

# **Management Consulting Group PLC**

Results for the six months to 30 June 2006



# Important notice

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

# Consultancy margin performance

	H1 2006	H1 2005
	£'m	£'m
<b>Revenue</b>		
Proudfoot Consulting	51.6	36.0
Parson Consulting	15.7	21.2
	<hr/>	<hr/>
	67.3	57.2
<b>Underlying operating profit (note 1)</b>		
Proudfoot Consulting	8.4	2.7
Parson Consulting	(1.8)	1.0
	<hr/>	<hr/>
	6.6	3.7
<b>Core margin</b>		
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	Parson	Total		Proudfoot	Parson	Total	
		£'m	£'m	£'m	%	£'m	£'m	£'m	%
<b>Revenue</b>									
	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>	
<b>Underlying operating profit</b>									
	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
<b>2006 H1 tax charge</b>	<b>2.0</b>
Tax charge re goodwill	(0.5)
Tax charge re pension deductions	(0.4)
<b>“Cash tax” charge</b>	<b>1.1</b>
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Profit before taxation and exceptionals	<b>7.0</b>
<b>Effective cash tax rate</b>	<b>16%</b>

# Cash flows

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

# Net assets

	June 2006	December 2005
	£'m	£'m
<b>Fixed assets</b>		
Goodwill	66.0	68.3
Other fixed assets	2.9	1.9
	<u>68.9</u>	<u>70.2</u>
<b>Current assets</b>		
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	<u>(31.0)</u>	<u>(32.0)</u>
<b>Net current assets</b>	<b>6.7</b>	<b>5.7</b>
Long term creditors and provisions	(6.3)	(6.1)
Retirement benefits liability	(6.1)	(11.9)
	<u>63.2</u>	<u>57.9</u>
<b>Net assets</b>	<b>63.2</b>	<b>57.9</b>

# Net asset movement

	£'m
<b>Net assets at 31 December 2005</b>	<b>57.9</b>
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
<b>Net assets at 30 June 2006</b>	<b>63.2</b>

# 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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