

7 August 2006



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Financial results for the six months ended 30 June 2006

Management Consulting Group PLC (“MCG” or “the Group”), the international management consultancy group, today announces its results for the six months ended 30 June 2006.

Key points

- Revenue up 18% on last year to £67.3 million (2005: £57.2 million)
- Profit from operations up 51% to £6.9 million (2005: £4.6 million)
- Profit before tax up 54% at £7.3 million (2005: £4.7 million)
- Earnings per share up 53% to 2.9 pence (2005: 1.9 pence)
- Order book currently in line with last year
- Proposed acquisition of Ineum Consulting

Rolf Stomberg, Chairman:

“The Group has delivered a good result. The acquisition of Ineum, announced last month is a key development in our strategic plan to achieve growth by expanding our service offerings in existing and new geographies.”

Kevin Parry, Chief Executive:

“The Group has made significant progress on the first half of last year. Parson Consulting has shown good revenue growth outside of North America. Steps have been taken to address the shortcomings in its American business and progress should be visible in the fourth quarter. Proudfoot Consulting has performed very well and is now achieving its goal of a sustainable 15% operating margin.”

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Management Consulting Group PLC

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An analyst briefing will be held today at the offices of Management Consulting Group PLC on the 6th floor of Fleet Place House, 2 Fleet Place, Holborn Viaduct, London, EC4M 7RF at 9.30 am.

Notes to Editors

Management Consulting Group PLC currently comprises two businesses: Proudfoot Consulting and Parson Consulting. On 25 July 2006 it announced the acquisition of Ineum Consulting (“Ineum”) for €120 million (£82 million) plus the assumption of up to €13.8 million (£9 million) of net debt. That transaction is anticipated to complete, subject to shareholder approval, on 1 September 2006.

Proudfoot Consulting helps clients to achieve significantly increased profitability through the implementation of operational improvements leading to increased sales, lower operating and overhead costs, greater output and lower capital expenditure. Its clients include BP, National Australia Bank, Newmont Mining, PSA Peugeot-Citroën and Société Générale.

Parson Consulting specialises in financial management consultancy. It is free of auditing conflicts and provides Sarbanes-Oxley compliant services. It has four service lines: governance and risk management, operational financial management, strategic financial management and transaction support. Its clients include Avis, Citigroup, Ford, General Mills, Kingfisher, Shell and Warner Bros.

Ineum, which Management Consulting Group PLC has agreed to acquire subject to shareholder approval, provides a broad range of consulting services relevant to specific industries including operational strategy, marketing and sales, supply chain management, IT and programme management. Its industry groups are focussed on the financial, public, manufacturing, consumer goods, energy and utilities, telecommunications and media, transportation and middle market sectors. The financial management business of Ineum will be combined with that of Parson Consulting’s French business. Its clients include BNP Paribas, EDF, Schneider, Société Générale, Veolia and Vivendi.

Important note

This trading update contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Management Consulting Group PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this trading update should be construed as a profit forecast.

Management Statement

The Group's trading results are consistent with the trading update provided on 12 May 2006: revenue for the period is considerably ahead of the same period last year. Proudfoot Consulting has made good progress in all geographic areas. Parson Consulting has made good progress outside North America but its performance in North America was weak principally as a result of the run-off of Sarbanes-Oxley related work.

The results for the six months ended 30 June 2006 are summarised as follows:

	Unaudited Six months ended 30 June 2006 £'000	Unaudited Six months ended 30 June 2005 £'000	Audited Year ended 31 Dec 2005 £'000
Revenue			
Proudfoot Consulting	51,656	35,989	86,385
Parson Consulting	15,687	21,229	43,216
	67,343	57,218	129,601
Profit/(loss) from operations			
Proudfoot Consulting			
- Before release of indemnity provision	8,431	2,636	10,417
- Release of indemnity provision	335	897	897
	8,766	3,533	11,314
Parson Consulting	(1,857)	1,032	2,245
	6,909	4,565	13,559

Group results

Revenue for the six months ended 30 June 2006 was up 18%.

The first half revenue of Proudfoot Consulting was strong, built on the back of a robust order book going into 2006. A larger number of client engagements contributed to the result than in the second half of 2005 which had a smaller number of larger engagements. All geographic units showed revenue growth.

The performance of Parson Consulting was mixed. In North America, as Sarbanes-Oxley related work has been completed, the transition to the provision of our other services has been slow to establish. This was due to a softer than expected market which offset the impact of our increased sales initiatives. In contrast outside North America, all units have shown good progress and the new services in the areas of strategic finance and corporate transactions support have sold well.

In the period, 53% of Group revenue was attributable to North America (six months ended 30 June 2005: 61%). North American revenues increased by 4% compared with the corresponding period of 2005. Europe's share of revenue was 36% (six months ended 30 June 2005: 34%) with reported revenues 25% up compared with the corresponding period of 2005. In the rest of the world, revenues increased by 138% with growth in all geographies.

The Group's gross margin continued to be well managed and was 51% (six months ended 30 June 2005: 49%).

Selling costs were £2.6 million higher than in the corresponding period of 2005 due to both increased revenue and investment in extra sales resources in Europe and Greater China.

The total profit from operations was £6.9 million compared with £4.6 million in the corresponding period of 2005.

The tax charge on pre-tax profits is 28% compared with 27% for the first half of 2005. This includes 6% points in respect of deferred tax that is required to be charged in respect of tax deductions for goodwill but will not become payable unless our consulting businesses are sold. The underlying tax rate of 22% is below the statutory rate of tax due to the utilisation of brought forward losses that have not previously been able to be recognised as deferred tax assets.

Proudfoot Consulting

Proudfoot Consulting's revenue was £51.7 million (2005: £36.0 million). Every geographic region showed strong growth on the first six months of last year. This has been achieved by a solid overall performance rather than being due to any particularly large engagements.

The profit from operations was £8.8 million (2005: £3.5 million). The increase in profitability is attributable to the operational gearing associated with the increased revenue. The European region's progress has continued and it contributed £1.8 million to profit from operations.

There is a non-recurring credit of £0.3 million (2005: £0.9 million) associated with a surplus provision arising from the disposal of Proudfoot's Japanese business in 2000. No further profits or losses will arise from that transaction.

In the light of Proudfoot Consulting's strong trading, we have established a start-up business in Brazil with an initial revenue investment estimated to amount to £0.5 million in this calendar year concentrating on the management and sales functions.

Parson Consulting

Parson Consulting's revenue was £15.7 million (2005: £21.2 million). Revenue in North America declined by £6.9 million with engagements related to Sarbanes-Oxley amounting to £2.5 million compared with £7.7 million in the same period of last year. In the rest of the world revenue increased by 29% to £6.3 million (2005: £4.9 million).

The revenue decline in North America resulted in Parson as a whole reporting a loss from operations of £1.9 million (2005: profit from operations of £1.0 million).

We previously reported that Parson North America's trading has been slow. This continued in the second quarter of the year as the sale of follow on Sarbanes-Oxley related and other engagements did not meet the expected target levels. This was due to a softer than expected market demand which offset the impact of our increased sales initiatives. In April we strengthened the management of Parson North America, so separating that unit's management from that of the consultancy's management as a whole. In addition, the management structure has been simplified and restructured. Intense reinforcement of core sales disciplines is underway.

In contrast outside North America, the non Sarbanes-Oxley service lines have sold well and in the United Kingdom in particular we have seen a good take-up in services associated with corporate transactions. We have also seen good growth in Australia and France where our recent investments in new service lines are coming to fruition.

Earnings per share

The basic earnings per share for the six months ended 30 June 2006 increased by 53% to 2.9 pence compared with 1.9 pence in the corresponding period last year.

Dividend

In accordance with our established policy, we pay dividends once per year, after the declaration of the annual results. Accordingly, no interim dividend is being declared.

Balance sheet

The decrease of £0.3 million in the goodwill balance is wholly attributable to the weakening of the US dollar against Sterling.

The Group's cash balance was £23.5 million compared with £10.9 million at 30 June 2005. The increase in cash reflects the conversion to cash of the profits of the Group in the last 12 months decreased by the funding of the closed US defined benefit pension plan and the dividend.

The deficit related to the closed defined benefit pension and medical plans decreased substantially from £14.6 million at 30 June 2005 to £6.1 million as a result of cash contributions, the investment performance, foreign exchange and a 1% higher discount rate being applied to the long term liabilities following increases in market rates.

Strategic direction

On 25 July 2006 we announced the proposed acquisition of Ineum which is due to complete on 1 September 2006. This is a key development in the execution of the Group's strategic goal to deliver growth through broadening our consultancy offerings in existing and new geographies. The proposed acquisition increases the depth of Parson Consulting, our financial management practice, and also allows us to offer services to specific industries and the public sector in line with their particular needs. The acquisition has a number of important operational, geographic and financial benefits: it secures France's largest independent national management consultancy, secures a strong position for the Group in the world's fourth largest consulting market place and adds a well-managed and profitable business with growing revenues. As well as reducing the Group's exposure to US dollar earnings, the acquisition is also expected to be earnings and operating margin enhancing in 2007.

Going forward our strategy remains unchanged. We will continue to explore ways to develop the service offerings of all parts of the business. Proudfoot Consulting and Parson Consulting businesses have excellent medium term prospects. We continue to be interested in making acquisitions of businesses that broaden the Group's consulting offerings and in widening the coverage of Parson Consulting and Ineum in geographies outside their existing operations. The timing of future acquisitions will depend upon the commercial fit, availability of suitable businesses and the terms on which they are available.

Financial impact of Ineum acquisition

The acquisition of Ineum will result in approximately £30 million of term debt which will improve the efficiency of the Group's capital structure, without constraining the implementation of the Group's strategy.

The acquisition will also result in the identification of intangible assets. In accordance with IFRS intangible assets other than goodwill are amortised in the income statement over their estimated economic life. One-off integration costs amounting to £3.8 million are estimated to be incurred in the 2006 and 2007 financial years. Excluding these items, we anticipate that the acquisition of Ineum will be earnings enhancing in the 2007 financial year.

Outlook

Whilst it remains too early to comment on the outcome for the year as a whole because work to be won in the remainder of the year is a key determinant of the result, we remain confident that the business overall will continue to perform well.

The Group order book is in line with the level at this time last year with Proudfoot Consulting comprising a greater proportion and Parson Consulting a lesser proportion of the order book than a year ago. Parson North America's early indicators of pipeline opportunities are showing good improvements which are anticipated to translate into fourth quarter progress. The pipeline for Proudfoot Consulting and for Parson Consulting outside North America is robust.



R W H Stomberg
Chairman



K A H Parry
Chief Executive

7 August 2006

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 2006 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 11. 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 policies 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 International Standards on Auditing (UK and Ireland) 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 2006.

Deloitte & Touche LLP

Chartered Accountants

London

7 August 2006

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 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.

Consolidated income statement

Six months ended 30 June 2006	Note	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Continuing operations				
Revenue	3	67,343	57,218	129,601
Cost of sales		(32,697)	(29,307)	(64,847)
Gross profit		34,646	27,911	64,754
Selling costs		(19,370)	(16,746)	(34,931)
Administrative expenses		(8,367)	(6,600)	(16,264)
Profit from operations		6,909	4,565	13,559
Investment income		531	224	453
Finance costs		(125)	(51)	(92)
Profit before tax		7,315	4,738	13,920
Income tax expense	5	(2,014)	(1,285)	(4,128)
Profit for the period		5,301	3,453	9,792
Earnings per share				
From continuing operations				
Basic	6	2.9	1.9	5.3
Diluted	6	2.8	1.8	5.2

Consolidated statement of recognised income and expense

Six months ended 30 June 2006	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Note			
Exchange differences on translation of foreign operations	(3,261)	(478)	1,488
Actuarial gains/(losses) on defined benefit pension and medical schemes	3,734	(3,152)	(1,646)
Tax on items taken directly to equity	449	300	825
Net income/(expense) recognised directly in equity	922	(3,330)	667
Profit for the period	5,301	3,453	9,792
Total recognised income and expense for the period	6,223	123	10,459

Statement of changes in equity

Six months ended 30 June 2006	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
At 1 January	57,932	48,276	48,276
Dividends paid	(1,486)	(1,241)	(1,241)
Profit for the period	5,301	3,453	9,792
Own shares purchase for deferred share awards	-	(181)	(181)
Issue of share capital			
Exercise of share options	120	35	35
Share compensation expense	444	332	640
Movement in reserve for management incentive plan	-	(56)	(56)
Other recognised income and expense	922	(3,330)	667
At 30 June	63,233	47,288	57,932

Consolidated balance sheet

as at 30 June 2006	Note	30 June 2006 £'000	30 June 2005 £'000	31 December 2005 £'000
Non-current assets				
Goodwill		66,031	66,358	68,278
Other intangible assets		1,388	522	418
Property, plant and equipment		1,460	1,468	1,521
Total non-current assets		68,879	68,348	70,217
Current assets				
Trade and other receivables		14,237	15,037	16,159
Cash and cash equivalents		23,484	10,858	21,555
Total current assets		37,721	25,895	37,714
Total assets		106,600	94,243	107,931
Current liabilities				
Trade and other payables		(27,056)	(22,503)	(28,045)
Current tax liabilities		(3,915)	(4,256)	(3,959)
Total current liabilities		(30,971)	(26,759)	(32,004)
Net current assets/(liabilities)		6,750	(864)	5,710
Non-current liabilities				
Retirement benefit obligation	9	(6,146)	(14,574)	(11,869)
Non-current tax liabilities		(5,294)	(4,094)	(4,674)
Long-term provisions		(476)	(880)	(871)
Non-current accruals		(480)	(648)	(581)
Total non-current liabilities		(12,396)	(20,196)	(17,995)
Total liabilities		(43,367)	(46,955)	(49,999)
Net assets		63,233	47,288	57,932
Equity				
Share capital	7	47,488	47,373	47,373
Share premium account		38,151	38,146	38,146
Shares to be issued		46	46	46
Share compensation reserve		1,133	948	1,256
Own shares held by employee share trust		(1,270)	(1,270)	(1,270)
Translation reserve		(3,518)	(2,223)	(257)
Other reserves		12,747	12,747	12,747
Retained earnings		(31,544)	(48,479)	(40,109)
Total equity		63,233	47,288	57,932

Consolidated cash flow statement

Six months ended 30 June 2006	Note	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Net cash from operating activities	8	5,690	(2,142)	8,826
Investing activities				
Interest received		442	149	323
Purchase of property, plant and equipment		(403)	(385)	(669)
Purchase of intangible assets		(1,193)	(334)	(454)
Proceeds on disposal of property, plant and equipment		-	16	13
Purchase of own shares		-	(181)	(181)
Net cash used in investing activities		(1,154)	(735)	(968)
Financing activities				
Dividends paid	4	(1,486)	(1,241)	(1,241)
Proceeds from issue of shares		120	35	35
Net cash used in financing activities		(1,366)	(1,206)	(1,206)
Net increase/(decrease) in cash and cash equivalents		3,170	(4,083)	6,652
Cash and cash equivalents at beginning of period		21,555	14,510	14,510
Effect of foreign exchange rate changes		(1,241)	431	393
Cash and cash equivalents at end of period		23,484	10,858	21,555

Notes

1. General information

The information for the year ended 31 December 2005 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified pursuant to Section 235 of the Companies Act 1985 and did not contain a statement under Section 237 (2) or (3) of that Act.

2. Summary of significant accounting policies

(a) Basis of preparation

The interim report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS).

The interim report was approved by the Board on 7 August 2006.

(b) Accounting policies

The accounting policies and methods of computation applied by the Group in the interim report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005. The Group's consolidated financial statements for the year ended 31 December 2005 are available on our website: www.mcgplc.com.

Notes (continued)

3. Segmental information

The Group operates in three geographical areas – North America, Europe and Rest of the World. The following is an analysis of the revenue and results for the period, analysed by geographic segment, the Group's primary basis of segmentation:

Six months ended 30 June 2006	North America £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue				
External sales	35,935	24,552	6,856	67,343
Profit/(loss) from operations before release of indemnity provision	4,508	2,411	(345)	6,574
Release of indemnity provision	-	-	335	335
Profit/(loss) from operations	4,508	2,411	(10)	6,909
Finance income				406
Profit before tax				7,315
Income tax expense				(2,014)
Profit for the period				5,301
Six months ended 30 June 2005	North America £'000	Europe £'000	Rest of World £'000	Consolidated £'000
Revenue				
External sales	34,666	19,673	2,879	57,218
Profit/(loss) from operations before release of indemnity provision	4,406	748	(1,486)	3,668
Release of indemnity provision	-	-	897	897
Profit/(loss) from operations	4,406	748	(589)	4,565
Finance income				173
Profit before tax				4,738
Income tax expense				(1,285)
Profit for the period				3,453

Notes (continued)

4. Dividends

	2006	2005
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend in respect of the year ended 31 December 2005 of 0.80p per share (2005: year ended 31 December 2004 of 0.67p per share)	1,486	1,241

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 2006 (in respect of the year ended 31 December 2005) was £34,000 (2005: £26,000).

5. Taxation

The effective tax charge for the half year is 28% (30 June 2005: 27%), based on profit before tax excluding the release of the Japan indemnity provision of £0.3 million. The effective tax rate is lower than the average corporation tax rate (36%) applicable to the Group due to tax losses brought forward.

Notes (continued)

6. Earnings per share

From continuing operations

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

	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	5,301	3,453	9,792
Number of shares	Number (million)	Number (million)	Number (million)
Weighted average number of ordinary shares for the purposes of basic earnings per share	185.5	185.1	185.2
Effect of dilutive potential ordinary shares:			
- Share options	1.5	3.5	1.4
- Long-term incentive plan	0.2	0.2	0.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	187.2	188.8	186.8
	Pence	Pence	Pence
Basic earnings per share	2.9	1.9	5.3
Diluted earnings per share	2.8	1.8	5.2

The average share price for the six months ended 30 June 2006 was 57.3 pence (30 June 2005: 50.2 pence and 31 December 2005: 51.5 pence).

7. Share capital

During the interim period, the Company issued the following ordinary shares of 25 pence each:

	Number of shares	Nominal value £'000
At 1 January 2006	189,493,412	47,373
Employee share options exercised	458,359	115
At 30 June 2006	189,951,771	47,488

Management Consulting Group PLC

Notes (continued)

8. Notes to the cash flow statement

	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Profit from operations	6,909	4,565	13,559
Adjustments for:			
Depreciation of property, plant and equipment	386	288	604
Amortisation of intangible assets	200	234	462
Gain on disposal of plant and equipment	-	16	14
Management incentive plan	-	(56)	(56)
Adjustment for pension funding	(1,235)	(920)	(2,528)
Adjustment for share options charge	444	332	640
Decrease in provisions	(395)	(886)	(903)
Operating cash flows before movements in working capital	6,309	3,573	11,792
Decrease/(Increase) in receivables	1,912	(1,940)	(4,153)
(Decrease)/Increase in payables	(1,429)	(1,980)	3,911
Cash generated by operations	6,792	(347)	11,550
Income taxes paid	(1,102)	(1,795)	(2,724)
Net cash from operating activities	5,690	(2,142)	8,826

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

9. 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 2006 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 1% to 6.25%. An actuarial gain of £3.7 million arose in the period (30 June 2005: loss of £3.2 million).

Notes (continued)

10. Share based payments

The fair value of options granted was determined using the stochastic valuation model. An expense of £0.4 million has been recognised in the period in respect of the share options granted above (six months ended 30 June 2005: £0.3 million; 2005 full year: £0.6 million). The cumulative share compensation reserve at 30 June 2006 is £1.1 million (30 June 2005: £0.9 million; 31 December 2005: £1.3 million). Options scheduled to vest in March 2006 did not meet the performance criteria and have now lapsed.

11. Events after the balance sheet date

On 25 July 2006 the Group announced the proposed acquisition of Ineum for total consideration of €120 million (£82 million) plus the assumption of up to €13.8 million (£9 million) of debt. The acquisition is due to complete in September 2006.

Important note

This trading update contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Management Consulting Group PLC. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this trading update should be construed as a profit forecast.