Management Consulting Group PLC

# 2002

# interim report

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# *chairman's statement*

The first half of 2002 has confirmed the turnaround of the Proudfoot Consulting business following its return to profitability in the second half of last year.

I am delighted to report a profit before tax of £4.1 million (2001: loss of £2.3 million) on turnover of £55.7 million (2001: £31.0 million). The growth in turnover continued to outpace significantly the growth in the consulting market place.

In addition to excellent organic growth, we have commenced the next phase of our strategy: the broadening of our consulting offerings through the acquisition of Parson Consulting.

## *Results*

The results of the Group include the results of Proudfoot Consulting for the six months ended 30 June 2002 and Parson Consulting for the month ended 30 June 2002.

Total turnover increased by 79% compared with the first half of 2001. Adjusting for the effects of acquisitions, like-for-like turnover of Proudfoot Consulting increased by 53%. This is estimated to be some five times the market rate of growth for consultancies.

The Proudfoot Consulting business continues to make excellent progress in line with our expectations. In particular, by continuing to focus our offerings on clients' needs, we have made significant progress in both our key North American and European markets as well as solid progress in our smaller markets of Africa and Asia Pacific.

The strong growth in turnover has resulted in a significant improvement in operating profit which was £5.2 million before goodwill amortisation. This equates to a margin of 9.3% and was £7.0 million better than in the first half of 2001. The gross profit margin remained stable at approximately 50% of turnover reflecting the careful control of pricing and delivery costs. Selling costs as a percentage of revenue declined to 26% (2001: 31%) as commissions became a greater proportion and salaries a smaller proportion of total selling costs. Administrative expenses before exceptional items and goodwill amortisation increased by 14% over the same period of last year reflecting the full period effect of the step change in cost base made in the first half of 2001 as part of the turnaround strategy. The goodwill charge increased by £0.4 million attributable to the acquisitions of Czipin (in May 2001) and Parson Consulting.

North America continued to perform strongly.  Turnover for the six months ended 30 June 2002 was £31.5 million of which £29.2 million (2001: £14.2 million) was attributable to Proudfoot Consulting and the balance related to Parson Consulting.  Operating profit before goodwill amortisation for the six months to 30 June 2002 was £4.6 million (2001: loss of £0.3 million).

The European Proudfoot Consulting business, which for much of 2001 concentrated on merging the businesses of IMR and Czipin & Partners that were acquired in December 2000 and May 2001 respectively, showed good growth and profit improvement as the operational integration began to bear fruit.  Turnover increased by 49% to £21.3 million (2001: £14.2 million).  Adjusting for the effect of the 2001 acquisition, the like-for-like increase in turnover was 18%.  The increased turnover resulted in an operating profit before goodwill amortisation of £0.9 million (2001: loss of £1.1 million).

The small business in Africa showed good volume increases but, in sterling terms, the turnover was similar at £1.7 million (2001: £1.6 million).  We are anticipating that the lack of stability in the South African rand will continue to depress reported revenue in the second half of the year.  The operating result was almost break-even compared with a loss of £0.2 million in the first six months of last year.  This was achieved by deferring some routine investment in the business.  Following a partial recovery in the rand that deferral will be reversed in the second half of 2002.

The other small Proudfoot Consulting business in Asia Pacific grew by 17%, reporting turnover of £1.2 million (2001: £1.0 million) and an operating loss of £0.3 million (2001: £0.3 million).

EBITDA, comprising the operating profit adjusted for depreciation, goodwill amortisation and the charge for employee share schemes, was £6.3 million (2001: negative £0.8 million).

The tax charge of £0.4 million (2001: £0.4 million) benefits from the utilisation of brought forward losses in certain countries.

*Earnings per share*

The fully diluted earnings per share were 2.4 pence per share compared with a loss of 2.3 pence per share in the first six months of 2001. The adjusted headline earnings per share, which excludes goodwill amortisation and share scheme charges, was 4.1 pence (2001: loss of 1.2 pence).

*Balance sheet*

Goodwill increased by £39.5 million (prior to amortisation), following the acquisition of Parson Consulting with effect from 28 May 2002 for aggregate consideration of £38.6 million.

Working capital continues to be tightly managed. Net cash and cash equivalents of £26.0 million have increased from £17.4 million at 30 June 2001 and £18.9 million at the last year end. The business has returned to strong cash generation in line with operating profits and tight control of working capital.

Shareholders' funds have increased to £62.3 million from £20.1 million at the year end. During May 2002, the Company raised £38.8 million (after expenses) by means of a placing and open offer with claw back to existing shareholders.

*Strategic update*

Parson Consulting (formerly Parson Group) was acquired with effect from 28 May 2002. The acquisition was consistent with our strategy of diversifying the types of consulting that we can provide to clients.

Parson Consulting specialises in the provision of accounting and financial consultancy services to major businesses. It is focussed on securing faster, more reliable and more efficiently produced financial information for its clients, using experienced consultants. Clients include large industrial, service and financial sector companies. Its practice is currently solely in the United States.

The purchase consideration of £38.6 million comprised £37.2 million in cash plus £1.4 million in shares of the Company. The shares are all held by members of its management team and vest in three instalments: on completion and on the first and second anniversaries of completion. In addition, shareholders approved a funded share option scheme (on the same terms as the existing Company share option scheme) in an amount of £3.4 million.

On 30 July 2002, President Bush signed into legislation the Sarbanes-Oxley Act. The Act will bring, over the subsequent 270 days, major changes to the corporate governance requirements of US listed companies, their directors, lawyers and auditors. Pressure for legislative change was foreseen by the board at the time of the acquisition of Parson Consulting and was an important factor in the decision to purchase Parson Consulting. The Act, in particular, rules out the provision by auditors of no less than eight services that they can currently provide to their audit clients. We remain convinced that the market place is increasingly demanding that consultancy services provided to financial and operational support functions are provided by firms without an actual or potential conflict of interest arising from the provision of audit services. Accordingly, we have decided that Parson Consulting will have no such conflict and will no longer provide internal audit support services to clients. In the next six months or so this will result in a modest loss of revenue but we believe that, from mid 2003 as the Act comes fully into force, this positioning will allow us to gain significant revenues from providing other core services to US listed companies.

Executive directors of MCG are currently working actively with Parson Consulting management with the aim of generating profitable growth. We are pleased with the constructive attitude of the Parson Consulting management to the acquisition by MCG.

Some two-thirds of the Group's underlying turnover now originates in North America with the majority of the remainder originating in the Euro zone. We remain of the view that the North American market place needs to be our primary focus of attention because that market place accounts for some 60% of the world's expenditure on consulting services.

The Group now employs close to 1,000 people, approximately 80% more than a year ago.

In line with our continuing growth plans, we continue to investigate acquisition opportunities in North America and Europe both in the market segments in which we currently operate and in other areas of the consulting market place. We do not, however, anticipate making another substantial acquisition in the current financial year.

*Dividend*

As previously indicated and in the light of the Group's strong cash flow, the board remains inclined to recommend a modest final dividend for the year ending 31 December 2002.

*Directors*

Following Mr William Turner's retirement from the board at the annual general meeting, the board has appointed Mr Gareth Jones as a non-executive director. He is currently a non-executive director of TBI plc, Kensington Group plc and Orbis Capital. In addition, he acts as an advisor to various private equity funds, is a member of the Economic and Social Research Council, the Accountancy Review Board and a council member of the PDSA (Britain's leading veterinary charity). He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Association of Corporate Treasurers.

*Prospects*

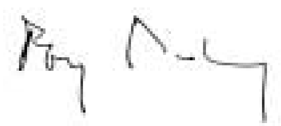
The operational consulting that Proudfoot Consulting offers to clients continues to be in strong demand. In 2002, we have seen a shift in the emphasis of our services in North America. There is now less concentration solely on achieving productivity enhancement from cost reduction but more focus on cost reduction in conjunction with performance improvement through greater sales effectiveness. The European market appears to be following the same trend but with somewhat less boldness than the United States.

The financial and accounting consulting offered by Parson Consulting has excellent prospects but, as at the time of acquisition, we are not assuming any significant step up in its activities prior to the second quarter of 2003. We are currently concentrating on the positioning of the service offerings and on the recruitment of additional business development managers.

As I have noted in previous reports, the second half is seasonally weaker than the first half due to northern hemisphere summer holidays, Thanksgiving and the Christmas/New Year holidays. Further, with our turnover heavily biased to North America, the appreciation of sterling against the dollar will affect second half reported turnover and, to a lesser extent, reported profit. In the absence of the appreciation of sterling we recognise that the results for the first half of the year would suggest higher expectations for the year as a whole.  However, any potential increase in full year expectations may be offset by the currency effect.

In the light of the order book and prospect stream which, on a like-for-like basis, are ahead of the position at the same time last year, we remain confident that we will continue to make good progress in the second half and, just as importantly, enter 2003 with a strong order book.

Accordingly, the board continues to view the prospects for the Group with much optimism.



*R W H Stomberg*
Non-executive Chairman

12 August 2002

# independent review report

*by Deloitte & Touche to Management Consulting Group PLC*

### *Introduction*

We have been instructed by the company to review the financial information for the six months ended 30 June 2002 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### *Directors' responsibilities*

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### *Review work performed*

We conducted our review in accordance with guidance contained in Bulletin 1999 / 4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquires of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### *Review conclusion*

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

*Deloitte & Touche*
*Chartered Accountants*
*12 August 2002*

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A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

# group profit and loss account

| six months ended 30 June 2002 | note | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 (restated) £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|---|
| Turnover | | | | |
| Continuing operations | | 53,275 | 31,044 | 72,122 |
| Acquisitions | | 2,380 | – | – |
| Total turnover | 2 | 55,655 | 31,044 | 72,122 |
| Cost of sales | | (27,450) | (15,733) | (35,917) |
| Gross profit | | 28,205 | 15,311 | 36,205 |
| Selling costs | | (14,551) | (9,720) | (20,942) |
| Administrative expenses | | | | |
| Excluding exceptional credit and goodwill amortisation | | (8,502) | (7,479) | (15,521) |
| Exceptional credit related to pension scheme | 14 | – | – | 2,036 |
| Goodwill amortisation | | (1,100) | (712) | (1,629) |
| Total administrative expenses | | (9,602) | (8,191) | (15,114) |
| Operating profit / (loss): | | | | |
| Before goodwill amortisation | | 5,152 | (1,888) | 1,778 |
| After goodwill amortisation | | | | |
| Continuing operations | | 4,404 | (2,600) | 149 |
| Acquisitions | | (352) | – | – |
| Total operating profit / (loss) and profit / (loss) on ordinary activities before finance income | 2 | 4,052 | (2,600) | 149 |
| Finance income (net) | | 40 | 306 | 457 |
| Profit / (loss) on ordinary activities before taxation | 2 | 4,092 | (2,294) | 606 |
| Tax on profit / (loss) on ordinary activities | 3 | (438) | (441) | (548) |
| Retained profit / (loss) for the financial period | | 3,654 | (2,735) | 58 |
| Earnings / (loss) per share - pence | 5 | | | |
| Basic | | 2.75 | (2.33) | 0.05 |
| Diluted | | 2.44 | (2.33) | 0.04 |
| Headline | | 3.58 | (1.73) | 1.41 |
| Adjusted headline | | 4.12 | (1.19) | 0.90 |

# group statement of total recognised gains and losses

| six months ended 30 June 2002 | note | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 (restated) £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|---|
| Profit / (loss) for the period | | 3,654 | (2,735) | 58 |
| Actuarial loss relating to retirement benefit schemes | 14 | (4,230) | (3,039) | (6,111) |
| Currency translation differences on foreign currency net investments | | 1,751 | (1,052) | (1,711) |
| Total recognised gains and losses relating to the period | | 1,175 | (6,826) | (7,764) |
| Prior year adjustment - FRS17, retirement benefits | | – | (3,806) | (3,806) |
| Total recognised gains and losses recognised since the last Annual Report | | 1,175 | (10,632) | (11,570) |

# group balance sheet

| at 30 June 2002 | note | unaudited 30 June 2002 £'000 | unaudited 30 June 2001 (restated) £'000 | audited 31 Dec 2001 £'000 |
|---|---|---|---|---|
| Fixed assets | | | | |
| Intangible assets | 6 | 74,188 | 37,934 | 35,761 |
| Tangible assets | | 3,089 | 1,846 | 2,595 |
| Investments | | 970 | 970 | 970 |
| | | 78,247 | 40,750 | 39,326 |
| Current assets | | | | |
| Debtors | | | | |
| Falling due within one year | 7 | 11,832 | 6,888 | 10,228 |
| Falling due after one year | 7 | – | 884 | – |
| Investments | | – | 479 | – |
| Cash at bank and in hand and deposits | | 26,667 | 17,424 | 18,927 |
| | | 38,499 | 25,675 | 29,155 |
| Creditors: amounts falling due within one year | 8 | (31,200) | (25,285) | (28,749) |
| Net current assets | | 7,299 | 390 | 406 |
| Total assets less current liabilities | | 85,546 | 41,140 | 39,732 |
| Creditors: amounts falling due after more than one year | 9 | (5,444) | (4,929) | (4,412) |
| Provisions for liabilities and charges | | (3,120) | (4,654) | (3,056) |
| Net assets excluding retirement benefits liability | | 76,982 | 31,557 | 32,264 |
| Retirement benefits liability | 14 | (14,685) | (11,603) | (12,212) |
| Net assets including retirement benefits liability | | 62,297 | 19,954 | 20,052 |
| Capital and reserves | | | | |
| Called up share capital | | 46,383 | 30,483 | 30,488 |
| Share premium account | | 39,598 | 14,173 | 14,173 |
| Shares to be issued | | 8,988 | 8,203 | 9,238 |
| Other reserves | | 279 | (652) | (1,603) |
| Profit and loss account | | (32,951) | (32,253) | (32,244) |
| Shareholders' funds - equity | 10 | 62,297 | 19,954 | 20,052 |

# group cash flow statement

| six months ended 30 June 2002 | note | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|---|
| Net cash inflow / (outflow) from operating activities | 11 | 8,636 | (1,382) | 1,016 |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 202 | 572 | 667 |
| Interest paid | | – | (3) | – |
| Net cash inflow from returns on investments and servicing of finance | | 202 | 569 | 667 |
| Taxation | | (2,227) | (105) | (875) |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (139) | (444) | (1,525) |
| Disposal of investments | | – | – | 715 |
| Net cash outflow from capital expenditure and financial investment | | (139) | (444) | (810) |
| Acquisitions and disposals | | | | |
| Payments to acquire subsidiary undertakings | | (37,991) | (2,379) | (2,811) |
| (Debt) / cash acquired with subsidiary undertakings | | (141) | 720 | 846 |
| Net cash outflow from acquisitions and disposals | | (38,132) | (1,659) | (1,965) |
| Cash outflow before use of liquid resources and financing | | (31,660) | (3,021) | (1,967) |
| Management of liquid resources | | | | |
| Cash withdrawn from liquid resources | | 271 | – | – |
| Net cash inflow from management of liquid resources | | 271 | – | – |
| Financing | | | | |
| Net proceeds from issue of ordinary shares | | 38,847 | 1,121 | 1,117 |
| Net cash inflow from financing | | 38,847 | 1,121 | 1,117 |
| Increase / (decrease) in cash in the period | 12, 13 | 7,458 | (1,900) | (850) |

# *notes*

### *1. Basis of presentation*

The interim financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2001. The comparative figures for the six months ended 30 June 2001 have been restated to reflect FRS 17 (Retirement benefits) which was adopted for the first time in the financial statements for the year ended 31 December 2001.

The comparative figures for the year ended 31 December 2001 do not constitute statutory accounts as defined in section 240 of the Companies Act and have been extracted from the full financial statements for that financial year which have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

### *2. Segmental information*

#### *(a) Turnover*

There is no material difference between turnover by geographical destination and turnover by geographical origin. The analysis of turnover by geographical destination is as follows:

| | unaudited six months ended 30 June 2002 | unaudited six months ended 30 June 2001 | audited year ended 31 Dec 2001 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| North America | 31,542 | 14,172 | 37,243 |
| Europe | 21,250 | 14,218 | 30,040 |
| Africa | 1,678 | 1,641 | 3,347 |
| Asia Pacific | 1,185 | 1,013 | 1,492 |
| | 55,655 | 31,044 | 72,122 |

### (b) Profit / (loss) before taxation

The analysis of the profit / (loss) by geographical region is as follows:

| | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 (restated) £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|
| North America | 4,448 | (260) | 4,806 |
| Europe | (83) | (1,860) | (3,490) |
| Africa | (34) | (159) | (55) |
| Asia Pacific | (279) | (321) | (1,112) |
| Total operating profit / (loss) | 4,052 | (2,600) | 149 |
| Finance income | 40 | 306 | 457 |
| Group profit / (loss) before taxation | 4,092 | (2,294) | 606 |

## 3. Taxation

The tax charge for the six months ended 30 June 2002 is based on the estimated tax rate for the full year. The tax charge takes into account historical tax losses in the USA. The directors continue to review the appropriate level of recognition for these losses based on the expected future trading profits of the US business.

## 4. Earnings before interest, tax, depreciation and amortisation

| | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 (restated) £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|
| Operating profit / (loss) | 4,052 | (2,600) | 149 |
| Depreciation | 453 | 418 | 1,171 |
| Amortisation of goodwill | 1,100 | 712 | 1,629 |
| UITF 17 charge for employee share schemes | 726 | 627 | 1,420 |
| Exceptional credit related to pension scheme | – | – | (2,036) |
| EBITDA, excluding exceptional credit | 6,331 | (843) | 2,333 |

## *5. Earnings per share*

The basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the period after deducting 3.9 million shares held by the Group in an employee share trust.

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. The Group's only dilutive instruments are share options granted to employees where the exercise price is less than the average market price during the period, shares potentially to be issued to Executive Directors under a long term incentive plan and shares to be issued as deferred consideration for Czipin & Partners and Parson Consulting. Dilution is not recognised where continuing operations are loss making.

The average share price for the six months ended 30 June 2002 was 69.7 pence (30 June 2001: 69.3 pence and 31 December 2001: 62.0 pence).

Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research ('IIMR') Statement of Practice No. 1, 'The Definition of IIMR Headline Earnings'.

Adjusted headline earnings per share makes further adjustments to remove the amount charged to the profit and loss account and credited to reserves for the long term incentive plan and to exclude the exceptional pension credit which arose in the year ended 31 December 2001.

The earnings per share for prior periods have been adjusted for the effect of the issue of new shares at a discount to the market price in connection with the acquisition in May 2002 of Parson Consulting.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

## 5. Earnings per share (cont)

| six months ended 30 June 2002 (unaudited) | earnings £'000 | weighted average number of shares (million) | earnings per share amount (pence) |
|---|---|---|---|
| Basic EPS | | | |
| Profit attributable to shareholders | 3,654 | 132.9 | 2.75 |
| Effect of dilutive securities | | | |
| Options | – | 3.6 | (0.07) |
| Long term incentive plan | – | 10.5 | (0.19) |
| Deferred consideration shares | – | 3.0 | (0.05) |
| Fully diluted EPS | 3,654 | 150.0 | 2.44 |
| Basic EPS | 3,654 | 132.9 | 2.75 |
| Goodwill amortisation | 1,100 | – | 0.83 |
| Headline EPS | 4,754 | 132.9 | 3.58 |
| Effect of charge for long term incentive plan | 726 | – | 0.54 |
| Adjusted Headline EPS | 5,480 | 132.9 | 4.12 |

| six months ended 30 June 2001 (unaudited)(restated) | earnings £'000 | weighted average number of shares (million) | earnings per share amount (pence) |
|---|---|---|---|
| Basic EPS | | | |
| Loss attributable to shareholders | (2,735) | 117.2 | (2.33) |
| Effect of dilutive securities | | | |
| Options | – | – | – |
| Long term incentive plan | – | – | – |
| Deferred consideration shares | – | – | – |
| Fully diluted EPS | (2,735) | 117.2 | (2.33) |
| Basic EPS | (2,735) | 117.2 | (2.33) |
| Goodwill amortisation | 712 | – | 0.60 |
| Headline EPS | (2,023) | 117.2 | (1.73) |
| Effect of charge for long term incentive plan | 627 | – | 0.54 |
| Adjusted headline EPS | (1,396) | 117.2 | (1.19) |

## 5. Earnings per share (cont)

| *year ended 31 December 2001 (audited)* | *earnings* | *weighted average number of shares* | *earnings per share amount* |
|---|---|---|---|
| | *£'000* | *(million)* | *(pence)* |
| *Basic EPS* | | | |
| *Profit attributable to shareholders* | 58 | 119.4 | 0.05 |
| *Effect of dilutive securities* | | | |
| *Options* | – | 3.4 | – |
| *Long term incentive plan* | – | 10.1 | (0.01) |
| *Deferred consideration shares* | – | 3.2 | – |
| *Fully diluted EPS* | 58 | 136.1 | 0.04 |
| | | | |
| *Basic EPS* | 58 | 119.4 | 0.05 |
| *Goodwill amortisation* | 1,629 | – | 1.36 |
| *Headline EPS* | 1,687 | 119.4 | 1.41 |
| *Effect of charge for long term incentive plan* | 1,420 | – | 1.19 |
| *Effect of exceptional pension credit* | (2,036) | – | (1.70) |
| *Adjusted headline EPS* | 1,071 | 119.4 | 0.90 |

## 6. Intangible assets

Intangible assets consist of goodwill arising on acquisitions which is being amortised over a period of 20 years. Following the acquisition of Parson Consulting provisional goodwill of £39.5 million has been capitalised in the period. The total amortisation charge for the period was £1.1 million (30 June 2001: £0.7 million) of which £0.2 million (30 June 2001: £ nil ) relates to North America and £0.9 million (30 June 2001: £0.7 million) relates to Europe.

## 7. Debtors

| | unaudited 30 June 2002 | unaudited 30 June 2001 (restated) | audited 31 Dec 2001 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Falling due within one year | | | |
| Trade debtors | 8,231 | 4,400 | 6,264 |
| Other debtors | 933 | 1,118 | 1,525 |
| Taxation recoverable | 919 | 164 | 1,190 |
| Prepayments and accrued income | 1,749 | 1,206 | 1,249 |
| | 11,832 | 6,888 | 10,228 |
| Falling due after more than one year | | | |
| Taxation recoverable | – | 839 | – |
| Prepayments and accrued income | – | 45 | – |
| | 11,832 | 7,772 | 10,228 |

## 8. Creditors: amounts falling due within one year

| | unaudited 30 June 2002 | unaudited 30 June 2001 (restated) | audited 31 Dec 2001 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Banks loans and overdrafts | 711 | – | – |
| Trade creditors | 2,689 | 1,423 | 3,183 |
| Other creditors | 1,829 | 1,536 | 1,676 |
| Corporation tax | 2,369 | 3,087 | 4,786 |
| Other taxes and social security | 969 | 2,791 | 785 |
| Deferred income | 3,365 | 1,246 | 2,695 |
| Accruals | 19,268 | 15,202 | 15,624 |
| | 31,200 | 25,285 | 28,749 |

## 9. Creditors: amounts falling due after more than one year

| | unaudited 30 June 2002 £'000 | unaudited 30 June 2001 (restated) £'000 | audited 31 Dec 2001 £'000 |
|---|---|---|---|
| Other creditors | 2,780 | 1,735 | 1,735 |
| Corporation tax | 2,664 | 1,280 | 2,677 |
| Accruals | – | 1,914 | – |
| | 5,444 | 4,929 | 4,412 |

## 10. Reconciliation of movements in shareholders' funds

| | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 (restated) £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|
| Profit / (loss) for the period | 3,654 | (2,735) | 58 |
| Other recognised gains and losses during the period | (2,479) | (4,091) | (7,822) |
| New share capital issued | 41,320 | 4,289 | 4,290 |
| (Decrease) / increase in reserve for shares to be issued | (250) | 3,838 | 4,873 |
| Net increase in shareholders' funds: | 42,245 | 1,301 | 1,399 |
| Opening shareholders' funds | | | |
| As previously reported | 20,052 | 22,459 | 22,459 |
| Prior year adjustment - FRS17, retirement benefits | – | (3,806) | (3,806) |
| Restated | 20,052 | 18,653 | 18,653 |
| Closing shareholders' funds | 62,297 | 19,954 | 20,052 |

## 11. Reconciliation of operating profit / (loss) to net cash flow from operating activities

| | unaudited six months ended 30 June 2002 £'000 | unaudited six months ended 30 June 2001 (restated) £'000 | audited year ended 31 Dec 2001 £'000 |
|---|---|---|---|
| Operating profit / (loss) | 4,052 | (2,600) | 149 |
| Depreciation | 453 | 418 | 1,171 |
| Amortisation | 1,100 | 712 | 1,629 |
| Management long term incentive plan charge | 726 | 627 | 1,420 |
| Retirement benefit contributions | (1,095) | (316) | (176) |
| Exceptional pension credit | – | – | (2,036) |
| Decrease / (increase) in debtors | 3,306 | (56) | (2,932) |
| Increase in creditors | 30 | 163 | 1,800 |
| Increase / decrease) in provisions | 64 | (330) | (9) |
| Net cash inflow / (outflow) from operating activities | 8,636 | (1,382) | 1,016 |

## 12. Analysis of net funds

| | net cash at 1 Jan 2002 £'000 | cash flow £'000 | exchange difference £'000 | net cash at 30 June 2002 £'000 |
|---|---|---|---|---|
| Cash at bank | 16,186 | 8,175 | 27 | 24,388 |
| Liquid resources | 2,741 | (271) | (191) | 2,279 |
| Bank overdraft | – | (717) | 6 | (711) |
| | 18,927 | 7,187 | (158) | 25,956 |

## 13. Reconciliation of net cash flow to movement in net funds

| | unaudited six months ended 30 June 2002 | unaudited six months ended 30 June 2001 | audited year ended 31 Dec 2001 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Increase / (decrease) in cash | 8,175 | (1,900) | (850) |
| Increase in bank overdraft | (717) | – | – |
| Cash inflow from management of liquid resources | (271) | – | – |
| Change in net funds arising from cash flows | 7,187 | (1,900) | (850) |
| Exchange movement | (158) | (136) | 317 |
| Movement in net funds in the period | 7,029 | (2,036) | (533) |
| Net funds at beginning of period | 18,927 | 19,460 | 19,460 |
| Net funds at end of period | 25,956 | 17,424 | 18,927 |

## *14. Retirement benefits*

The retirement benefits liability relates to the US defined benefit pension scheme and to the US post-retirement medical benefits plan.

Entitlement to additional benefit accruals under the US defined benefits pension scheme ceased on 31 December 2001. The accounts for the year then ended include an exceptional credit of £2,036,000 arising from the closure of the scheme.

The US post-retirement medical benefits plan relates to certain former employees who retired prior to 30 September 1995 and to a small number of current and former employees who were employed at that date. Accordingly, further benefit accruals under this plan are insignificant.

| | unaudited six months ended 30 June 2002 | unaudited six months ended 30 June 2001 (restated) | audited year ended 31 Dec 2001 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Retirement benefits liability at start of period | (12,212) | (8,297) | (8,297) |
| Pension contributions | 1,032 | 424 | 775 |
| Payment of medical benefits | 118 | 116 | 232 |
| Service costs | (55) | (224) | (448) |
| Effect of curtailment | – | – | 2,036 |
| Net finance expense | (175) | (88) | (177) |
| Actuarial loss | (4,230) | (3,039) | (6,111) |
| Foreign exchange translation | 837 | (495) | (222) |
| Retirement benefits liability at end of period | (14,685) | (11,603) | (12,212) |

Management Consulting Group PLC is registered in England and Wales (number 1000608) and its registered office is 21 New Fetter Lane London EC4A 1AW.

# contacts for investors and clients

## investor relations

The group welcomes contact with its shareholders.

Enquiries should be directed to:

| | | |
|---|---|---|
| *Kevin Parry* | *Chief Executive* | *(kparry@mcgplc.com)* |
| *Stephen Purse* | *Finance Director* | *(spurse@mcgplc.com)* |
| | *London office* | *+44 20 7832 3700* |

## operational contacts

We welcome clients introduced by shareholders.
Shareholders wishing to provide introductions to potential clients should contact:

| | | |
|---|---|---|
| *Paul George* | *Executive Director* | *(pgeorge@mcgplc.com)* |
| | *London office* | *+44 20 7832 3700* |

## administrative matters

Administrative matters should be directed to:

| | | |
|---|---|---|
| *Steve Hitchcock* | *Company Secretary* | *(stevehitchcock@mcgplc.com)* |
| | *Palm Beach Gardens office:* | *+1 561 624 4377* |

Additionally, we encourage shareholders to register for copies of corporate communications on our investor relations website at **www.mcgplc.com**

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