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This announcement contains inside information

Management Consulting Group PLC
Preliminary Results

Management Consulting Group PLC ("MCG" or "the Group"), the global professional services group, today announces its preliminary results for the year ended 31 December 2016. These results reflect continuing operations of the Group, comprising Proudfoot, and discontinued operations relating to the Kurt Salmon business, which was sold by means of three separate transactions which completed during the year (the "Disposals).

Key points

- The sale of the Kurt Salmon retail and consumer goods business was completed on 1 November 2016 for net proceeds of £124.1m, allowing a return of capital to shareholders of £75m in December 2016
- Earlier in the year the Group completed the disposals of the Kurt Salmon business in France and related geographies for net proceeds of £58.6m, and the Kurt Salmon healthcare business for net proceeds of £6.2m
- The Group is now in a strong financial position with net cash balances** at 31 December 2016 of £38.1m (2015: net debt of £52.8m)
- Reported revenues from continuing operations (comprising Proudfoot) down 10% year on year at £45.2m (2015 restated: £50.2m)
- Underlying* operating loss from continuing operations of £8.8m (2015 restated: loss of £5.3m)
- Overall loss from continuing operations of £39.6m (2015 restated: loss of £5.7m) reflects £30.4m impairment charge for Proudfoot goodwill
- Profit from discontinued operations of £38.5m (2015 restated: £55.2m loss)
- Retained loss for the year of £0.1m (2015 restated: retained loss £65.6m)
- Net assets lower at £32.6m (2015: £129.3m), largely as a result of the return of capital and impairment of goodwill

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

**Throughout this statement the term 'underlying' is defined as 'before non-underlying items and amortisation of acquired intangible assets'. See note 5

Nick Stagg, Chairman and Chief Executive, commented:

"The sale of the Kurt Salmon businesses in 2016 allowed the Group to repay debt and return £75 million in cash to shareholders. The performance of Proudfoot, the Group's ongoing business, was disappointing, but it continues to deliver value to clients and remains a distinctive and recognised brand and an established global operator in key sectors. Proudfoot requires management focus and further change to restore the business to profitable growth, including changes to the cost base to reflect the reduced scale and narrower focus of the Group following the disposals in 2016. The Board remains committed to delivering the changes needed, and the Group is now in a strong financial position with cash resources to support these initiatives. The Board will continue to focus on value creation from the Group's remaining operations."

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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 and Chief Executive's statement

2016 was a transformational year for the Group. Three separate transactions were executed during the year to complete the disposal of the Kurt Salmon business, the final step being the sale of the retail and consumer goods business to Accenture in November. These disposals realised net proceeds for Kurt Salmon as a whole of approximately £189m, allowing the Group to repay its bank debt in full, to distribute £75 million in cash to shareholders as a return of capital and to retain cash to support the recovery of Proudfoot.

The disposals provided an opportunity to exit from Kurt Salmon at an attractive price for shareholders. The Board firmly believes that the disposals and return of capital were the best means to deliver value to MCG shareholders, given the limited potential for investment and growth in Kurt Salmon as part of the MCG Group. For an interim period MCG has continued to provide back office support for the Kurt Salmon businesses under transitional services agreements with the acquirors. The Group's financial statements reflect the results and disposals of the Kurt Salmon businesses as discontinued operations.

MCG's continuing business, Proudfoot, had a disappointing year with revenues falling to £45.2m, driven in particular by a weak performance in North America, delivering an underlying operating loss for the year of £8.8m. The reported overall loss for the year from continuing operations of £39.6m includes a charge of £30.4m for the impairment of goodwill relating to the Proudfoot business, a recognition both of recent weak trading and the challenge ahead to restore the business to historic revenue and profit levels. Following the sale of Kurt Salmon, the Board now has the opportunity and resources to focus on the recovery of Proudfoot and is implementing a series of strategic and operational initiatives in 2017 to promote growth. These include a rebrand from "Alexander Proudfoot" to "Proudfoot", beginning in the second quarter.

A number of changes to the Board were announced towards the end of 2016 following the successful completion of the Kurt Salmon disposals. Chris Povey stepped down in November, and Alan Barber and Nigel Halkes stepped down at the end of December. From 1 January 2017 I have succeeded Alan as Chairman, and will continue as Chief Executive. I would like to thank Alan and Chris for their valuable contributions to the Group over a long period, as Chairman and Finance Director respectively, and Nigel for his input over a shorter but very active period during 2016. On 10 March 2017 Fiona Czerniawska joined the Board as an independent non-executive director. Fiona has long experience of the management consulting industry and her insight will be a valuable addition to the Board. These changes to the Board are consistent with the reduced scale and change in focus of the Group's operations following the disposals.

Proudfoot is a long standing business with a history of creating value for its clients. The Board is committed to restoring the business to growth and profitability, and to deliver value to MCG shareholders.

The Group is in a strong financial position with cash balances of £38.1 million at 31 December 2016. Following the disposal of Kurt Salmon, MCG's continuing operations are smaller and more focused. The Board is taking action to align the cost base and management structure with the change in scale of the Group's activities.

Financial and operating review

The continuing operations of the Group comprise Proudfoot and the commentary below on the 2016 results (and 2015 comparatives) chiefly relates to that business.

The Group's reported results in 2016 reflect the impact of the completion of the disposal of the Kurt Salmon business, which was sold by means of three separate transactions which completed during the year (the "Disposals"). The results of the businesses which have been sold are reported in the 2016 Group financial statements (and in the restated 2015 results) as discontinued operations. Reported discontinued operations in 2016 also reflect the financial effects of these disposals and include related non-underlying items.

Results from continuing operations

Proudfoot's reported revenue for 2016 was 10% lower at £45.2m (2015: £50.2.m). Following a poor performance in the second half of 2015, Proudfoot delivered two quarters of solid revenue growth in the first half of 2016 although not achieving the levels recorded in the first half of 2015. Proudfoot reported an underlying operating loss for the first half of 2016 of £1.9m on revenues of £25.7m. In line with the Board's expectations highlighted in the Circular to shareholders dated 22 October 2016, second half revenues were significantly weaker at £19.5m, driving an increased underlying operating loss of £8.8m (2015: £5.3m) for the year as a whole.

The reported results of Proudfoot in 2015 and 2016 include an allocation of MCG head office costs. Up to the relevant disposal dates in 2016, the Kurt Salmon businesses also received an allocation of such costs and these are reflected in the reported results from discontinued operations. Following completion of the Disposals, all MCG head office costs are reflected in the reported results of Proudfoot, that is as part of the results from continuing operations. The impact of these costs contributed to the increased underlying operating loss for 2016.

Review of continuing operations

Proudfoot is organised on the basis of two regional centres focused on the Americas and Europe/Africa/Asia. The principal office locations are in the United States, Brazil and Chile, serving the Americas, and in the UK, France, South Africa and Hong Kong. There is also a dedicated natural resources business unit working across geographies. Proudfoot has a global delivery capability, frequently operating in remote and difficult locations. Approximately 96% of 2016 revenues from continuing operations were generated outside the UK. The same proportion of revenues was billed in currencies other than Sterling, with the US Dollar representing approximately 54% of the total.

The number of staff employed in the Group's continuing operations, by Proudfoot and at the MCG head office decreased from 320 at the end of 2015 to 281 at the end of 2016. Average headcount in continuing operations during 2016 was lower than the previous year at 274 (2015: 326), reflecting lower levels of activity.

Work for clients in the natural resources sector continued to represent a significant proportion of Proudfoot's activities, at 42% of total revenues in 2016 (2015: 45%). The continuing overall weakness in this sector has had a significant adverse impact on Proudfoot's revenues in the last two years. The business was successful in 2016 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. Other industry sectors in which the business generated significant revenues in 2016 were manufacturing, transportation and financial services.

Revenues from the Americas region represented approximately 62% of total revenues in 2016 (2015: 63%).

The strong performance of the North American business seen in the first half of 2015 was not sustained, with 2016 revenues down by nearly 30% and a loss-making outcome for the year as a whole. This disappointing performance was principally driven by a failure to identify and secure sales opportunities rather than the macroeconomic environment, which remained broadly favourable during 2016. Management remains committed to the key US market and is developing a series of internal initiatives to generate an improved performance in 2017.

Weakness in North America was countered to some extent by an improved performance in Brazil and elsewhere in South America. The operations in Brazil in particular delivered excellent progress with year on year revenue growth in local currency terms of approximately 91%. Elsewhere in South America the business delivered projects in Chile, Peru and Ecuador, with a focus on work for natural resources clients. The Brazilian and other South American operations made a positive profit contribution in 2016.

Revenues from the Europe, Africa and Asia region represented approximately 38% of total revenues in 2016 (2015: 37%).

The European business was focused principally on the UK, French and German markets, but also derived revenues from projects delivered elsewhere in the world for Europe-based clients. Good progress was made during the year in enhancing the sales and delivery functions in the European business through selective recruitment and management changes. Revenues from the European business in 2016 were nearly 10% ahead of the previous year, and the business delivered a reduced loss for 2016 as a whole compared with the prior year.

The smaller operations in Africa and Asia, supported from offices in Johannesburg and Hong Kong, had a difficult year in 2016. The Africa operations have historically benefited from work for clients in the mining sector in South Africa and elsewhere, but demand here was significantly weaker in 2016, with a consequent impact on revenues and profitability. The small Hong Kong-based business was adversely affected by management and personnel changes in 2016 but has the potential for significant growth in the broader Asian market in the years ahead.

In 2014 the Board of MCG announced that it intended to develop the Proudfoot offering in order to help build a more stable and predictable revenue base and drive top-line growth. Whilst progress was made during 2015 and 2016 in implementing these changes, the business has not adapted quickly enough to changes in the market for consulting and business services, in particular in relation to the selling of such services to clients. Management is now focusing on further enhancing the front end capabilities of the business and building long term client relationships, building on those parts of the offering which are genuinely distinctive and drive value for clients.

Action continues to be taken to mitigate the profit impact of lower revenues by reducing headcount and discretionary expenditure, although a significant element of the operating costs of the Proudfoot business relate to the sales function and the infrastructure of the business across a range of geographies and these are less easily flexed downwards without reducing the potential for revenue recovery and growth in the future. The move to a new regional structure has enabled costs to be reduced and further action on back office support costs is being taken, both in the Proudfoot operations and at the MCG head office, which should benefit the results for the current year.

Proudfoot has a long and successful history. The performance of the business has suffered in the last two years as a result of weakness in the key natural resources sector, but it has a distinctive operating model which delivers real value to clients, together with global reach and a flexible delivery capability. The Board of MCG will continue to promote the changes needed to restore growth and profitability and remains confident that the performance of the business can be improved in the medium term.

Loss for the period from continuing operations

The Group has reported a charge for net non-underlying items relating to continuing operations of £0.4m in 2016 (2015 restated: a net expense of £0.5m). This principally comprises a credit of £1.6m being the net impact of the release of a provision for post-retirement medical benefits in Proudfoot as a result of the termination of the related plan, offset by redundancy costs of £1.6m and fixed asset write-offs of £0.6m, all related to restructuring in the Group's continuing operations.

The operating loss from continuing operations also reflects a charge of £30.4m for the impairment of goodwill relating to Proudfoot. Goodwill is tested annually for impairment, based on determining recoverable amounts from value-in-use calculations. The Board reviewed the carrying value of

Proudfoot goodwill at 31 December 2016 and concluded that the recoverable amount was lower than the value of goodwill then recorded at cost in the Group balance sheet. Consequently the Group has reported an impairment charge and Proudfoot goodwill is reflected in the Group balance sheet at the impaired value of £16.0m. The value-in-use assessment in relation to the Proudfoot goodwill reflects the Board's expectation and belief that the recent weak trading performance of the business will not persist in the medium term and the business will achieve profitability.

After non-underlying expenses and goodwill impairment there was an operating loss from continuing operations of £39.6m (2015 restated: loss of £5.7m).

The net interest expense from continuing operations was lower at £1.2m (2015 restated: £3.5m). The reported net interest charge for 2016 includes an imputed charge in relation to defined benefit pensions of £0.8m (2015 restated: £1.5m).

The loss before tax on continuing operations was £40.8m (2015 restated: £9.2m loss). The tax credit on continuing operations was £2.2m (2015 restated: £1.2m expense). The tax credit on continuing operations in 2016 reflects the impact of unrelieved losses in certain jurisdictions driven largely by loss-making operations and the impact of project specific withholding taxes in Proudfoot. The Group has now utilised most of the existing tax losses which it retained following the Disposals.

Discontinued operations

Discontinued operations comprise the underlying operating results for the year of the Kurt Salmon businesses which were sold, the profit or loss on sale, and non-underlying items related to the operations of the businesses concerned. The Disposals during 2016 comprised:

- The sale of the French and related operations of Kurt Salmon (namely the businesses in Belgium, Luxembourg, Switzerland and Morocco together with two New York-based practices in the United States) to Solucom (now Wavestone), which completed on 7 January 2016 for net proceeds of £58.6m.
- The sale of the US healthcare consulting business of Kurt Salmon to ECG Management Consultants, which completed on 29 July 2016 for net proceeds of £6.2m.
- The sale of the global retail and consumer goods consulting operations of Kurt Salmon to Accenture, which completed on 1 November 2016 for net proceeds of £124.1m.

Certain existing back-office operations of Kurt Salmon in the United States did not form part of the Disposals. As a result, certain office leases, supplier and other contracts and back office personnel supporting Kurt Salmon have been retained by MCG following completion and have been used to support transitional services agreements with the acquirors of the Kurt Salmon businesses. The income and expense relating to these transitional services activities are included in discontinued operations in 2016, including a provision for the estimated net cost of providing these services up to the expected termination dates, on the basis that these obligations are onerous contracts.

Revenues from discontinued operations in 2016, including income from the transitional services were £81.3m (2015 restated: £180.3m). Underlying operating profit from discontinued operations in 2016 was £5.7m (2015 restated: £10.9m). Non-underlying expenses related to discontinued operations were £9.1m (2015 restated: £6.4m), the main elements of which are employee related costs of £2.4m, and charges relating to surplus property and onerous contracts of £ 5.4m. Amortisation of acquired intangibles was £0.5m (2015 restated: £0.5m).

Net finance costs relating to discontinued operations were £0.2m (2015 restated: £1.7m) and the tax charge relating to discontinued operations was £0.2m (2015 restated: £4.0m). Consequently the loss after taxation from discontinued operations for the period was £4.3m (2015 restated: £1.8m loss).

The net profit on disposal from discontinued operations in 2016 was £42.8m, comprising a profit on the sale of the retail and consumer goods consulting operations of Kurt Salmon of £53.2m, a loss on the sale of the US healthcare consulting business of Kurt Salmon of £10.7m, and a profit on the sale of the French and related operations of Kurt Salmon of £0.3m.

The disposal of the French and related operations of Kurt Salmon was completed on 7 January 2016 but the transaction was sufficiently advanced as at 31 December 2015 to warrant treatment as a discontinued operation in 2015. Accordingly the Group financial statements for 2015 included a loss on disposal of £53.4m arising as a result of the impairment of goodwill relating to that business. The profit on the sale of the French and related operations of Kurt Salmon included in discontinued operations of £0.3m for 2016 reflects the impact of the finalisation of the disposal, primarily comprising the transfer of a £1.3m currency translation reserve to the profit and loss account and a tax charge of £0.5m relating to the disposal.

The loss on disposal of £10.7m for the Kurt Salmon healthcare business which completed on 29 July 2016 principally arises as a result of the impairment of goodwill.

The disposal of the retail and consumer goods operations of Kurt Salmon was completed on 1 November 2016. The profit on disposal of £53.2m includes £21.8m relating to the net proceeds of the disposal exceeding the book value of the related net assets including goodwill, and £31.4m relating to the transfer of a currency translation reserve.

The total profit from discontinued operations for 2016 was £38.5m (2015 restated: £55.2m loss).

Loss for the period

Taking into account the profit from discontinued operations there was a total loss for the Group for the year attributable to shareholders of £0.1m (2015 restated: £65.5m loss).

The underlying loss per share attributable to continuing operations was (1.6p) (2015 restated: (2.0p) and the basic loss per share attributable to continuing operations was (7.6p) (2015 restated: (2.1p).

Balance sheet and Reduction of Capital

At a general meeting on 21 October 2016 shareholders approved a reduction of MCG's share capital (the "Reduction of Capital") which was subsequently approved by the High Court of Justice of England and Wales. As a result the share premium account of MCG was reduced by £75 million and the amount so arising was paid in cash to shareholders on 19 December 2016 as a return of capital (the "Return of Capital") equivalent to approximately 14.67 pence per share. In addition, as part of the Reduction of Capital, the existing deferred shares were cancelled and the sum arising, being £79.5m, was credited to MCG's profit and loss account to create distributable reserves in the parent company balance sheet.

Goodwill

Intangible assets of £17.7m largely comprise goodwill relating to Proudfoot of £16.0m, taking into account an impairment charge in 2016 of £30.4m referred to above. The impaired value of goodwill in the balance sheet is the recoverable amount determined by the value-in-use calculations prepared for the purposes of the annual impairment review, which reflect assumptions as to discount rates, and projected revenue growth rates and profitability. Sensitivity analysis on key assumptions in the impairment review indicates that a reasonably possible change in key assumptions over the course of the next year could result in the recoverable amount falling to a level below the impaired value reflected in the balance sheet at 31 December 2016. Given that the value-in-use calculations reflect assumptions for the return of Proudfoot to break-even and profitability, relatively small changes in the underlying assumptions will result in material changes in the recoverable amount on a value-in-use basis.

Deferred tax assets

The balance sheet includes £8.3m 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 tax assets is dependent upon the future profitability of the US operations of Proudfoot.

Net debt/cash

The Group's bank borrowings were repaid in full on 7 January 2016 from the net proceeds of the disposal of the French and related operations of Kurt Salmon and the Group's bank borrowing facility was terminated on that date and replaced by a working capital facility with HSBC. The Group's working capital facility was terminated on completion of the sale of the retail and consumer goods consulting practice of Kurt Salmon on 1 November 2016.

At 31 December 2016, following the Return of Capital, the Group reported cash and cash equivalents in the Group balance sheet of £38.1m (2015: net debt of £52.8m). Reported cash balances at 31 December 2016 include approximately £9.6m of cash which is required to be retained to support cash-backed letters of credit in favour of certain contingent creditors of the Group, in particular in relation to the indemnity obligations to Wavestone, the acquiror of the French and related operations of Kurt Salmon. This cash is expected become available to the Group for general corporate purposes as the contingent obligations fall away over time.

Pensions

The retirement benefits obligation reflected in the Group balance sheet at 31 December 2016 relates to the net liability under a part-funded US defined benefit pension scheme of £10.9m, a part-funded UK pension obligation of £0.4m, and an unfunded French retirement obligation of £0.3m. The US defined benefit pension scheme is not open to new employees and existing members are not accruing further benefits. The gross obligations under the US defined benefit pension scheme were £58.5m at 31 December 2016 (2015: £50.2m). The assets of the plan reflected in the reported net obligation in the Group balance sheet at 31 December 2016 were £47.7m (2015: £40.6m), representing a funded level of 82% (2015: 81%). No employer cash contributions were made to the US defined benefit pension scheme during 2015 or 2016.

The total net post-retirement obligation for defined benefit schemes decreased from £21.8m at 31 December 2015 to £11.6m at 31 December 2016, principally as a result of the sale of Kurt Salmon which included the transfer to the acquiror of an unfunded German defined benefit pension obligation, and the write back of a provision for post-retirement medical benefits liabilities in Proudfoot in the US as a result of the discontinuance of the scheme to which the liabilities related.

Provisions

Provisions principally relate to the cost of leases for surplus property, and have increased from £1.2m at 31 December 2015 to £7.7m at 31 December 2016. Following the Kurt Salmon disposals the Group has retained office accommodation which is surplus to the requirements of the continuing operations of the business in Atlanta and San Francisco.

The changes in the Group balance sheet reflect the impact of the Disposals and the Return of Capital in 2016. The net assets of the Group have decreased from £129.3m at 31 December 2015 to £32.6m at 31 December 2016, primarily as a result of the Return of Capital, the net profit on the Disposals reflected in the Group profit and loss account during 2016, and the retained loss for the year from continuing operations.

Dividends

The Board will consider the Company's future dividend policy in the light of the trading performance and financial position of the Group. The Board does not intend to declare a dividend for 2016, and it is likely that future dividends will not be paid until the Board is satisfied that the performance of the continuing operations of the Group has improved significantly.

Summary and outlook

Summary

During 2016 the Board focused on the continued restructuring of the Group. The Disposals of the Kurt Salmon businesses have allowed the Group to repay bank debt in full and return significant value to shareholders by means of a capital distribution in cash of £75m.

The Disposals have strengthened the financial position of the continuing operations of the Group. At the end of 2016, after the return of capital, the Group had cash balances of £38.1m which will be available to meet the Group's obligations and to support the recovery of Proudfoot.

The performance of the Group's continuing operations in 2016 was driven by weaker revenues in Proudfoot, 10% lower than the prior year at £45.2m. These lower revenues and the negative impact of MCG head office costs previously charged to the disposed Kurt Salmon businesses were the drivers of a significantly increased underlying operating loss from continuing operations of £8.8m. Continuing weakness in demand from clients in the natural resources sector, which has typically provided around half the revenues of the Proudfoot business, was a key factor in the disappointing performance in 2016, as was the reversal of the positive trends in performance in the key North American business seen in the first half of 2015.

The goodwill relating to Proudfoot business in the Group balance sheet has been written down to £16.0m to reflect the value-in-use assessment of goodwill in accordance with IAS 36. The value-in-use assessment reflects the Board's expectation and belief that the recent weak trading performance of the business will not persist in the medium term and that the business will achieve profitability.

The Group is taking steps to further restructure the Proudfoot business and the MCG head office functions, in order to significantly reduce costs. The MCG Board has been resized and reconfigured following the Disposals to focus on the recovery of Proudfoot.

Outlook

The level of order input in Proudfoot towards the end of 2016 was sufficient to produce a positive trend in revenues in the first two months of 2017 versus the last quarter of 2016. Proudfoot has continued to successfully secure follow-on work from existing clients of the business. The current order book is at a similar level to the same time in 2016. Whilst these indicators are broadly positive at this early stage in the year, current revenues are not yet at levels which restore the business to profitability. The Board retains a cautious outlook at this stage of the year.

The Board will continue to make changes to its operating structure and cost base to reflect the reduced scale of the continuing operations of the Group and as the transitional services arrangements with the acquirers of the Kurt Salmon businesses largely fall away during the course of 2017.

The Group will continue to remain alert to all opportunities to generate value for shareholders. The key focus of the Board and management now is on promoting the return of Proudfoot to profitable growth. The Proudfoot business has a long and successful history of delivering value to its clients and the Board is confident that it can deliver further value to shareholders.

Group income statement

	Note	**2016** **£'000**	2015 £'000 restated
Continuing operations			
Revenue	4	**45,193**	50,152
Cost of sales		**(23,711)**	(25,330)
Gross profit		**21,482**	24,822
Administrative expenses – underlying		**(30,327)**	(30,108)
Loss from operations – underlying		**(8,845)**	(5,286)
Administrative expenses - non-underlying – impairment		**(30,358)**	-
Administrative expenses - non-underlying (net)	5	**(410)**	(450)
Total administrative expenses		**(61,095)**	(30,558)
Loss from operations	4	**(39,613)**	(5,736)
Investment revenues	8	**64**	8
Finance costs	8	**(1,220)**	(3,464)
Loss before tax		**(40,769)**	(9,192)
Tax	9	**2,209**	(1,185)
Loss for the period from continuing operations		**(38,560)**	(10,377)
Profit /(Loss) for the period from discontinued operations	12	**38,505**	(55,171)
Loss for the period attributable to company owners		**(55)**	(65,548)
Loss per share – pence			
From loss from continuing operations for the year attributable to owners of the Company			
Basic	10	**(7.6)**	(2.1)
Diluted	10	**(7.6)**	(2.1)
Basic – underlying	10	**(1.6)**	(2.0)
Diluted – underlying	10	**(1.6)**	(2.0)
From the loss for the period			
Basic	10	**0.0**	(13.3)
Diluted	10	**0.0**	(13.3)
Basic – underlying	10	**(1.0)**	(1.1)
Diluted – underlying	10	**(1.0)**	(1.1)

Group statement of comprehensive income

	2016	2015
	£'000	£'000
Loss for the period	**(55)**	(65,548)
Items that will not be subsequently reclassified to profit and loss:		
Actuarial (losses)/ gains on defined benefit post-retirement obligations	**(574)**	639
Tax on comprehensive income items	**(186)**	306
	(760)	945
Items that may be subsequently reclassified to profit and loss:		
Gain on available-for-sale investments	**7**	-
Exchange differences on translation of foreign operations	**(20,667)**	(1,738)
	(20,660)	(1,738)
Total comprehensive expense for the period attributable to owners of the company	**(21,475)**	(66,341)

Group statement in changes of equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share compensation reserve £'000	Shares held by employee benefits trust £'000	Translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2015	84,518	82,362	32,513	5,737	(3,063)	19,029	6,082	(29,513)	197,665
Loss for the year	-	-	-	-	-	-	-	(65,548)	(65,548)
Other comprehensive expense	-	-	-	-	-	(1,738)	-	945	(793)
Total comprehensive expense	-	-	-	-	-	(1,738)	-	(64,603)	(66,341)
Shares issued	20	302	-	-	-	-	-		322
Share-based payments	-	-	-	1,797	-	-	-	-	1,797
Lapsed/ vested shares	-	-	-	(3,355)	-	-	-	2,028	(1,327)
Shares transferred from employee benefits trust	-	-	-	-	1,208	-	-	-	1,208
Dividends paid to shareholders	-	-	-	-	-	-	-	(4,018)	(4,018)
Recycling of merger reserve	-	-	(26,830)	-	-	-	-	26,830	-
Balance at 31 December 2015	84,538	82,664	5,683	4,179	(1,855)	17,291	6,082	(69,276)	129,306
Loss for the year	-	-	-	-	-	-	-	(55)	(55)
Other comprehensive income/(expense)	-	-	-	-	-	(20,667)	7	(760)	(21,420)
Total comprehensive income	-	-	-	-	-	(20,667)	7	(815)	(21,475)
Shares issued	107	359	-	-	-	-	-	-	466
Cancellation of deferred shares	(79,534)	-	-	-	-	-	-	79,534	-
Cancellation of share premium	-	(75,000)	-	-	-	-	-	-	(75,000)
Share-based payments	-	-	-	1,521	-	-	-	-	1,521
Lapsed/ vested shares	-	-	-	(5,474)	-	-	-	1,521	(3,953)
Shares transferred from employee benefits trust	-	-	-	-	1,747	-	-	-	1,747
Recycling of merger reserve	-	-	(5,683)	-	-	-	-	5,683	-
Recycling of investment reserve	-	-	-	-	-	-	975	(975)	-
Balance at 31 December 2016	5,111	8,023	-	226	(108)	(3,376)	7,064	15,672	32,612

Group balance sheet

	2016	2015
	£'000	£'000
Non-current assets		
Intangible assets and goodwill	**17,724**	148,387
Property, plant and equipment	**1,108**	1,996
Investments	**-**	711
Deferred tax assets	**8,324**	14,448
Total non-current assets	**27,156**	165,542
Current assets		
Trade and other receivables	**7,212**	29,115
Current tax receivable	**1,404**	1,096
Cash and cash equivalents	**38,067**	15,478
Assets held for sale	**-**	91,785
Total current assets	**46,683**	137,474
Total assets	**73,839**	303,016
Current liabilities		
Financial liabilities	**-**	(68,294)
Trade and other payables	**(20,162)**	(39,875)
Current tax liabilities	**(1,070)**	(4,020)
Liabilities held for sale	**-**	(33,105)
Total current liabilities	**(21,232)**	(145,294)
Net current assets/(liabilities)	**25,451**	(7,820)
Non-current liabilities		
Financial liabilities	**-**	-
Retirement benefit obligations	**(11,577)**	(21,781)
Deferred tax liabilities	**(707)**	(5,413)
Long-term provisions	**(7,711)**	(1,222)
Total non-current liabilities	**(19,995)**	(28,416)
Total liabilities	**(41,227)**	(173,710)
Net assets	**32,612**	129,306

Group balance sheet *(continued)*

Equity		
Share capital	**5,111**	84,538
Share premium account	**8,023**	82,664
Merger reserve	**-**	5,683
Share compensation reserve	**226**	4,179
Shares held by employee benefits trust	**(108)**	(1,855)
Translation reserve	**(3,376)**	17,291
Other reserves	**7,064**	6,082
Retained earnings	**15,672**	(69,276)
Equity attributable to owners of the Company	**32,612**	129,306

Group cash flow statement

	Note	2016 £'000	2015 £'000
Net cash (outflow)/inflow from operating activities	11	**(14,369)**	909
Investing activities			
Interest received		**65**	36
Purchases of property, plant and equipment		**(414)**	(577)
Purchases of intangible assets		**(239)**	(467)
Net proceeds from disposals		**188,950**	-
Disposal of financial assets		**-**	36
Acquisitions		**-**	(316)
Net cash generated from / (used in) investing activities		**188,362**	(1,288)
Financing activities			
Interest paid		**(845)**	(2,589)
Dividends paid		**(7)**	(4,000)
Proceeds from borrowings		**9,663**	48,574
Repayment of borrowings		**(78,697)**	(38,357)
Return of Capital		**(75,000)**	-
Net cash (used in) / generated from financing activities		**(144,886)**	3,628
Net increase in cash and cash equivalents		**29,107**	3,249
Cash and cash equivalents at beginning of year		**20,737**	24,920
Effect of foreign exchange rate changes		**(11,777)**	(7,432)
Cash and cash equivalents at end of year		**38,067**	20,737

Cash and cash equivalents in the 2015 comparatives include £5.3m of cash balances held by the French and related operations of Kurt Salmon and included in assets held for sale at 31 December 2015.

Notes

1. Basis of preparation

The financial information included in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 Companies Act 2006.

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS.

The Group's Annual Report and Accounts and notice of Annual General Meeting will be sent to shareholders and will be available at the Company's registered office at 10 Fleet Place, London, EC4M 7RB, United Kingdom and on our website: www.mcgplc.com.

The Annual General Meeting will be held on 30th May 2017 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London, EC4V 6JA.

2. Accounting policies

The financial information has been prepared in accordance with IFRS. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (as at 31 December 2016). The policies have been consistently applied to all the periods presented.

Full details of the Group's accounting policies can be found in note 2 to the 2015 Annual Report which is available on our website: www.mcgplc.com.

3. Going concern

The Group's bank borrowings were repaid in full on 7 January 2016 from the net proceeds of the sale of the French and related operations of Kurt Salmon and the Group's bank borrowing facility was terminated on that date. The Group's working capital facility with HSBC was terminated on completion of the sale of the retail and consumer goods consulting practice of Kurt Salmon on 1 November 2016. 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 the financial statements, and, accordingly, continues to adopt the going concern basis in preparing the annual report and financial statements.

4. 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.

4. Segmental information *(continued)*

(a) Geographical analysis

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

(i) Revenue and underlying operating loss by geography

	Americas	**Europe**	**Rest of World**	**Group**
Year ended 31 December 2016	**£'000**	**£'000**	**£'000**	**£'000**
Revenue - continuing operations	**27,822**	**13,190**	**4,181**	**45,193**
Loss from operations before non-underlying expenses and amortisation of acquired intangibles	**(4,418)**	**(1,867)**	**(2,560)**	**(8,845)**
Non-underlying expenses and amortisation of acquired intangibles	**(470)**	**(216)**	**276**	**(410)**
Loss from operations before impairment	**(4,888)**	**(2,083)**	**(2,284)**	**(9,255)**
Goodwill impairment				**(30,358)**
Loss from operations				**(39,613)**
Investment revenue				**64**
Finance costs				**(1,220)**
Loss before tax				**(40,769)**

	Americas	Europe	Rest of World	Group
Year ended 31 December 2015 – restated	£'000	£'000	£'000	£'000
Revenue - continuing operations	31,402	12,103	6,647	50,152
Profit/(loss) from operations before non-underlying expenses and amortisation of acquired intangibles	180	(2,264)	(3,202)	(5,286)
Non-underlying (expenses)/income and amortisation of acquired intangibles	(454)	70	(66)	(450)
Loss from operations	(274)	(2,194)	(3,268)	(5,736)
Investment revenue				8
Finance costs				(3,464)
Loss before tax				(9,192)

4. Segmental information *(continued)*

(a) Geographical analysis *(continued)*

(ii) Net assets by geography

At 31 December 2016	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	**11,254**	**6,470**	**-**	**17,724**
Other segment assets	**12,152**	**3,869**	**466**	**16,487**
	23,406	**10,339**	**466**	**34,211**
Unallocated corporate assets				**39,628**
Consolidated total assets				**73,839**
Liabilities				
Segment liabilities	**(20,260)**	**(6,688)**	**(1,478)**	**(28,426)**
Unallocated corporate liabilities				**(12,801)**
Consolidated total liabilities				**(41,227)**
Net assets				**32,612**

At 31 December 2015	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	120,529	24,173	3,685	148,387
Other segment assets	34,990	16,099	2,944	54,033
	155,519	40,272	6,629	202,420
Unallocated corporate assets				8,811
Assets held for sale				91,785
Consolidated total assets				303,016
Liabilities				
Segment liabilities	(41,296)	(52,259)	(4,515)	(98,070)
Unallocated corporate liabilities				(42,535)
Liabilities held for sale				(33,105)
Consolidated total liabilities				(173,710)
Net assets				129,306

5. Loss before tax

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

	Note	2016 £'000	2015 £'000 restated
Net foreign exchange (gains)/losses		**(153)**	(281)
Amortisation of intangible assets		**109**	317
Depreciation of property, plant and equipment		**328**	301
(Profit) / loss on disposal of fixed assets		**(54)**	1
Non-underlying impairment		**30,358**	-
Non-underlying items		**410**	450
Staff costs	7	**34,535**	35,201

The £0.4m of non-underlying expenses comprise £1.6m of restructuring related redundancy costs, a £0.6m write off of capitalised costs relating to a discontinued product offering in Proudfoot, offset by a £0.3m provision release and a £1.6m credit arising on the closure of the Proudfoot Defined Benefit Medical Scheme.

6. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2015 (2014: 0.595p)	**-**	2,902
Interim dividend for the year ended 31 December 2015 (2014: 0.23p)	**-**	1,116
	-	4,018

Dividends are not payable on shares held in the employee share trust which has waived its entitlement to dividends. The amount of the dividend waived in 2016 was £nil (2015: £73,377)

7. Staff numbers and costs

The average number of persons employed by the Group (including executive directors) during the year, analysed by category, was as follows:

	2016 Number	2015 Number
Sales and marketing	**53**	72
Consultants	**161**	185
Support staff	**60**	69
Continuing activities	**274**	326
Discontinued operations	**359**	1,201
Total	**633**	1,527

The number of Group employees at the year end was 281 (2015 restated: 320).
Discontinued operations reflect employees in Kurt Salmon healthcare and Kurt Salmon retail and consumer good business. 2015 reflects Kurt Salmon France and related operations, Kurt Salmon healthcare and Kurt Salmon retail and consumer goods business up to their respective disposal dates.

The aggregate payroll costs for the employees of the continuing operations were as follows:

	2016 £'000	2015 £'000 restated
Wages and salaries	**28,593**	29,603
Social security costs	**4,316**	3,937
Other pension costs	**1,626**	1,661
	34,535	35,201

8. Investment revenues and finance costs

Investment revenues	2016 £'000	2015 £'000 restated
Interest receivable on bank deposits and similar income	**64**	8

Finance costs	2016 £'000	2015 £'000 restated
Interest payable on bank overdrafts and loans and similar charges	**(468)**	**(1,964)**
Finance costs on retirement benefit plans	**(752)**	**(1,500)**
	(1,220)	**(3,464)**

9. Tax

UK corporation tax is calculated at 20.00% (2015: 20.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax credit for the year can be reconciled to the pre-tax loss from continuing operations per the income statement as follows:

Recognised in the income statement: Income tax expense on continuing operations	**Before Non-underlying items 2016 £'000**	**Non-underlying items 2016 £'000**	**Total 2016 £'000**	Before Non-underlying items 2015 £'000 restated	Non-underlying items 2015 £'000 restated	Total 2015 £'000 restated
Current tax						
Current year	**1,860**	**(3)**	**1,857**	1,194	(5)	1,189
Adjustment in respect of prior years	**(2,353)**	—	**(2,353)**	87	—	87
Current tax (credit) / expense	**(493)**	**(3)**	**(496)**	1,281	(5)	1,276
Deferred tax						
Current year	**(3,171)**	**190**	**(2,981)**	17	(15)	2
Adjustment in respect of prior years	**1,268**	—	**1,268**	(93)	-	(93)
Deferred tax (credit) / expense	**(1,903)**	**190**	**(1,713)**	(76)	(15)	(91)
Total income tax						
Income tax (credit) / expense on continuing activities	**(2,396)**	**187**	**(2,209)**	1,205	(20)	1,185

10. Earnings per share

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

	2016			2015 re-presented		
Earnings	**All £'000**	**Continuing £'000**	**Discontinued £'000**	**All £'000**	**Continuing £'000**	**Discontinued £'000**
(Loss)/ profit for the period	**(55)**	**(38,560)**	**38,505**	(65,548)	(10,377)	(55,171)
Add back: non-underlying items	**39,856**	**30,768**	**9,088**	6,825	450	6,375
Add back: amortisation of acquired intangibles	**527**	—	**527**	569	—	569
Adjustment for (profit) / loss on disposal	**(43,189)**	—	**(43,189)**	53,372	—	53,372
Reduction in tax charge due to add backs	**(2,134)**	**(359)**	**(1,775)**	(642)	(20)	(622)
Underlying (loss)/profit for the period	**(4,995)**	**(8,151)**	**3,156**	(5,424)	(9,947)	4,523

Number of shares	**2016 Number (million)**	2015 Number (million)
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-underlying items and amortisation of acquired intangibles	**505**	492
Effect of dilutive potential ordinary shares:		
Restricted share plans	**0**	13
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**505**	505

	2016			2015 re-presented		
Loss per share	**All**	**Continuing**	**Discontinued**	**All**	**Continuing**	**Discontinued**
Basic loss per share for the year attributable to the owners of the company	**0.0**	**(7.6)**	**7.6**	(13.3)	(2.1)	(11.2)
Diluted loss per share for the year attributable to the owners of the company	**0.0**	**(7.6)**	**7.6**	(13.3)	(2.1)	(11.2)
Basic loss per share - excluding non-underlying items and amortisation of acquired intangibles	**(1.0)**	**(1.6)**	**0.6**	(1.1)	(2.0)	0.9
Diluted loss per share - excluding non-underlying items and amortisation of acquired intangibles	**(1.0)**	**(1.6)**	**0.6**	(1.1)	(2.0)	0.9

The average share price for the year ended 31 December 2016 was 16.5p (2015: 15.6p).

11. Intangible assets and goodwill

Group	Goodwill £'000	Customer relationships £'000	Software costs £'000	Total intangibles £'000
Cost				
At 1 January 2016	197,701	18,791	6,714	223,206
Additions	—	—	366	366
Impairment charge	(30,358)	—	(587)	(30,945)
Category transfer	—	—	1,292	1,292
Disposals	(180,127)	(20,946)	(5,259)	(206,332)
Exchange differences	28,784	2,155	1,285	32,224
At 31 December 2016	**16,000**	**—**	**3,811**	**19,811**
Amortisation				
At 1 January 2016	53,372	17,711	3,736	74,819
Charge for the year	—	527	1,006	1,533
Disposals	(53,372)	(20,946)	(3,518)	(77,836)
Exchange differences	—	2,708	863	3,571
At 31 December 2016	**—**	**—**	**2,087**	**(2,087)**
Carrying amount At 31 December 2016	**16,000**	**—**	**1,724**	**17,724**
At 31 December 2015	144,329	1,080	2,978	148,387

The £30.4m amortisation charge for goodwill relates to the impairment of Proudfoot goodwill.

Company	Software costs £'000
Cost	
At 1 January 2016	873
At 31 December 2016	**873**
Amortisation	
At 1 January 2016	861
Charge for the year	6
At 31 December 2016	**867**
Carrying amount	
At 31 December 2016	**6**
At 31 December 2015	12

Group	Goodwill £'000	Customer relationships £'000	Software costs £'000	Total intangibles £'000
Cost				
At 1 January 2015	253,195	18,961	10,758	282,914
Acquisitions	638	—	—	638
Transferred to assets held for sale	(52,840)	—	(4,356)	(57,196)
Additions	—	—	425	425
Disposals	—	—	(174)	(174)
Exchange differences	(3,292)	(170)	61	(3,401)
At 31 December 2015	**197,701**	**18,791**	**6,714**	**223,206**
Amortisation				
At 1 January 2015	—	17,337	7,035	24,372
Charge for the year	—	569	1,224	1,793
Impairment charge recognized on classification to assets held for sale	53,372	—	—	53,372
Transferred to assets held for sale	—	—	(4,326)	(4,326)
Category transfer	—	—	82	82
Disposals	—	—	(178)	(178)
Exchange differences	—	(195)	(101)	(296)
At 31 December 2015	**53,372**	**17,711**	**3,736**	**74,819**
Carrying amount At 31 December 2015	**144,329**	**1,080**	**2,978**	**148,387**
At 31 December 2014	253,195	1,624	3,723	258,542

Company	Software costs £'000
Cost	
At 1 January 2015	873
At 31 December 2015	**873**
Amortisation	
At 1 January 2015	729
Charge for the year	132
At 31 December 2015	**861**
Carrying amount	
At 31 December 2015	**12**
At 31 December 2014	144

Analysis of goodwill

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Following the disposal of Kurt Salmon, the remaining goodwill relates to Proudfoot.

	Kurt Salmon £'000	Alexander Proudfoot £'000	Total £'000
As at 1 January 2016	104,223	40,106	144,329
Impairment Charge	—	(30,358)	(30,358)
Disposal	(127,413)	—	(127,413)
Translation	23,190	6,252	29,442
As at 31 December 2016	**—**	**16,000**	**16,000**

The recoverable amount of goodwill is determined based on value-in-use calculations. The key assumptions used for value-in-use calculations as at 31 December 2016 are that the CGU will trade broadly in accordance with projections for the three years 2017 – 2019. These project higher financial results than that reported for 2016 and for example compound revenue growth in excess of 10% over that period. The budgets were prepared on a bottom-up basis, taking into account market and economic factors and have been approved by the Board. The key assumptions underlying the forecasts are revenue and EBITA. EBITA is deemed to be a reasonable proxy for cash and assumed EBITA margins are consistent with past experience and industry norms.

For longer term financial projections, cash flows are extrapolated based on long-term average growth rates of 2%. The rate used to discount the forecast post-tax cash flows is 13.2% which represents the Group's weighted average cost of capital, based on the risk-free rate with an additional premium added to reflect market risk and the size of the Group. Goodwill is tested against the value in use of operating segments on the basis that, given the integrated nature of the segments, it cannot reasonably be allocated to a lower level of CGU.

The Board believes that the growth rates used in the value-in-use calculations are appropriate, have applied sensitivities to the calculations and are satisfied that the current recoverable amount of goodwill is appropriate. Trading activity to date in 2017 and performance against budget supports the growth rates used in our calculations. The assumptions used fall within historic variations experienced by the Group and are considered as reasonable estimations.

Review of the carrying value of goodwill

The financial performance of Proudfoot has deteriorated in the last financial year, reporting an underlying operating loss of £8.8 million. During 2015 and 2016 Proudfoot's business model was significantly challenged as the Board implemented changes to develop the Proudfoot offering in order to build a more stable and predictable revenue base and drive top-line growth, as well as continuing weakness in demand from clients in the natural resources sector. Whilst the business did not adapt quickly enough to changes in the market, management is now focussed on further enhancing the front-end capabilities to drive revenue growth as well as continuing to take action to reduce costs. This has resulted in a pick-up in order input towards the end of 2016 and accordingly the Directors remain confident in the long-term prospects of the business.

The Directors recognise that there are risks and uncertainties in the CGU if the performance of the business does not improve as expected over the long term in line with management's forecasts. Factors that could cause the deterioration in future cash flows of the business compared to the forecasts include:

- the inability to recruit and retain key staff
- the inability to win new and retain existing contracts at appropriate margins; and
- a failure to reduce costs to reflect lower base revenues

The value of goodwill attributed to Proudfoot is £16.0m (2015: £40.1m) and is calculated at its value in use using the pre-tax discount rate of 13.2%. The goodwill impairment amounting to £30.4 million was derived from the detailed forecast using a long term growth rate of 2%.

As the carrying amount of the goodwill represents its value-in-use, the Directors recognise that it is possible that a 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 key assumptions indicates that relatively small changes in the underlying assumptions will result in additional changes in the recoverable amount on a value-in-use basis. Indeed, small unfavourable changes to the assumptions and projections could result in the recoverable amount of goodwill falling below its carrying value.

12. Notes to the cash flow statement

	2016	2015 restated
	£'000	£'000
Loss from continuing operations	**(39,613)**	(5,736)
(Loss)/profit from discontinued operations	**(3,876)**	3,944
Loss from operations	**(43,489)**	(1,792)
Adjustments for:		
Depreciation of property, plant and equipment	**759**	861
Amortisation of intangible assets	**1,533**	1,793
Profit on disposal of fixed assets	**(3)**	(7)
Adjustment for share awards	**668**	1,155
Increase/(decrease) in provisions	**1,244**	(3,143)
Goodwill impairment	**30,358**	-
Other non-cash items	**2,108**	159
Operating cash flows before movements in working capital	**(6,822)**	(974)
Increase in receivables	**1,725**	7,476
(Decrease)/increase in payables	**(5,607)**	1,119
Cash (used in) /generated by operations	**(10,704)**	7,621
Income taxes paid	**(3,665)**	(6,712)
Net cash (outflow) / inflow from operating activities	**(14,369)**	909

13. 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 Group financial statements for the year ended 31 December 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. The disposal transaction completed on 7 January 2016 for net cash proceeds of £58.6m.

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 29th July 2016 for net cash proceeds of £6.2m. The results of its operations and the loss on disposal arising from the impairment of goodwill are reported as discontinued operations in the financial statements for the year ended 31 December 2016. The comparatives for 2015 have been restated on the same basis.

The Kurt Salmon retail and consumer goods business 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 retail and consumer goods business was completed on 1st November for net cash proceeds of £124.1m. The proceeds of disposal exceed the book value of the related net assets and accordingly no impairment losses have been recognised. The results of its operations and the profit on disposal are reported as discontinued operations in the financial statements for the year ended 31 December 2016. The comparatives for 2015 have been restated on the same basis.

The results of the discontinued operations, which have been included in the consolidated income statement with in the loss from discontinued operations line, were as follows:

	Kurt Salmon France and related operations twelve months ended 31 December 2016 £'000	**Kurt Salmon Healthcare twelve months ended 31 December 2016 £'000**	**Kurt Salmon Retail and Consumer goods twelve months ended 31 December 2016 £'000**	**Total twelve months ended 31 December 2016 £'000**
Revenue	**-**	**8,729**	**72,543**	**81,272**
Cost of sales	**-**	**(7,282)**	**(47,049)**	**(54,331)**
Gross profit	**-**	**1,447**	**25,494**	**26,941**
Administrative expenses – underlying	**(63)**	**(2,951)**	**(18,188)**	**(21,202)**
(Loss)/profit from operations – underlying	**(63)**	**(1,504)**	**7,306**	**5,739**
Administrative income/(expenses) – non-underlying	**75**	**(419)**	**(8,744)**	**(9,088)**
Amortisation of acquired intangibles	**-**	**-**	**(527)**	**(527)**
Total administrative expenses	**12**	**(3,370)**	**(27,459)**	**(30,817)**
Profit/(loss) from operations	**12**	**(1,923)**	**(1,965)**	**(3,876)**
Net finance costs	**-**	**-**	**(188)**	**(188)**
Profit/(loss) before tax	**12**	**(1,923)**	**(2,153)**	**(4,064)**
Tax	**-**	**-**	**(210)**	**(210)**
Profit/(loss) for the period attributable to owners of the Company	**12**	**(1,923)**	**(2,363)**	**(4,274)**
Profit/(Loss) on disposal from discontinued operations	**244**	**(10,661)**	**53,196**	**42,779**
Net profit/(loss) attributable to discontinued operations	**256**	**(12,584)**	**50,833**	**38,505**

	Kurt Salmon France and related operations audited twelve months ended 31 December 2015 £'000	Kurt Salmon Healthcare audited twelve months ended 31 December 2015 £'000	Kurt Salmon Retail and Consumer goods audited twelve months ended 31 December 2015 £'000	Total audited twelve months ended 31 December 2015 £'000
Revenue	91,528	17,423	71,353	180,304
Cost of sales	(67,167)	(13,454)	(49,081)	(129,702)
Gross profit	24,361	3,969	22,272	50,602
Administrative expenses – underlying	(19,528)	(3,220)	(16,967)	(39,715)
Profit from operations – underlying	4,833	749	5,305	10,887
Administrative expenses – non-underlying	(6,572)	-	197	(6,375)
Administrative expenses - amortisation of acquired intangibles	-	-	(568)	(568)
Total administrative expenses	(26,100)	(3,220)	(17,338)	(46,658)
(Loss)/profit from operations	(1,739)	749	4,934	3,944
Net finance cost	(1,514)	-	(213)	(1,727)
(Loss)/profit before tax	(3,253)	749	4,721	2,217
Tax	(833)	(175)	(3,008)	(4,016)
(Loss) / profit for the period attributable to owners of the Company	(4,086)	574	1,713	(1,799)
Result on disposal from discontinued operations	(53,372)	-	-	(53,372)
Net (loss)/ profit attributable to discontinued operations	(57,458)	574	1,713	(55,171)

Non-underlying expenses for the French and related operations of Kurt Salmon related to a release of a surplus transaction bonus (2015: £6.6m). Non-underlying expenses attributed to the Kurt Salmon healthcare disposal comprise £0.4m (2015: £nil) relating to the closure of the international business. Non-underlying expenses for Kurt Salmon's retail and consumer goods business were a net £8.7m expense (£2015: £0.2m credit) chiefly comprising £2.4m of employee related costs and charges related to surplus property and onerous contracts of £5.4m.

The gain on disposal for the French and related operations of Kurt Salmon reflects the taxable gain that crystallised at completion in respect of certain elements of the business sold, net of £1.3m 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.

The £10.7m Kurt Salmon healthcare loss on disposal arises as a result of the impairment of goodwill relating the disposal group. The impairment charge represents the difference between the goodwill and the net assets attributed to the disposal group.

The £53.2m profit on disposal of Kurt Salmon's retail and consumer goods consulting operations includes £21.8m relating to the net proceeds of the disposal exceeding book value of the related net assets including goodwill, and £31.4m relating to the recycling of a currency translation reserve.

In respect of the Kurt Salmon France and related operations, no operating cashflows were attributable to 2016 (2015: £1.4m outflow). In 2016 there were no cash flows arising from investing activities (2015: £0.1m outflow). There were no cash flows arising from financing activities in either the current or prior year. Cash balances transferred at completion totalled £5.3m.

During the year the Kurt Salmon healthcare business contributed a net operating cash outflow of £4.1m (2015: £0.2m outflow). There were no cash flows arising from investing or financing activities in either the current or prior year.

The Kurt Salmon retail and consumer goods business contributed a net operating cash inflow of £2.5m (2015: £9.8m inflow) of this cash of £4.5m was held by that business at completion. There were no cash flows arising from investing activities in the current year (2015: £0.4m outflow). There was a cash outflow from financing activities of £0.2m (2015: £nil).