Management Consulting Group PLC

2004

interim report

contents

management statement

The results for the six months ended 30 June 2004 show significant improvements in both Proudfoot Consulting and Parson Consulting. For the first time, Parson Consulting reported an operating profit before goodwill amortisation for the period, reflecting the turn-around of the business. The results are summarised as follows:

	unaudited six months ended 30 June 2004	*unaudited six months ended 30 June 2003*	*audited year ended 31 Dec 2003*
	£'000	*£'000*	*£'000*
Revenue			
Proudfoot	**46,831**	*33,770*	*68,238*
Parson	**16,108**	*9,528*	*20,411*
	62,939	*43,298*	*88,649*
Operating profit/(loss) before goodwill amortisation			
Proudfoot	**6,890**	*2,260*	*4,519*
Parson	**615**	*(3,234)*	*(4,310)*
	7,505	*(974)*	*209*

Group results

Overall turnover for the six months ended 30 June 2004 was £62.9 million (six months ended 30 June 2003: £43.3 million; six months ended 31 December 2003: £45.3 million).

The 45% improvement in turnover compared with the same period last year reflects a general improvement in North American economic conditions. In addition, there was increased demand from the telecommunications and financial sectors, and Parson Consulting benefited from work associated with the Sarbanes-Oxley Act in the United States.

In the period, 67% of turnover was attributable to North America (six months ended 30 June 2003: 61%). Reported North American revenues grew by 59% compared to the corresponding period of 2003. The US dollar was weaker relative to Sterling, and after adjusting for the impact of this, the underlying revenue growth in US dollars was approximately 70%.

The Group's gross margin continued to be well managed and was 50% (2003: 49%) of turnover. This was due to the normal tight control of the costs of delivery. In addition, in Parson Consulting, which is of increasing significance to the Group, there was an improvement in prices.

In 2003 we took the decision not to reduce the headcount of our sales force as to have done so would have not permitted the improvement in business experienced in 2004. Accordingly, although turnover increased significantly in the first half of 2004, selling expenses increased by just £0.6 million and represented 24% of turnover (2003: 33%). Selling costs as a proportion of turnover are now at a more normal level with the absolute increase in costs reflecting higher performance bonuses.

Administration expenses, excluding goodwill of £1.9 million (2003: £2.0 million), were £8.5 million (2003: £7.5 million). Costs were tightly managed and the increase reflects higher performance bonuses than in the corresponding period.

The very high operational gearing in the Group has resulted in an operating profit before goodwill amortisation of £7.5 million (2003: loss of £1.0 million). After goodwill amortisation the operating profit was £5.6 million (2003: loss of £3.0 million). EBITDA was £8.1 million (2003: loss of £0.3 million).

The tax charge of £2.0 million (2003: £0.7 million) represents mainly tax payable in countries where the relevant subsidiary company does not have sufficient brought forward tax losses to offset profits earned in the period.

Proudfoot Consulting

Proudfoot Consulting's turnover was £46.8 million (2003: £33.8 million). Its North American revenue increased by 61%, following the momentum that we started to observe at the end of last year. Pleasingly, there was also a 15% improvement in European revenue. The improvement in Europe was most evident in the United Kingdom with conditions in continental Europe remaining challenging. Revenue from the rest of the world was little changed.

To service the increased level of business, we recruited additional consultants, primarily in North America. The availability of consultants remains good due to the difficult last three years for the consulting market. There is little apparent salary inflation in the marketplace.

The high operational gearing in the business resulted in a significant improvement in operating profit before goodwill amortisation from £2.3 million in the six months ended 30 June 2003 to £6.9 million in the first half of this year.

In South Africa, we are increasingly undertaking projects in partnership with black empowered consulting organisations to reflect the emphasis being put by clients on engaging consultants that reflect the demographic make-up of the country. Over time, we anticipate that the current project by project arrangements will become more formalised which will allow our business to develop faster in South Africa.

We continue to seek opportunities to expand into new markets. In July, we separated out the Chinese business from the remainder of our Asia Pacific business to reflect increasing client interest in doing business in China and the significant cultural differences compared with the Australian and New Zealand business. The investment cost is modest because the administration functions can be absorbed by our existing infrastructure.

The current order book is 35% ahead of the same time last year with a number of orders extending into 2005.

Parson Consulting

Parson Consulting has now been owned for just over two years. The business has continued to make excellent progress from the monthly breakeven position first achieved in November 2003.

This is the first period for which Parson Consulting has contributed to the Group's profits, achieving a profit before goodwill amortisation of £0.6 million (2003: loss of £3.2 million).

North American revenue grew 56% with approximately an even split between work related to control assessments required by the Sarbanes-Oxley Act and other financial management services. In addition, the UK based operations contributed £1.8 million (2003: £0.4 million) of revenue largely unrelated to Sarbanes-Oxley. This strong growth has allowed us to increase the speed of investment in senior personnel and required significant recruitment of delivery consultants.

The outlook for Sarbanes-Oxley control assessment work remains strong as a result of companies increasingly recognising the amount of work required to comply with the legislation and a widening of the interpretation of the Act's requirements. In addition, smaller companies and non-domestic SEC registrants have a further year in which to comply with the Act and many companies not registered with the SEC are voluntarily seeking to comply with the standards or are being encouraged to comply by their bankers. Following on from initial work resulting from the introduction of the Act, there will be continuing compliance requirements for all companies.

We are launching a number of new financial management services to enable us to build upon the client relationships which we have established through the control assessment work. Parson Consulting should also benefit from the fact that the Big Four accounting firms may be prevented from providing such services to their audit clients. In addition, the UK's Financial Reporting Council has announced a review of the continued appropriateness of the Turnbull guidance on internal control and risk management in the light of the international developments and this may lead to further new opportunities for Parson.

The current order book is well over twice the level of the same time last year.

Earnings per share
The basic earnings per share for the six months was 2.0 pence compared with a loss of 1.9 pence per share in the corresponding period. Headline earnings per share, before goodwill amortisation, was 3.0 pence (2003: loss of 0.8 pence).

Dividend
As indicated previously, it is our policy to pay only one dividend a year, after the declaration of the annual results. Accordingly, no interim dividend is being declared.

Balance sheet
The Group's cash balance increased from £9.7 million at 31 December 2003 to £12.4 million at 30 June 2004. Deferred consideration of £1.1 million was paid during the period, which completes our obligations in relation to acquisitions in prior years.

The deficit related to the closed defined benefit pension and medical plans has decreased to £12.5 million from £13.2 million at 31 December 2003, despite more conservative actuarial assumptions. This reflects funding of the pension deficit during the year and the return on the scheme's assets which was higher than the benchmark return.

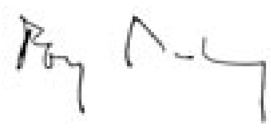
People

The board welcomes our new recruits to the Group and thanks both them and our longer serving employees for their commitment to our clients and the Group.

Outlook

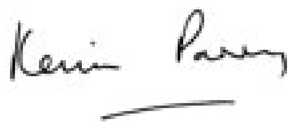
As noted in previous reports, the second half performance is seasonally weaker than the first half due to fewer working days and the slow down in order intake in the third quarter as a result of the holiday season in Europe. However, the order books in both businesses are significantly better than at the same time a year ago which points to good progress in the second half compared with the corresponding period of last year.

The trading improvements in both Proudfoot Consulting and Parson Consulting are enabling us to invest further in new services and new markets and we expect this investment to start showing returns in the next financial year.



R W H Stomberg
Non-executive Chairman

9 August 2004



K A H Parry
Chief Executive

9 August 2004

independent review report

by Deloitte & Touche LLP 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 2004 which comprises the group profit and loss account, the group statement of total recognised gains and losses, the group balance sheet, the group cash flow statement and related notes 1 to 16. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The 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 polices and presentation applied to the interim figures are 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 the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries 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 2004.

Deloitte & Touche LLP
Chartered Accountants
9 August 2004 London

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information 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 2004	note	**unaudited six months ended 30 June 2004 £'000**	*unaudited six months ended 30 June 2003 £'000*	*audited year ended 31 Dec 2003 £'000*
Turnover	2	**62,939**	*43,298*	*88,649*
Cost of sales		**(31,771)**	*(22,256)*	*(45,137)*
Gross profit		**31,168**	*21,042*	*43,512*
Selling costs		**(15,121)**	*(14,473)*	*(28,303)*
Administrative expenses				
Excluding goodwill amortisation		**(8,542)**	*(7,543)*	*(15,000)*
Goodwill amortisation		**(1,893)**	*(2,021)*	*(4,029)*
Total administrative expenses		**(10,435)**	*(9,564)*	*(19,029)*
Operating profit/(loss):				
Before goodwill amortisation		**7,505**	*(974)*	*209*
After goodwill amortisation		**5,612**	*(2,995)*	*(3,820)*
Total operating profit/(loss) and profit/(loss) on ordinary activities before finance income/(costs)	2	**5,612**	*(2,995)*	*(3,820)*
Finance income/(costs)		**68**	*176*	*(46)*
Profit/(loss) on ordinary activities before taxation	2	**5,680**	*(2,819)*	*(3,866)*
Tax on profit/(loss) on ordinary activities	3	**(1,980)**	*(706)*	*(1,062)*
Profit/(loss) on ordinary activities after taxation		**3,700**	*(3,525)*	*(4,928)*
Equity dividends proposed		**–**	*–*	*(944)*
Retained profit/(loss) for the financial period/year		**3,700**	*(3,525)*	*(5,872)*
Earnings/(loss) per share - pence	5			
Basic		**2.0**	*(1.9)*	*(2.7)*
Diluted		**2.0**	*(1.9)*	*(2.7)*
Headline		**3.0**	*(0.8)*	*(0.5)*

group statement of total recognised gains and losses

six months ended 30 June 2004	note	**unaudited six months ended 30 June 2004** **£'000**	*unaudited six months ended 30 June 2003* *£'000*	*audited year ended 31 Dec 2003* *£'000*
Profit/(loss) for the period/year		**3,700**	*(3,525)*	*(4,928)*
Actuarial (loss)/gain relating to retirement benefit schemes	14	**(422)**	*(1,824)*	*285*
Currency translation differences on foreign currency net investments		**(2,496)**	*944*	*250*
Total recognised gains and losses since the last Annual Report		**782**	*(4,405)*	*(4,393)*

group balance sheet

at 30 June 2004	note	unaudited 30 June 2004 £'000	unaudited 30 June 2003 (restated) * £'000	audited 31 Dec 2003 £'000
Fixed assets				
Intangible assets	6	**64,890**	*73,434*	*69,206*
Tangible assets		**1,908**	*1,886*	*1,649*
		66,798	*75,320*	*70,855*
Current assets				
Debtors	7	**14,564**	*9,762*	*7,910*
Cash at bank and in hand and deposits		**12,384**	*9,553*	*9,738*
		26,948	*19,315*	*17,648*
Creditors: amounts falling due within one year	8	**(30,595)**	*(22,781)*	*(24,015)*
Net current liabilities		**(3,647)**	*(3,466)*	*(6,367)*
Total assets less current liabilities		**63,151**	*71,854*	*64,488*
Creditors: amounts falling due after more than one year	9	**(3,212)**	*(3,929)*	*(3,387)*
Provisions for liabilities and charges		**(2,397)**	*(2,678)*	*(3,180)*
Net assets excluding retirement benefits liability		**57,542**	*65,247*	*57,921*
Retirement benefits liability	14	**(12,507)**	*(18,491)*	*(13,213)*
Net assets including retirement benefits liability		**45,035**	*46,756*	*44,708*
Capital and reserves				
Called up share capital		**47,256**	*47,198*	*47,198*
Share premium account		**38,026**	*38,009*	*38,009*
Shares to be issued		**1,636**	*3,282*	*2,166*
Own shares held by employee share trust	1	**(970)**	*(970)*	*(970)*
Other reserves		**(2,087)**	*1,103*	*409*
Profit and loss account		**(38,826)**	*(41,866)*	*(42,104)*
Shareholders' funds - equity	10	**45,035**	*46,756*	*44,708*

* See note 1

group cash flow statement

six months ended 30 June 2004	note	**unaudited six months ended 30 June 2004**	*unaudited six months ended 30 June 2003*	*audited year ended 31 Dec 2003*
		£'000	*£'000*	*£'000*
Net cash inflow/(outflow) from operating activities	11	**7,808**	*(5,935)*	*(4,957)*
Returns on investments and servicing of finance				
Interest received		**109**	*153*	*247*
Interest paid		**–**	*–*	*–*
Net cash inflow from returns on investments and servicing of finance		**109**	*153*	*247*
Taxation		**(2,352)**	*(544)*	*(553)*
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**(842)**	*(50)*	*(594)*
Proceeds from sale of tangible fixed assets		**–**	*–*	*205*
Net cash outflow from capital expenditure and financial investment		**(842)**	*(50)*	*(389)*
Acquisitions and disposals				
Payments to acquire subsidiary undertakings		**(1,074)**	*(4,984)*	*(5,189)*
Net cash outflow from acquisitions and disposals		**(1,074)**	*(4,984)*	*(5,189)*
Equity dividends paid		**(925)**	*(911)*	*(911)*
Cash inflow/(outflow) before use of liquid resources and financing		**2,724**	*(12,271)*	*(11,752)*
Financing				
Net proceeds from issue of ordinary shares		**48**	*–*	*–*
Net cash inflow from financing		**48**	*–*	*–*
Increase/(decrease) in cash in the period/year	12, 13	**2,772**	*(12,271)*	*(11,752)*

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 2003. The balance sheet at 30 June 2003 has been restated to take account of UITF Abstract 38, which was issued on 15 December 2003, and which requires the Management Consulting Group PLC ordinary shares owned by the employee share trust to be presented as a reduction of shareholders' funds rather than as an investment.

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:

Continuing operations	**unaudited six months ended 30 June 2004 £'000**	*unaudited six months ended 30 June 2003 £'000*	*audited year ended 31 Dec 2003 £'000*
North America	**42,282**	*26,512*	*54,457*
Europe	**15,853**	*12,467*	*24,650*
Africa	**1,643**	*2,128*	*4,698*
Asia Pacific	**3,161**	*2,191*	*4,844*
	62,939	*43,298*	*88,649*

(b) Profit/(loss) before taxation

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

	unaudited six months ended 30 June 2004 £'000	*unaudited six months ended 30 June 2003 £'000*	*audited year ended 31 Dec 2003 £'000*
North America	**7,201**	*(525)*	*2,736*
Europe	**(1,341)**	*(2,544)*	*(6,899)*
Africa	**(555)**	*(21)*	*25*
Asia Pacific	**307**	*95*	*318*
Total operating profit/(loss)	**5,612**	*(2,995)*	*(3,820)*
Finance income/(costs)	**68**	*176*	*(46)*
Group profit/(loss) in ordinary activities before taxation	**5,680**	*(2,819)*	*(3,866)*

3. Taxation

The Group is tax paying in certain jurisdictions, and several jurisdictions apply minimum levels of taxation. The tax charge for the six months ended 30 June 2004 reflects such taxes. In other jurisdictions there are unrelieved losses.

4. Earnings before interest, tax, depreciation and amortisation

	unaudited six months ended 30 June 2004	*unaudited six months ended 30 June 2003*	*audited year ended 31 Dec 2003*
	£'000	*£'000*	*£'000*
Operating profit/(loss)	**5,612**	*(2,995)*	*(3,820)*
Depreciation	**556**	*635*	*1,223*
Amortisation of goodwill	**1,893**	*2,021*	*4,029*
EBITDA	**8,061**	*(339)*	*1,432*

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. Dilution is not recognised where continuing operations are loss making.

5. Earnings per share (cont)

The average share price for the six months ended 30 June 2004 was 35.3 pence (30 June 2003: 44.4 pence and 31 December 2003: 36.9 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'.

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

six months ended 30 June 2004 (unaudited)	earnings £'000	weighted average number of shares (million)	earnings per share amount (pence)
Basic EPS			
Profit attributable to shareholders	3,700	184.9	2.00
Effect of dilutive securities			
Options	–	0.7	(0.01)
Fully diluted EPS	3,700	185.6	1.99
Basic EPS	3,700	184.9	2.00
Goodwill amortisation	1,893	–	1.02
Headline EPS	5,593	184.9	3.02

5. Earnings per share (cont)

six months ended 30 June 2003 (unaudited)	*earnings*	*weighted average number of shares*	*earnings per share amount*
	£'000	*(million)*	*(pence)*
Basic EPS			
Loss attributable to shareholders	*(3,525)*	*182.5*	*(1.93)*
Effect of dilutive securities			
Options	*–*	*–*	*–*
Fully diluted EPS	*(3,525)*	*182.5*	*(1.93)*
Basic EPS	*(3,525)*	*182.5*	*(1.93)*
Goodwill amortisation	*2,021*	*–*	*1.11*
Headline EPS	*(1,504)*	*182.5*	*(0.82)*

year ended 31 December 2003 (audited)	*earnings*	*weighted average number of shares*	*earnings per share amount*
	£'000	*(million)*	*(pence)*
Basic EPS			
Loss attributable to shareholders	*(4,928)*	*183.7*	*(2.68)*
Effect of dilutive securities			
Options	*–*	*–*	*–*
Fully diluted EPS	*(4,928)*	*183.7*	*(2.68)*
Basic EPS	*(4,928)*	*183.7*	*(2.68)*
Goodwill amortisation	*4,029*	*–*	*2.19*
Headline EPS	*(899)*	*183.7*	*(0.49)*

6. Intangible assets

Intangible assets consist of goodwill arising on acquisitions which is being amortised over a period of 20 years. The total amortisation charge for the period was £1.9 million (30 June 2003: £2.0 million) of which £0.8 million (30 June 2003: £0.9 million) relates to North America and £1.1 million (30 June 2003: £1.1 million) relates to Europe.

7. Debtors

	unaudited 30 June 2004 £'000	*unaudited 30 June 2003 £'000*	*audited 31 Dec 2003 £'000*
Trade debtors	**9,065**	*5,710*	*4,482*
Other debtors	**1,207**	*827*	*710*
Taxation recoverable	**2,776**	*1,693*	*1,592*
Prepayments and accrued income	**1,516**	*1,532*	*1,126*
	14,564	*9,762*	*7,910*

8. Creditors: amounts falling due within one year

	unaudited 30 June 2004 £'000	*unaudited 3 June 2003 £'000*	*audited 31 Dec 2003 £'000*
Trade creditors	**1,271**	*1,670*	*1,424*
Other creditors	**20**	*1,062*	*1,052*
Corporation tax	**5,785**	*4,023*	*3,987*
Other taxes and social security	**1,455**	*1,235*	*1,838*
Deferred income	**2,783**	*1,543*	*1,782*
Accruals	**19,281**	*13,248*	*12,988*
Proposed dividend	**–**	*–*	*944*
	30,595	*22,781*	*24,015*

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

	unaudited 30 June 2004	*unaudited 30 June 2003*	*audited 31 Dec 2003*
	£'000	*£'000*	*£'000*
Corporation tax	**2,359**	*2,535*	*2,359*
Accruals	**853**	*1,394*	*1,028*
	3,212	*3,929*	*3,387*

10. Reconciliation of movements in equity shareholders' funds

	unaudited six months ended 30 June 2004	*unaudited six months ended 30 June 2003 (restated)*	*audited year ended 31 Dec 2003*
	£'000	*£'000*	*£'000*
Profit/(loss) for the period/year	**3,700**	*(3,525)*	*(4,928)*
Other recognised gains and losses during the period/year	**(2,918)**	*(880)*	*535*
New share capital issued	**75**	*1,281*	*1,281*
Equity dividends proposed	**–**	*–*	*(944)*
Decrease in reserve for shares to be issued	**(530)**	*(6,145)*	*(7,261)*
Net increase/(decrease) in shareholders' funds	**327**	*(9,269)*	*(11,317)*
Opening shareholders' funds – as previously reported		*56,995*	
Prior year adjustment for own shares held by employee share trust (see note 1)		*(970)*	
Opening shareholders' funds – adjusted	**44,708**	*56,025*	*56,025*
Closing shareholders' funds	**45,035**	*46,756*	*44,708*

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

	unaudited six months ended 30 June 2004	*unaudited six months ended 30 June 2003*	*audited year ended 31 Dec 2003*
	£'000	*£'000*	*£'000*
Operating profit/(loss)	**5,612**	*(2,995)*	*(3,820)*
Depreciation	**556**	*635*	*1,223*
Amortisation	**1,893**	*2,021*	*4,029*
Management long term incentive plan credit	**(502)**	*(1,504)*	*(1,919)*
Adjustment for pension funding	**(1,024)**	*(515)*	*(3,029)*
(Increase)/decrease in debtors	**(5,364)**	*(1,735)*	*534*
Increase/(decrease) in creditors	**6,685**	*(1,727)*	*(2,043)*
(Decrease)/increase in provisions	**(48)**	*(115)*	*68*
Net cash inflow/(outflow) from operating activities	**7,808**	*(5,935)*	*(4,957)*

12. Analysis of net funds

	net funds at 1 Jan 2004	**cash flow**	**exchange movement**	**net funds at 30 June 2004**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank	**9,738**	**2,772**	**(126)**	**12,384**

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

	unaudited six months ended 30 June 2004	*unaudited six months ended 30 June 2003*	*audited year ended 31 Dec 2003*
	£'000	*£'000*	*£'000*
Increase/(decrease) in cash	**2,772**	*(12,271)*	*(11,752)*
Change in net funds arising from cash flows	**2,772**	*(12,271)*	*(11,752)*
Exchange movement	**(126)**	*(104)*	*(438)*
Movement in net funds in the period/year	**2,646**	*(12,375)*	*(12,190)*
Net funds at beginning of period/year	**9,738**	*21,928*	*21,928*
Net funds at end of period/year	**12,384**	*9,553*	*9,738*

14. Retirement benefits

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

Entitlement to additional benefits under the US defined benefits pension scheme ceased on 31 December 2001. 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.

The retirement benefits liability at 30 June 2004 has been estimated by the actuaries on the basis described in the last annual report except that the discount rate applied to the liabilities has been increased by 0.25% to 6.25% and the mortality assumptions have been revised. The latter gave rise to an actuarial loss of £1.0 million which is included in the £0.4 million actuarial loss arising in the period.

14. Retirement benefits (cont)

	unaudited six months ended 30 June 2004 £'000	*unaudited six months ended 30 June 2003 £'000*	*audited year ended 31 Dec 2003 £'000*
Retirement benefits liability at start of period/year	**(13,213)**	*(17,290)*	*(17,290)*
Pension contributions	**947**	*428*	*1,315*
Payment of medical benefits	**77**	*88*	*140*
Service costs	**-**	*(1)*	*1,574*
Net finance expense	**(138)**	*(422)*	*(725)*
Actuarial (loss)/gain	**(422)**	*(1,824)*	*285*
Foreign exchange translation	**242**	*530*	*1,488*
Retirement benefits liability at end of period/ year	**(12,507)**	*(18,491)*	*(13,213)*

15. Statutory accounts

The above financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The statutory accounts for the financial year ended 31 December 2003, upon which the auditors issued an unqualified opinion pursuant to Section 235 of the Companies Act 1985 and which do not contain a statement under sub-section (2) or Section 237 of that Act, have been delivered to the Registrar of Companies.

16. International Financial Reporting Standards

The Group will prepare its first full financial statements in accordance with International Financial Reporting Standards (IFRS) for the year ending 31 December 2005. The Group has carried out an initial high level assessment of the impact that IFRS will have on the financial results and we have begun the initial phase of quantifying the impact on 2004 comparative information. The final requirements of IFRS are not yet certain. Our initial assessment indicates that the principal effects on our financial statements will be the elimination of goodwill amortisation and the introduction of a charge for share options. Further information will be provided in the annual report for the year ending 31 December 2004.

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 Kevin Parry or Stephen Purse (see contact details above).

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**

21 New Fetter Lane
London EC4A 1AW
Tel: +44 20 7832 3700
Fax: +44 20 7832 3601

www.mcgplc.com