	23.5	21.6
	<u>37.7</u>	<u>37.7</u>
Creditors due within one year	(31.0)	(32.0)
Net current assets	6.7	5.7
Long term creditors and provisions	(6.3)	(6.1)
Retirement benefits liability	(6.1)	(11.9)
	<u>63.2</u>	<u>57.9</u>
Net assets	63.2	57.9

Net asset movement

	£'m
Net assets at 31 December 2005	57.9
Operating profit	6.6
Japanese indemnity provision release	0.3
Net finance income	0.4
Taxation	(2.0)
Dividends	(1.5)
Actuarial gain on retirement benefits liability	3.7
Forex	(3.2)
Share option related	0.5
Tax relief on pension payments	0.5
Net assets at 30 June 2006	63.2

Retirement benefits

- The retirements benefits liability decreased by £5.8m in the period
 - *Contributions made £1.2 million positive impact*
 - *Discount rate for liabilities - up to 6.25% from 5.5% - £3.9 million positive impact*
 - *Return on investments – slightly below 8% assumed long term return - £0.2 million negative impact*
 - *Forex rates - \$ weakened from 1.72 to 1.85 by 30 June - £0.6 million positive impact;*
- The actuaries have not changed their views of medium term financing needs which are expected to be a further contribution of £1 million in 2006 and £2 million in 2007.

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2006 H2 priorities



proudfoot
consulting

- Maintain sales momentum throughout established countries
- Build business in Brazil

- Bed Ineum into the Group
- Encourage cross working
- System integration and alignment

parson
consulting

- North America sales progress
- Build European business with the Ineum team

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Outlook

- Visibility into the beginning of Q4 for Proudfoot due to high order book
- Pipeline for Proudfoot as a whole and Parson outside North America is robust
- Parson North America's early indicators of pipeline opportunities are showing improvements which are expected to translate into progress in Q4

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