Management Consulting Group PLC

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MCG Announces Resilient Results for 2010

Resilient results on stronger second half revenue performance

Management Consulting Group PLC ("MCG" or "the Group"), the global professional services group, today announces its results for the year ended 31 December 2010.

Key points

- Revenue broadly unchanged from previous year at £270.4m (2009: £276.5m)
- Operating profit up 88% to £18.0m (2009: £9.6m)
- Underlying operating profit down 17% to £23.3m (2009: £28.0m)
- Underlying operating margin lower at 8.6% (2009: 10.1%)
- Net debt at year end down 35% to £54.4m (2009: £83.5m)
- Underlying EPS down 30% to 3.5p (2009: 5.0p). Basic EPS 2.4p (2009: 0.4p)
- Total dividend 0.45p per share (2009: 0.4p per share)
- Raised £25m in June 2010 to recapitalise balance sheet
- Merger of Ineum and KSA completed on 1 January 2011
- Encouraging levels of business in early 2011

* Throughout this statement the term 'underlying' is defined as 'before non-recurring items and amortisation and impairment of acquired intangibles for continuing businesses'.

Nick Stagg, Chief Executive, commented:

"In 2010 we took decisive action to make the Group a more robust business with improved prospects for growth in 2011 and beyond. During the period, we strengthened our balance sheet, reduced costs, and successfully completed the formation of Kurt Salmon, alongside Alexander Proudfoot. We will continue to concentrate our efforts on investing in organic growth in our key markets, and improving operational efficiency, in order to progressively benefit our bottom line performance over the next two years. Whilst the risks of instability in the global economy remain, activity levels so far in 2011 are encouraging."

For further information please contact:

Management Consulting Group PLC

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Financial Dynamics

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An analyst briefing will be held at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on 7 March at 9.30am.

Notes to Editors

Management Consulting Group PLC (MMC.L) provides professional services across a wide range of industries and sectors.

It comprises two independently managed practices: Alexander Proudfoot and Kurt Salmon. Alexander Proudfoot develops and implements operational improvements to its clients to increase productivity and reduce costs. Kurt Salmon provides consultancy services to a wide range of industries in both the private and public sectors. The Group operates worldwide. For further information, visit www.mcgplc.com.

Forward looking statements

This preliminary announcement contains certain forward-looking statements with respect to the financial condition, results of 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. The forward-looking statements are based on the directors' current views and information known to them at 7 March 2011. The directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Nothing in this statement should be construed as a profit forecast.

Chairman's Statement

Overview

2010 was another demanding year for Management Consulting Group PLC ("MCG" or "the Group"), but one in which we took decisive action to make MCG a more robust business with improved prospects, by strengthening our balance sheet and establishing a solid platform for profitable organic growth.

After the challenging economic conditions experienced in 2009, the global economic environment in 2010 again provided a difficult backdrop for our clients and our businesses. In many of the sectors and geographies in which we operate the recovery was slower and more fragile than had previously been expected. Each of our businesses performed creditably in these circumstances, and our overall revenues for 2010 were sustained at a level close to those of the previous year. In 2009 we made significant efforts to manage costs to mitigate the influence of lower revenues on bottom line profits. In 2010 it proved more difficult to maintain margins in parts of our business that experienced declining revenues during some periods of the year, and this affected our profitability.

We looked again at our strategy during the first half of 2010 and concluded on the need to recapitalise our balance sheet. With the difficult post-financial crash trading conditions experienced in 2009, it had become clear to us that the level of indebtedness of the Group was too high to allow us the financial flexibility needed to deliver future organic growth, which is our key objective. We raised £25m (before expenses) in a Firm Placing, Placing and Open Offer at 22 pence in June 2010. Some £17m of the equity funds were subscribed by BlueGem Capital Partners LLP, as a new cornerstone investor with a 17% stake in MCG following completion of the capital raising. Our existing shareholders were supportive, and the Open Offer element of the capital raising was oversubscribed, applications being scaled back by 35%. Forty-six employees who were not shareholders were able to participate in the Placing and to take up shares in MCG, demonstrating their support and commitment to our equity story. We remain focused on promoting broader ownership of shares amongst the senior management and staff of MCG to further align their interests with those of our other investors.

The capital raising in the first half of 2010 delivered a substantial reduction in our indebtedness and this will decrease further as our businesses generate operating cash flows as they benefit from improving economic conditions. Indebtedness was reduced by a further £20m in the second half through strong positive operating cashflow and we reported net debt at the end of the year of £54.4m. We will continue to focus on cash generation in 2011.

As part of the capital raising, the Company issued warrants which are convertible into ordinary shares during 2011 at an exercise price of 22p. If all the warrants were converted, the cash raised as a result in 2011 would be £11.4m.

Alexander Proudfoot

Alexander Proudfoot experienced a significant decline in revenues in the first half of the year, as the business felt the effects of slowing activity in the second half of 2009 and a low order book at the end of that year. First half revenues in 2010 were slightly more than half those of the same period in 2009 and the business recorded a small trading loss. Results in the second half, however, improved significantly with revenues 54% higher than the same period in 2009, restoring the business to profitability for the year as a whole albeit still well below historic levels. The performance in Europe in the second half of 2010 and into 2011 has been particularly encouraging, and the business worldwide has benefited from increased demand from clients in the natural resources sector. Alexander Proudfoot has delivered outstanding results and strong margins in the recent past. It entered 2011 with a strong order book and we are confident that its performance will continue to improve.

Ineum Consulting/Kurt Salmon Associates

Ineum Consulting was more robust than our other businesses during the difficult trading conditions experienced in 2009, reflecting the strength of its large French business. In broad terms these strengths were again evident in 2010, although its performance was mixed, with some areas performing very well, and others experiencing reduced demand and pressure on margins. Overall Ineum Consulting revenue decreased by 9% in 2010. In France Ineum Consulting's offering in financial services showed excellent progress, and the public sector practice remained strong. However revenues from mainstream French corporate clients in the manufacturing and services sectors suffered, particularly over the summer and autumn periods. Outside France, the business performed well in the Benelux markets, and increased the profile of its financial sector led practice in the United States. Overall profitability was adversely affected by the poorer performing business sectors in France, and by a weak second half performance in the UK. Towards the end of the year, there were encouraging signs of increased activity in most parts of the business.

Kurt Salmon Associates had suffered badly in 2009 but was showing positive signs of recovery towards the end of that year, and this continued throughout 2010. The business benefited from a slow but steady improvement in demand for its core consulting offerings in the global retail and consumer products sector, as some confidence returned to these markets in the United States and Europe. There was also improvement in the US healthcare consulting practice, as large private hospital groups who are our clients were able to operate in a more secure environment. In overall terms, Kurt Salmon Associates' revenues in 2010 increased by more than 25% from 2009, and its profit margin more than doubled. The improved performance provides an excellent basis for success in 2011.

Much effort during the year was devoted to bringing together the Ineum Consulting and Kurt Salmon Associates businesses in a merged operation which, since 1 January 2011, has been trading as Kurt Salmon. We implemented the merger in the knowledge that the two businesses already shared a similar business culture and an operating model. Their complementary industry and geographic focus provides an opportunity to develop a unified practice that is a stronger competitor in the world market, attracting new talent and delivering enhanced results to all stakeholders. The larger and more integrated global practice that has resulted will increase our scope of services across many geographies. We are already seeing the benefits in terms of increasing business opportunities.

The merger provided an opportunity for us to further review costs in these businesses and, in addition, we have looked again at costs in our head office. We have been able to implement a number of savings, including property rationalisation and some restructuring of back office operations. There are some non-recurring costs in 2010 related to achieving this ongoing reduced cost base. We will continue to look at opportunities to run our operations more efficiently and to improve financial discipline across the Group. The initiatives undertaken in 2010 are expected to deliver annual savings from 2011 of approximately £5m, but will be offset by investment for organic growth in the merged Kurt Salmon business which is designed to drive revenue growth and profitability in 2011 and beyond. In particular we are looking at selective recruitment, following a period in which investment for growth has necessarily been constrained.

Summary of trading performance

Total revenue for the year ended 31 December 2010 was £270.4m, 2% down on the previous year (2009: £276.5m). MCG is a global business and around 92% of our revenue in 2010 came from outside the UK.

Underlying operating profit in 2010 was down 17%, or £4.7m, to £23.3m (2009: £28.0m). This reflects the impact of the first half loss in Alexander Proudfoot and weaker overall profit performance in Ineum Consulting in the second half, mitigated by the second half recovery in Alexander Proudfoot and a strong performance throughout the year by Kurt Salmon Associates.

The Group is reporting net non-recurring costs of £2.6m (2009: £15.7m), associated with the implementation of the Kurt Salmon merger, further property rationalisation and some personnel restructuring. These initiatives should give rise to benefits to the business in 2011 and beyond.

The charge for amortisation of acquired intangibles was unchanged from the prior year at £2.7m. Consequently the overall profit from operations increased by 88% to £18.0m (2009: £9.6m). The net interest expense, net of investment income, increased to £3.7m (2009: £3.3m). The profit before tax was up 129% to £14.3m (2009: £6.3m).

With an underlying effective tax rate of 36% (2009: 34%) underlying earnings per share were 3.5p (2009: 5.0p), reflecting the dilutive effect of the capital raising and the lower underlying earnings for the year. Basic earnings per share were 2.4p (2009: 0.4p).

The Board has resumed dividend payments starting with the 2010 interim dividend of 0.15p per share paid in January 2011. The Board is recommending, subject to shareholder approval, a total dividend for the year of 0.45p per share (2009: 0.4p per share). The Directors therefore recommend, subject to shareholder approval, a final dividend of 0.3p per share to be paid on 6 July 2011 to shareholders on the register at 10 June 2011. Subject to the Group’s financial position, the Board intends to pursue a progressive dividend policy.

The Group raised net proceeds of £23.6m from the equity raising in June 2010 which significantly reduced net indebtedness. Cash generated by operations was £17.1m, very substantially higher than in the previous year (2009: -£13.5m). As a result net debt at the end of 2010 reduced significantly to £54.4m (2009: £83.5m).

Group structure and strategy

The business is now organised as two trading divisions: Alexander Proudfoot and Kurt Salmon, each of which reports directly to the Group Chief Executive. Kurt Salmon comprises the former businesses of Ineum Consulting and Kurt Salmon Associates, which merged with effect from 1 January 2011. Going forward, MCG will report its segmental results on these two divisional lines.

MCG has a balance of businesses in terms of geographies, industries and sectors. The strategy of MCG is to exploit the platform provided by our existing businesses, which are leaders in their fields, in order to drive organic revenue and margin growth. We have no current intention to make further significant acquisitions. The geographical spread of our businesses and our global office infrastructure will support an increase in operational activity. The merger of Ineum Consulting and Kurt Salmon Associates to form Kurt Salmon enhances our ability to execute this strategy.

We are committed to continuing to deliver efficiencies in the Group's operations at both the divisional and head office levels, and to enhancing financial discipline across the Group. We seek to align the performance of employees in each of our businesses with objectives that are consistent with value creation for our shareholders. We will communicate clearly, regularly and fairly with our shareholders and with other stakeholders in our business.

People

I announced two years ago that I intended to stand down as Executive Chairman of MCG in 2010. I am pleased that the Board was able to put in place a process that enabled a smooth transition to a new Chief Executive during the year.

Nick Stagg joined the Board as an Executive Director in October 2009 and we announced in April 2010 that he would be appointed Chief Executive of the Group with effect from 1 July 2010. Nick has a long and successful history in managing and developing businesses which rely heavily on the motivation and talent of their employees, demonstrating in his previous roles an ability to create significant value for shareholders.

I continued to act as Executive Chairman until the end of 2010, and from that date I have held the role of Non-Executive Chairman.

On 18 June 2010 we welcomed two new non-executive directors to our Board from our new cornerstone equity investor, BlueGem Capital Partners LLP. Marco Capello and Emilio Di Spiezio Sardo have already made a valuable contribution to the Board and I look forward to their continued support.

Craig Smith left the Board on 31 October 2010. I would like to take this opportunity to thank Craig, who had been Group Finance Director since April 2007, for his contribution to the Group during this period.

Chris Povey joined the Board as Group Finance Director on 31 October 2010. Chris joined MCG in 2005 and knows the Group and its operations well, as our former Head of Corporate Finance.

Janet Cohen will step down from the Board at the AGM on 19 April 2011. Janet is our Senior Independent Director and has served on our Board since 2003. I would like to thank her, on behalf of all of the Directors, for her contribution to the Company during this period.

Marco Lopinto will also step down from the Board at the AGM on 19 April 2011, following the completion of his term under the Ineum purchase agreement. I would like to thank him, on behalf of all of the Directors, for his contribution to the Company during his period as a director. Marco will continue in his role as head of the Kurt Salmon strategy practice.

Stephen Ferriss will be our Senior Independent Director from 19 April 2011. Julian Waldron will take over as Chairman of the Audit Committee on the same day.

During the year the Financial Reporting Council published the new UK Corporate Governance Code which recommends the annual re-election of directors for FTSE350 companies. I support this approach and, as shareholders may be aware, have voluntarily offered myself for annual re-election at the AGM over the past few years. The board has now agreed that all directors should seek re-election each year and accordingly resolutions to this effect will be put at the forthcoming AGM.

The success of MCG is built upon our people, many of whom have now experienced a further difficult year for their businesses, with the consequent pressure to perform and deliver results to our clients. I would like to take this opportunity to thank everyone who worked for MCG during 2010 for their support and commitment to the Group during the year.

Summary and outlook

Following a very difficult year for the professional services industry in 2009, parts of our business experienced considerably improved trading conditions in 2010, particularly in the second half, whilst other areas saw the continuing effects of uncertainty in the markets in which we and our clients operate. I am pleased that in these testing conditions we maintained our overall revenues at broadly the same level as the previous year, whilst delivering an increased profit before tax.

We ended the year with some very considerable achievements. Having refinanced the Group we now have the flexibility to invest in our businesses as market conditions improve. We also have a strong and supportive new cornerstone investor and a new Chief Executive who is determined to deliver improved results. The merger of our two complementary consulting businesses to form Kurt Salmon allows us to develop a powerful global business to serve our clients, and we are already seeing benefits in terms of business and recruitment opportunities.

With a more robust balance sheet, a focused team, and an encouraging pipeline, we entered 2011 in a much stronger position than a year previously. Whilst the risks of instability in the global economy remain, our businesses will benefit as economic conditions improve. We have a sound platform for improving our performance and delivering value to our shareholders.

Alan Barber
Non-Executive Chairman
7 March 2011

Group income statement

	Note	**2010** £'000	2009 £'000
Continuing operations			
Revenue	4	**270,426**	276,456
Cost of sales		**(179,784)**	(173,500)
Gross profit		**90,642**	102,956
Administrative expenses – underlying		**(67,374)**	(74,931)
Profit from operations – underlying		**23,268**	28,025
Administrative expenses - non-recurring		**(2,569)**	(15,739)
Profit from operations before amortisation of acquired intangibles		**20,699**	12,286
Administrative expenses - amortisation of acquired intangibles		**(2,701)**	(2,739)
Total administrative expenses		**(72,644)**	(93,409)
Profit from operations	4	**17,998**	9,547
Investment revenues	8	**132**	805
Finance costs	8	**(3,802)**	(4,064)
Profit before tax		**14,328**	6,288
Tax	9	**(5,097)**	(4,932)
Profit for the year from continuing operations		**9,231**	1,356
Profit for the year attributable to owners of the company		**9,231**	1,356

Earnings per share – pence			
From profit for the year attributable to owners of the company			
Basic and diluted	10	**2.4**	0.4
Basic – underlying	10	**3.5**	5.0

Group statement of comprehensive income

	Note	2010 £'000	2009 £'000
Exchange differences on translation of foreign operations		**(4,096)**	(18,166)
Actuarial losses on defined benefit post-retirement obligations		**(3,362)**	(3,802)
Gain on available for sale investments		**309**	717
Current tax		**-**	(96)
Deferred tax		**1,627**	203
Other comprehensive expense for the period		**(5,522)**	(21,144)
Profit for the period		**9,231**	1,356
Total comprehensive income/(expense) the period attributable to owners of the company		**3,709**	(19,788)

Group statement in changes in equity

	Share capital	Share premium	Merger reserve	Share compensation reserve	Shares held by employee benefits trust	Translation reserve	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010	**82,848**	**48,981**	**32,513**	**2,216**	**(1,153)**	**36,925**	**6,103**	**(56,921)**	**151,512**
Profit for the period	-	-	-	-	-	-	-	**9,231**	**9,231**
Exchange differences	-	-	-	-	-	**(4,096)**	-	-	**(4,096)**
Actuarial movements	-	-	-	-	-	-	-	**(3,362)**	**(3,362)**
Profit on AFS investments	-	-	-	-	-	-	**309**	-	**309**
Tax on equity items								**114**	**114**
Tax on items recognised in Group SOCIE	-	-	-	-	-	-	-	**1,627**	**1,627**
Share option charge	-	-	-	**(1,260)**	-	-	-	-	**(1,260)**
Transfer on nil vesting	-	-	-	**1,430**	-	-	-	**(1,430)**	-
Shares issued	**1,149**	**24,144**	-	-	-	-	-	-	**25,293**
Share issue expenses	-	**(1,735)**	-	-	-	-	-	-	**(1,735)**
Shares acquired by employee benefits trust	-	-	-	-	**(1,475)**	-	-	-	**(1,475)**
Shares transferred from employee benefits trust	-	-	-	-	**274**	-	-	-	**274**
Dividends	-	-	-	-	-	-	-	**(657)**	**(657)**
Balance at 31 December 2010	**83,997**	**71,390**	**32,513**	**2,386**	**(2,354)**	**32,829**	**6,412**	**(51,398)**	**175,775**
Balance at 1 January 2009	82,817	48,981	32,513	2,720	(1,296)	55,091	5,386	(51,817)	174,395
Profit for the period	-	-	-	-	-	-	-	1,356	1,356
Exchange differences	-	-	-	-	-	(18,166)	-	-	(18,166)
Actuarial movements	-	-	-	-	-	-	-	(3,802)	(3,802)
Profit on AFS investments	-	-	-	-	-	-	717	-	717
Tax on equity items	-	-	-	-	-	-	-	(155)	(155)
Tax on items recognised in Group SOCIE	-	-	-	-	-	-	-	107	107
Reclassification	-	-	-	(1,624)	-	-	-	1,624	-
Share option charge	-	-	-	1,120	-	-	-	-	1,120
Shares issued	31	-	-	-	-	-	-	-	31
Shares acquired by the EBT	-	-	-	-	(114)	-	-	-	(114)
Shares transferred from the EBT	-	-	-	-	257	-	-	-	257
Dividends	-	-	-	-	-	-	-	(4,234)	(4,234)
Balance at 31 December 2009	82,848	48,981	32,513	2,216	(1,153)	36,925	6,103	(56,921)	151,512

Group balance sheet

	Note	2010 £'000	2009 £'000
Non-current assets			
Intangible assets		**276,923**	283,748
Property, plant and equipment		**2,846**	4,505
Investments		**3,183**	2,977
Deferred tax assets		**19,078**	17,856
Total non-current assets		**302,030**	309,086
Current assets			
Trade and other receivables		**76,589**	76,331
Cash and cash equivalents		**25,710**	23,965
Total current assets		**102,299**	100,296
Total assets		**404,329**	409,382
Current liabilities			
Financial liabilities		**(39,059)**	(53,151)
Trade and other payables		**(94,772)**	(100,079)
Current tax liabilities		**(12,630)**	(13,293)
Total current liabilities		**(146,461)**	(166,523)
Net current liabilities		**(44,162)**	(66,227)
Non-current liabilities			
Financial liabilities		**(41,050)**	(54,362)
Retirement benefit obligations		**(25,705)**	(23,248)
Non-current tax liabilities		**(7,040)**	(7,959)
Long-term provisions		**(8,298)**	(5,778)
Total non-current liabilities		**(82,093)**	(91,347)
Total liabilities		**(228,554)**	(257,870)
Net assets		**175,775**	151,512

Group balance sheet *continued*

Equity		
Share capital	**83,997**	82,848
Share premium account	**71,390**	48,981
Merger reserve	**32,513**	32,513
Share compensation reserve	**2,386**	2,216
Shares held by employee benefits trust	**(2,354)**	(1,153)
Translation reserve	**32,829**	36,925
Other reserves	**6,412**	6,103
Retained earnings	**(51,398)**	(56,921)
Total equity attributable to owners of the company	**175,775**	151,512

Group cash flow statement

	Note	**2010**	2009
		£'000	£'000
Net cash inflow/(outflow) from operating activities	11	**10,426**	(18,490)
Investing activities			
Interest received		**132**	805
Purchases of property, plant and equipment		**(471)**	(1,419)
Purchases of intangible assets		**(1,592)**	(1,093)
Proceeds on disposal of fixed assets		**68**	-
Purchase of financial assets		**(21)**	(363)
Proceeds on disposal of investments		**214**	738
Net cash used in investing activities		**(1,670)**	(1,332)
Financing activities			
Reclassification from investments		**-**	3,848
Interest paid		**(2,554)**	(4,264)
Dividends paid	6	**-**	(4,234)
Proceeds from borrowings		**18,966**	31,237
Repayment of borrowings		**(48,545)**	(18,343)
Proceeds on issue of shares		**23,559**	143
Net cash (used in)/raised by financing activities		**(8,574)**	8,387
Net increase/ (decrease) in cash and cash equivalents		**182**	(11,435)
Cash and cash equivalents at beginning of year		**23,965**	35,761
Effect of foreign exchange rate changes		**1,563**	(361)
Cash and cash equivalents at end of year		**25,710**	23,965

Notes

1. Basis of preparation

The financial information included in this statement does not constitute the company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 Companies Act 2006.

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

The Group's Annual Report and Accounts and notice of Annual General Meeting will be sent to shareholders on 18 March 2011 and will be available at the Company's registered office at 10 Fleet Place, London, EC4M 7RB, United Kingdom and on our website: www.mcgplc.com.

The Annual General Meeting will be held at 1.30pm on 19 April 2011 at the offices of Baker & McKenzie LLP, 100 New Bridge Street, London, EC4V 6JA.

2. Accounting policies

The financial information has been prepared in accordance with IFRSs. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (as at 31 December 2010). The policies have been consistently applied to all the periods presented.

Full details of the Group's accounting policies can be found in the 2009 Annual Report in note 2 which is available on our website: www.mcgplc.com.

3. Going concern

In June 2010 the Group raised additional capital of £25.0 million (£23.6 million net of expenses) which significantly strengthened the balance sheet. The Group has committed borrowing facilities until September 2012, together with a balanced and broad-based business which is not reliant on any one industrial sector or geography. The Group prepares regular business forecasts and monitors its projected compliance with its financial covenants for the committed facilities. These are reviewed by the Board. Forecasts are adjusted for sensitivities, which address the principal risks to which the Group is exposed, and consideration given to actions open to management to mitigate the impact of these sensitivities. There is sufficient working capital headroom and the Group has met all covenant tests. As a consequence, the directors believe that that Group is well placed to manage its business risks successfully and as such the Group's financial statements have been prepared on a going concern basis.

4. Segmental information

In 2010 the Group's operating segments are defined as the three professional services practices, Alexander Proudfoot, Ineum Consulting and Kurt Salmon Associates. The three operating segments are combined into one reportable segment owing to similar underlying economic characteristics across all three practices. This is the basis on which information was provided to the Board of Directors for the purposes of allocating certain resources within the Group and assessing the performance of the business. The Board of Directors also receives information based on geography; the segments for this purpose are Americas, Europe and Rest of World. All revenues are derived from the provision of professional services.

(a) Geographical analysis

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

(i) Revenue and underlying operating profit by geography

Year ended 31 December 2010	**Americas £'000**	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Revenue - continuing operations	**96,480**	**158,819**	**15,127**	**270,426**
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	**8,596**	**12,820**	**1,852**	**23,268**
Non-recurring expenses and amortisation of acquired intangibles	**(1,619)**	**(3,553)**	**(98)**	**(5,270)**
Profit from operations	**6,977**	**9,267**	**1,754**	**17,998**
Investment income				**132**
Finance costs				**(3,802)**
Profit before tax				**14,328**

Year ended 31 December 2009	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Revenue - continuing operations	93,346	167,943	15,167	276,456
Profit from operations before non-recurring expenses and amortisation of acquired intangibles	8,663	15,653	3,709	28,025
Non-recurring expenses and amortisation of acquired intangibles	(6,329)	(9,942)	(2,207)	(18,478)
Profit from operations	2,334	5,711	1,502	9,547
Investment income				805
Finance costs				(4,064)
Profit before tax				6,288

The revenue and underlying profit for Europe includes the Group's operations in the UK, which represented 8% *of total Group revenue in 2010 (2009: 5%).*

(ii) Net assets by geography

At 31 December 2010	**Americas £'000**	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Assets				
Intangibles, including goodwill	**117,016**	**159,906**	**-**	**276,923**
Other segment assets	**41,290**	**72,760**	**9,463**	**123,513**
	158,306	**232,666**	**9,463**	**400,436**
Unallocated corporate assets				**3,894**
Consolidated total assets				**404,329**
Liabilities				
Segment liabilities	**(99,139)**	**(108,489)**	**(6,636)**	**(214,264)**
Unallocated corporate liabilities				**(14,290)**
Consolidated total liabilities				**(228,554)**
Net assets				**175,775**

At 31 December 2009	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Assets				
Intangibles, including goodwill	107,589	176,159	-	283,748
Other segment assets	25,689	61,762	3,108	90,559
	133,278	237,921	3,108	374,307
Unallocated corporate assets				35,075
Consolidated total assets				409,382
Liabilities				
Segment liabilities	(43,290)	(64,069)	(5,512)	(112,871)
Unallocated corporate liabilities				(144,999)
Consolidated total liabilities				(257,870)
Net assets				151,512

(iii) Capital additions, depreciation and amortisation by geography

Year ended 31 December 2010	**Americas £'000**	**Europe £'000**	**Rest of World £'000**	**Group £'000**
Capital additions	**808**	**1,208**	**7,692**	**2,024**
Unallocated corporate additions				**23**
Total capital additions				**2,047**
Depreciation and amortisation	**2,314**	**3,346**	**60**	**5,720**

Year ended 31 December 2009	Americas £'000	Europe £'000	Rest of World £'000	Group £'000
Capital additions	410	469	174	1,053
Unallocated corporate additions				689
Total capital additions	410	469	174	1,742
Depreciation and amortisation	1,778	3,244	101	5,123

(b) Revenue and underlying operating profit by operating segment

The three operating segments are combined into one reportable segment owing to similar underlying economic characteristics across all three practices. Not all significant non-recurring items and financial items can be allocated to the practices and are therefore disclosed for the reportable segment as a whole. Assets and liabilities by practice are not reviewed by the Board and are therefore not disclosed.

Year ended 31 December 2010	Alexander Proudfoot £'000	Ineum Consulting £'000	Kurt Salmon Associates £'000	Total £'000
Revenue - continuing operations	**62,252**	**128,884**	**79,290**	**270,426**
Underlying operating profit	**4,898**	**9,188**	**9,182**	**23,268**
Non-recurring expenses and amortisation of acquired intangibles				**(5,270)**
Profit from operations				**17,998**
Investment income				**132**
Finance costs				**(3,802)**
Profit before tax				**14,328**

Year ended 31 December 2009	Alexander Proudfoot £'000	Ineum Consulting £'000	Kurt Salmon Associates £'000	Total £'000
Revenue - continuing operations	71,171	142,239	63,046	276,456
Underlying operating profit	11,996	12,497	3,532	28,025
Non-recurring expenses and amortisation of acquired intangibles				(18,478)
Profit from operations				9,547
Investment income				805
Finance costs				(4,064)
Profit before tax				6,288

Inter-segmental sales were not significant.

5. Profit/(loss) before tax

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

	Note	**2010** **£'000**	2009 £'000
Foreign exchange gains / (losses)		**112**	(32)
Amortisation of intangible assets		**4,198**	3,597
Depreciation of property, plant and equipment		**1,521**	1,526
Loss on disposal of fixed assets		**19**	299
Non-recurring items		**2,569**	15,739
Staff costs	7	**166,552**	161,613

Non-recurring items in 2010 comprise £2.3m in relation to the merger and integration of Ineum Consulting and Kurt Salmon Associates, £2.2m in relation to property restructuring, £1.1m in relation to restructuring costs and a £3.0m income which is the release of part of a legal provision.

6. Dividends

	2010	2009
	£'000	£'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 December 2008 0.9p per share	-	2,931
Interim dividend for the year ended 31 December 2010 of 0.15p (2009:0.40p) per share	**657**	1,303
	657	4,234

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 2010 (in respect of the interim dividend for the year ended 31 December 2010) was £12,729 (2009: £73,806).
No final dividend was paid in relation to 2009. The 2010 interim dividend of 0.15p per share was paid on 6 January 2011. The directors propose a final dividend for the year ended 31 December 2010 of 0.30p per share.

7. Staff numbers and costs

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

	2010	2009
	Number	Number
Sales and marketing	96	91
Consultants	1,335	1,386
Support staff	253	291
	1,684	1,768

The number of Group employees at the year end was 1,678 (2009: 1,641).

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£'000	£'000
Wages and salaries	**132,348**	126,654
Social security costs	**30,746**	32,138
Other pension costs	**3,458**	2,821
	166,552	161,613

8. Investment revenues and finance costs

Investment revenues	2010	2009
	£'000	£'000
Interest receivable on bank deposits and similar income	132	805

Finance costs	2010	2009
	£'000	£'000
Interest payable on bank overdrafts and loans and similar charges	**(3,468)**	**(3,310)**
Finance costs on retirement benefit plans	**(334)**	**(754)**
	(3,802)	**(4,064)**

9. Tax

	2010	2009
	£'000	£'000
Tax in respect of current year		
Foreign tax	**7,323**	8,896
Deferred tax - acquired intangible assets	**122**	(110)
Deferred tax - temporary differences and other	**(1,800)**	7,300
Deferred tax - tax losses	**1,593**	(6,535)
Deferred tax - US goodwill	**270**	2,434
Total deferred tax	**185**	3,089
Total current year tax	**7,508**	11,985
Prior year current taxation	**(1,308)**	(3,622)
Total tax expense on underlying profit	**6,200**	8,363
Tax in respect of non-recurring items		
Foreign tax	**(763)**	(3,877)
Deferred tax - temporary differences and other	**(340)**	446
Total tax expense	**5,097**	4,932

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Earnings per share

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

	2010	2009
Earnings	**£'000**	£'000
Earnings for the purposes of basic earnings per share and diluted earnings per share being net profit attributable to equity holders of the parent	**9,231**	1,356
Non-recurring items	**2,569**	15,739
Non-recurring items - tax	**(1,103)**	(3,431)
Amortisation of acquired intangibles	**2,701**	2,739
Earnings for the purpose of basic earnings per share excluding non-recurring items and amortisation of acquired intangibles	**13,398**	16,403

	Number	Number
Number of shares	**(million)**	(million)
Weighted average number of ordinary shares for the purposes of basic earnings per share, and basic excluding non-recurring items and amortisation of acquired intangibles	**384.4**	326.1
Effect of dilutive potential ordinary shares:		
- warrants and performance share plan	**5.0**	9.4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**389.4**	335.5

	Pence	Pence
Basic and diluted earnings per share attributable to owners of the company	**2.4**	0.4
Basic earnings per share - excluding non-recurring items and amortisation of acquired intangibles	**3.5**	5.0

The average share price for the year ended 31 December 2010 was 23.4p (2009: 26.0p).

11. Notes to the cash flow statement

	2010 £'000	2009 £'000
Profit from operations	**17,998**	9,547
Adjustments for:		
Depreciation of property, plant and equipment	**1,521**	1,526
Amortisation of intangible assets	**4,198**	3,597
Loss on disposal of plant and equipment	**19**	633
Adjustment for pension funding	**-**	303
Adjustment for share options charge	**(1,260)**	1,120
Other non cash movements	**(1,389)**	-
Increase/(decrease) in provisions	**2,250**	(2,313)
Operating cash flows before movements in working capital	**23,337**	14,413
Decrease in receivables	**1,530**	8,509
Decrease in payables	**(7,761)**	(36,400)
Cash generated/(absorbed) by operations	**17,106**	(13,478)
Income taxes paid	**(6,680)**	(5,012)
Net cash inflow/ (outflow) from operating activities	**10,426**	(18,490)